



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

2020 INTERIM REPORT



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Corporate Information

DIRECTORS

Executive Directors

Mr. John Yi Zhang (*Chairman*)

Mr. Zhang Zhen

Non-executive Directors

Mr. Dai Ji

Mr. Qiao Fenglin

Independent non-executive Directors

Mr. Kang Sun

Mr. Leung Ming Shu

Mr. Xu Erming

Mr. Ma Teng

COMPANY SECRETARY

Ms. Lau Ling Yun Agnes

AUTHORISED REPRESENTATIVES

Mr. John Yi Zhang

Mr. Qiao Fenglin

AUDIT COMMITTEE

Mr. Leung Ming Shu (*Chairman*)

Mr. Kang Sun

Mr. Xu Erming

Mr. Ma Teng

NOMINATION COMMITTEE

Mr. John Yi Zhang (*Chairman*)

Mr. Kang Sun

Mr. Leung Ming Shu

Mr. Xu Erming

Mr. Ma Teng

Mr. Qiao Fenglin

REMUNERATION COMMITTEE

Mr. Leung Ming Shu (*Chairman*)

Mr. John Yi Zhang

Mr. Kang Sun

Mr. Xu Erming

Mr. Ma Teng

Mr. Qiao Fenglin

CORPORATE GOVERNANCE COMMITTEE

Mr. John Yi Zhang (*Chairman*)

Mr. Leung Ming Shu

SIGNIFICANT PAYMENTS COMMITTEE

Mr. John Yi Zhang (*Chairman*)

REGISTERED OFFICE

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Hutchins Drive

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Grand Cayman KY1-1111

Cayman Islands

HEADQUARTERS

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Nanhui Industrial Zone

Shanghai 201314

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

COMPANY'S WEBSITE

www.comtecsolar.com

AUDITOR

Mazars CPA Limited

LEGAL ADVISERS AS TO HONG KONG LAW

Luk & Partners

In Association with

Morgan, Lewis & Bockius

Financial Summary

Results	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Turnover	28,490	66,845	100,246	314,193	491,149
(Loss) Profit before interest expenses and taxation	(21,152)	(13,770)	(96,966)	28,034	(1,655)
Interest expense	(11,390)	(12,982)	(7,278)	(8,278)	(5,045)
(Loss) Profit before taxation	(32,542)	(26,752)	(104,244)	19,756	(6,700)
Taxation	10	99	(761)	(11,632)	295
(Loss) Profit and total comprehensive (expenses) income for the Period	(32,532)	(26,653)	(105,005)	8,124	(6,405)
(Loss) Profit and total comprehensive (expenses) income for the Period attributable to					
Owners of the Company	(31,161)	(23,958)	(100,621)	8,783	(6,405)
Non-controlling interests	(1,371)	(2,695)	(4,384)	(659)	–
	(32,532)	(26,653)	(105,005)	8,124	(6,405)
Assets and liabilities	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	393,031	504,597	724,689	1,057,787	2,006,918
Total liabilities	(447,873)	(454,861)	(590,793)	(764,215)	(874,885)
Shareholders' funds	(54,842)	49,736	133,896	293,572	1,132,033
Attributable to					
Owners of the Company	(52,481)	43,707	133,440	285,409	1,132,033
Non-controlling interests	(2,361)	6,029	456	8,163	–
	(54,842)	49,736	133,896	293,572	1,132,033

Chairman's Statement

Dear Shareholders,

On behalf of Comtec Solar Systems Group Limited, I am pleased to present the unaudited interim results of the Group for the six months ended 30 June 2020. Here are some financial and business highlights for the Period:

- Revenue for the Period was approximately RMB28.5 million, representing a decrease of 57.3% from approximately RMB66.8 million for the corresponding period in 2019;
- Gross loss for the Period was approximately RMB0.9 million, representing an increase by approximately 800.0%, from approximately RMB0.1 million for the corresponding period in 2019;
- Gross loss margin for the Period was approximately 3.2%, comparing to the gross loss margin of 0.1% for the corresponding period in 2019;
- Net losses attributable to the owners of the Company for the Period was approximately RMB31.2 million, representing an increase by approximately 30.0%, from approximately RMB24.0 million for the corresponding period in 2019;
- Net losses margin attributable to the owners of the Company for the Period was approximately 109.5%, comparing to the net loss margin of 35.9% for the corresponding period in 2019;
- Our loss per share for the Period was RMB4.5 cents, comparing to the adjusted loss per share of 4.6 cents for the corresponding period in 2019; and
- Maintained cash and restricted cash balances of approximately RMB29.0 million.

During the Period, we proactively executed various strategies to navigate this challenging macro environment. We tried to further reduce our operating expenses, cash outflows and be prepared for any opportunities to appear when the economy improves.

Chairman's Statement

In order to increase our profit and enhance our 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 2020, the Group has completed grid connection for its downstream rooftop distributed generation projects of approximately 16.7MW 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 2020, the Group has sold grid-connected downstream rooftop distributed generation projects of approximately 6.0MW 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 the future. In additions, we provide engineering, purchasing and construction (EPC) services for downstream rooftop distributed generation projects to customers. We have completed projects of approximately 3.3MW during the Period.

In addition, we have started certain projects of approximately 16.2MW for 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. These to-build projects are mainly located in the regions of Zhejiang, Shandong, Anhui, Fujian, Hebei, Henan, Hubei, and Hunan. 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 completing 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 cash flow management with more flexibility. We expect this business model will be the major focus of our downstream business in the future. During the Period, we contacted various potential customers regarding the pricing and payment terms for our completed projects as well as the to-built projects. We also continuously evaluated the estimated cost of constructions and tried to maximize our potential profits from operations. Where appropriate, we reduced employee headcounts and strictly controlled the operating expenses.

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. 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. However, we still remain confident in the long term developments and growth prospects of the electric vehicle industry and the power storage industry which would drive the growth and profitability of Kexin in the future. We have noted material increases in enterprise value of Kexin since 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 the future.

Chairman's Statement

During the Period, we continued to reduce our fixed costs of operation and our fixed assets in the manufacturing business segment. We further reduced the scale of our remaining upstream manufacturing business which recorded operating losses in the last few years. Where appropriate, we reduced employee headcounts and disposed 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 are also actively considering disposing of our factories in Shanghai and Haian, if we receive an attractive offer from any potential buyer. It is part of the strategies to improve our operating efficiencies so as to remain flexible and enable us to adapt to the challenging economic environment.

On 31 December 2019 (after trading hours), Mr. Sun Da, an independent third party, and the Company entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 104,885,179 subscriptions shares at subscriptions price of HK\$0.1 per share to Mr. Sun Da. The subscription were completed on 28 February 2020 with the 104,885,179 subscription shares allotted and issued to Mr. Sun Da, generating the net proceeds of approximately HK\$10.3 million which represented a net subscription price of approximately HK\$0.098 per subscription share. The net proceeds are expected to be used for the general working capital of the Group. As at the date of this announcement, the net proceeds have been used as general working capital of the Group. Please refer to the announcement of the Company dated 2 January 2020 for further details.

Given the current economic environment, it is clear that strict financial discipline is essential to our success. Our financial position has further improved after the closing of the Subscriptions. 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. We expect that our management will continue to be able to do so in the foreseeable future. Also, we had downstream projects with net book value of approximately RMB52.4 million as of 30 June 2020. 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 of other assets and properties when we receive attractive offers or require additional funding. As we are in the process of downsizing our upstream 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 RMB164.4 million in total as of 30 June 2020 (included buildings, investment properties, and prepaid lease payments in the financial statements), if we receive an attractive offer from potential buyers. In 2019, we disposed of 9.9% equity interest in Kexin to The9 and 1111 and received 3,444,882 Class A ordinary shares in the capital of The9 as consideration for such disposal. Please refer to the announcement of the Company dated 17 June 2019 for further details. During the Period, we disposed of the shares of The9 and utilized the proceeds of approximately RMB6.5 million for the same as working capital for operations of the Group. In additions, although there is no assurance that the Group will be able to refinance its short-term bank loans when they become due, historically, the Group has rolled over or obtained replacement borrowings from existing credit for most of its short-term bank loans upon the maturity date of the loans. Per our latest discussions with the bank providing us short-term bank loans in PRC, they would still maintain such historical practices and the Group has assumed it will continue to be able to do so for the foreseeable future. In addition, we implemented and will continue to implement a balanced financing plan to support our business operations.

Chairman's Statement

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, 31 August 2020

Management Discussion and Analysis

BUSINESS REVIEW

During the Period, the Group was still under a process to restructure its business. We plan 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. In additions, we further reduced the scale of our remaining upstream manufacturing business which recorded operating losses in the last few years. We proactively executed various strategies to navigate this challenging macro environment. We tried to further reduce our operating expenses, cash outflows and be prepared for any opportunities to appear when the economy improves.

In order to increase our profit and enhance our 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 2020, the Group has completed grid connection for its downstream rooftop distributed generation projects of approximately 16.7MW 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 2020 the Group has sold grid-connected downstream rooftop distributed generation projects of approximately 6.0MW 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 additions, we provide engineering, purchasing, and constructions (the “EPC”) services for downstream rooftop distributed generation projects to customers. We have completed projects of approximately 3.3MW during the Period.

In addition, we have started certain projects of approximately 16.2MW for 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. These to-build projects are mainly located in the regions of Zhejiang, Shandong, Anhui, Fujian, Hebei, Henan, Hubei, and Hunan. 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 completing 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 installments depending on construction progress milestones. This can provide our cash flow management with more flexibility. We expect this business model will be the major focus of our downstream business in the future. During the Period, we contacted various potential customers regarding the pricing and payment terms for our completed projects as well as the to-built projects. We also continuously evaluated the estimated cost of constructions and tried to maximize our potential profits from operations. Where appropriate, we reduced employee headcounts and strictly controlled the operating expenses.

Management Discussion and Analysis

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. 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. However, we still remain confident in the long term the developments and growth prospects of the electric vehicle industry and the power storage industry which would drive the growth and profitability of Kexin in the future. We have noted material increases in enterprise value of Kexin since 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 the future.

During the Period, we continued to reduce our fixed costs of operation and our fixed assets in the manufacturing business segment. We further reduced the scale of our remaining upstream manufacturing business which recorded operating losses in the last few years. Where appropriate, we reduced employee headcounts and disposed of fixed assets which were low in utilization. We also rented out certain idle spaces in our factories and intend to continue doing the same. We are also actively considering disposing of our factories in Shanghai and Haian, if we receive an attractive offer from any potential buyer. It is part of the strategies to improve our operating efficiencies so as to remain flexible and enable us to adapt to the challenging economic environment.

On 31 December 2019 (after trading hours), Mr. Sun Da, an independent third party, and the Company entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 104,885,179 subscriptions shares at subscriptions price of HK\$0.1 per share to Mr. Sun Da. The subscription was completed on 28 February 2020 with the 104,885,179 subscription shares allotted and issued to Mr. Sun Da, generating the net proceeds of approximately HK\$10.3 million which represented a net subscription price of approximately HK\$0.098 per subscription share. The net proceeds are expected to be used for the general working capital of the Group. As at the date of this announcement, the net proceeds have been used as general working capital of the Group. Please refer to the announcement of the Company dated 2 January 2020 for further details.

Management Discussion and Analysis

Given the current economic environment, it is clear that strict financial discipline is essential to our success. Our financial position has further improved after the closing of the subscriptions. 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. We expect that our management will continue to be able to do so in the foreseeable future. Also, we had downstream projects with net book value of approximately RMB52.4 million as of 30 June 2020. 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 of other assets and properties when we receive attractive offers or require additional funding. As we are in the process of downsizing our upstream 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 RMB164.4 million in total as of 30 June 2020 (included buildings, investment properties, and prepaid lease payments in the financial statements), if we receive an attractive offer from potential buyers. In 2019, we disposed of 9.9% equity interest in Kexin to The9 and 1111 and received 3,444,882 Class A ordinary shares in the capital of The9 as consideration for such disposal. Please refer to the announcement of the Company dated 17 June 2019 for further details. During the Period, we disposed of the shares of The9 and utilized the proceeds of approximately RMB6.5 million for the same as working capital for operations of the Group. In additions, although there is no assurance that the Group will be able to refinance its short-term bank loans when they become due, historically, the Group has rolled over or obtained replacement borrowings from existing credit for most of its short-term bank loans upon the maturity date of the loans. Per latest discussions with the bank providing us short-term bank loans in PRC, they would still maintain such historical practices and the Group has assumed it will continue to be able to do so for the foreseeable future. In addition, we implemented and will continue to implement a balanced financing plan to support our business operations.

Revenues from our top five customers during the Period represented approximately 90.7% of our total revenues, compared to approximately 60.5% in the corresponding period last year. The sales to our largest customer accounted for approximately 51.6% of our total revenues in the Period, as compared to approximately 17.0% in the corresponding period in 2019.

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 in our ability 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 RMB38.3 million, or 57.3%, from RMB66.8 million for the corresponding period in 2019 to RMB28.5 million for the Period, primarily as a result of the decrease in revenue of our upstream solar manufacturing business and our lithium batteries and power storage system business, although such decrease was partially mitigated by the increase in revenue from our downstream solar business.

Revenue from sales of wafers decreased by RMB2.0 million, or 76.9%, from RMB2.6 million for the corresponding period in 2019 to RMB0.6 million for the Period. It was primarily the result of the decrease in sales volume of 156 mm x 156 mm monocrystalline solar wafers by approximately 78.7%, respectively, as compared to their respective sales during the corresponding period in 2019. In addition, there was no sales of ingots during the Period comparing to RMB2.1 million for the corresponding period in 2019.

During the Period, we further reduced the scale of our remaining upstream manufacturing business which recorded operating losses in the last few years. We continued to reduce our fixed costs of operation and our fixed assets in the manufacturing business segment. Where appropriate, we reduce employee headcounts and dispose 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 are also actively considering disposing of our factories in Shanghai and Hai'an, if we receive an attractive offer from any potential buyer. It is part of the strategies to improve our operating efficiencies so as to remain flexible and enable us to adapt to the challenging economic environment.

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 RMB16.5 million for the Period, decreasing of approximately 31.8% from RMB24.2 million for the correspond period in 2019. 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.

Management Discussion and Analysis

Revenue from our downstream solar business mainly included engineering, purchasing, and constructions (the “EPC”) management service income, solar project development service income and power generation income. Such incomes increased by approximately RMB5.7 million, or 105.6%, from RMB5.4 million for the corresponding period in 2019 to RMB11.1 million for the Period. Such revenues increases were mainly due to our continuous efforts and progress on project developments 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 at 30 June 2020, the Group has completed grid connection for its downstream rooftop distributed generation projects of approximately 16.7MW 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 2020, the Group has sold grid-connected downstream rooftop distributed generation projects of approximately 6.0MW 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 the future. In additions, we provide EPC services for downstream rooftop distributed generation projects to customers. We have completed projects of approximately 3.3MW during the Period. Also, we have started certain projects of approximately 16.2MW 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. These to-build projects are mainly located in the regions of Zhejiang, Shandong, Anhui, Fujian, Hebei, Henan, Hubei, and Hunan. 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) 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.

Revenue by geographical market

In relation to the geographical analysis of our revenue 100% (2019: 98.7%) of total revenue for the Period was generated from our sales in China.

Cost of sales and services

Cost of sales and services decreased by RMB37.5 million, or 56.1%, from RMB66.9million for the corresponding period in 2019 to RMB29.4 million for the Period, which was in line with the decrease of revenue during the Period.

Overall, the year-on-year decrease in costs of sales and services of approximately 56.1% was similar to the year-on-year decrease in revenue of approximately 57.3%.

Management Discussion and Analysis

Gross (loss) profit

During the Period, the Group recorded gross loss of approximately RMB0.9 million, representing an increase of approximately 800.0% from the gross losses of approximately RMB0.1 million for the corresponding period in 2019. It was primarily due to the aforementioned factors.

Other income

During the Period, other income was approximately RMB3.0 million, representing a decrease of approximately RMB1.4 million, or 31.8%, from RMB4.4 million for the corresponding period in 2019, which was mainly due to the decrease in government subsidy incomes received in the Period.

Other gains and losses

Other losses were approximately RMB1.1 million during the Period, representing a turnaround from other gains of RMB17.9 million for the corresponding period in 2019. For the Period, the other losses mainly included net foreign exchange losses of approximately RMB1.5 million. Other gains for the corresponding period in 2019 mainly included: (i) gains on disposal of property, plant and equipment of approximately RMB4.3 million, (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 of approximately RMB5.9 million. Such gains were not incurred during the Period. Thus the Group turned around and recorded other losses of approximately RMB1.1 million during the Period from the other gains of approximately RMB17.9 million for the corresponding period in 2019.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB1.5 million, or 75.0%, from RMB2.0 million for the corresponding period in 2019 to RMB0.5 million for 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 RMB11.1 million, or 34.6%, from RMB32.1 million for the corresponding period in 2019 to RMB21.0 million for the Period, which was mainly due to our continuous efforts to reduce operating expenses.

Interest expenses

Interest expenses decreased by RMB1.6 million from RMB13.0 million for the corresponding period in 2019 to RMB11.4 million for the Period. There was no material fluctuation of the interest expense.

Profit (loss) before taxation

Loss before taxation was approximately RMB32.5 million for the period, increased by RMB5.7 million, or 21.3%, from approximately RMB26.8 million for the corresponding Period in 2019, due to the aforementioned factors.

Management Discussion and Analysis

Taxation

The Group recorded tax credits of approximately RMB0.01 million during the Period, decreasing from tax credits of approximately RMB0.1 million for the corresponding period in 2019.

Profit (loss) for the Period

The Group recorded a loss and total comprehensive expenses attributable to the owners of the Company of approximately RMB31.2 million during the period, increased by RMB7.2 million, or 30.0%, from approximately RMB24.0 million for the corresponding period in 2019, primarily attributable to the aforementioned factors. Accordingly, the Group recorded net loss margin of 109.5% for the Period, as compared to the net losses margin of 35.9% for the corresponding period in 2019.

Interim dividend

The Board resolved not to declare an interim dividend for the Period (six months ended 30 June 2019:nil).

Inventory turnover days

There was a decrease in inventory balance of 14.2% from RMB18.3 million as at 31 December 2019 to RMB15.7 million as at 30 June 2020. It was mainly due to the Group's efforts to downsize the scale of its traditional manufacturing wafer business and to manage its inventory level. The inventory turnover days as at 30 June 2020 totaled 96 days (31 December 2019: 71 days).

Trade receivable turnover days

There was an increase in trade receivable balance of 34.9% from RMB18.6 million as at 31 December 2019 to RMB25.1 million as at 30 June 2020. The trade receivable turnover days as at 30 June 2020 totaled 159 days (31 December 2019: 73 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 159 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 3.1% from RMB55.7 million as at 31 December 2019 to RMB54.0 million as at 30 June 2020. The trade payable turnover days as at 30 June 2020 totaled 332 days (31 December 2019: 216 days). The group has obtained continuous supports from suppliers during the challenging industry environment.

Management Discussion and Analysis

Liquidity and financial resources

The Group's principal sources of working capital included bank borrowings and the proceeds from issue of equity or debt securities. As at 30 June 2020, the Group's current ratio (current assets divided by current liabilities) was 0.4 (31 December 2019: 0.4) and it was in a net debt position of approximately RMB137.5 million (31 December 2019: approximately RMB125.0 million). The gearing ratio (total liabilities divided by total equity) was (8.2) (31 December 2019: (13.7)). The Group had a working capital deficit (total consolidated current liabilities exceeded total consolidated current assets) of RMB193.2 million as of 30 June 2020 (31 December 2019: approximately RMB189.5 million). Also, the Group recorded net liabilities of approximately RMB54.8 million as of 30 June 2020 (31 December 2019: approximately RMB31.9 million).

On 31 December 2019 (after trading hours), Mr. Sun Da, an independent third party, and the Company entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 104,885,179 subscriptions shares at subscriptions price of HK\$0.1 per share to Mr. Sun Da. The subscription were completed on 28 February 2020 with the 104,885,179 subscription shares allotted and issued to Mr. Sun Da, generating the net proceeds of approximately HK\$10.3 million which represented a net subscription price of approximately HK\$0.098 per subscription share. The net proceeds are expected to be used for the general working capital of the Group. As at the date of this report, the net proceeds have been used as general working capital of the Group. Please refer to the announcement of the Company dated 2 January 2020 for further details.

The proceeds from closing of the Subscription helped to improve the Company's financial positions. 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.

Also, we had downstream projects and right-of-use assets with net book value of approximately RMB52.4 million as of 30 June 2020. 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 of our factories at Shanghai and Haian with net book value of approximately RMB164.4 million in total as of 30 June 2020 (included buildings, investment properties, and leasehold land included in right-of-use assets in the consolidated financial statements), if we receive an attractive offer from potential buyers.

Management Discussion and Analysis

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 depository 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 disposed of the shares of The9 during the Period in the open market and utilized the proceeds of approximately RMB6.5 million for the same as working capital for operations of the Group.

In additions, although there is no assurance that the Group will be able to refinance its short-term bank loans when they become due, historically, the Group has rolled over or obtained replacement borrowings from existing credit for most of its short-term bank loans upon the maturity date of the loans. Per latest discussions with the bank providing us with short-term bank loans in the PRC, they would still maintain such historical practices and the Group has assumed it will continue to be able to do so for the foreseeable future.

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

Capital commitments

As at 30 June 2020, the Group's capital commitment was nil (31 December 2019: nil). The Group currently has no plan to further expand its production capacity of traditional solar manufacturing business. In addition, the Group would carefully plan for the expansion of its downstream solar business and power storage business which would depend on and subject to the market conditions and opportunities.

Contingent liabilities

As at 30 June 2020, the Group had no material contingent liability (31 December 2019: nil).

Related party transactions

As at 30 June 2020, included in trade and other payables were approximately RMB0.3 million (31 December 2019: RMB3.8 million) payable to the subsidiaries of the joint venture of the Company and contract liabilities of approximately RMB8.06 million (31 December 2019: RMB10.9 million) received from the joint venture of the Company.

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.

Management Discussion and Analysis

Charges on group assets

As at 30 June 2020, the Group had restricted cash of approximately RMB22.7 million (31 December 2019: RMB22.4 million), and pledged its buildings, investment properties, right-of-use assets, inventories and trade receivables with net book values of approximately RMB91.9 million (31 December 2019: RMB93.0 million), approximately RMB86.0 million (31 December 2019: RMB86.0 million), approximately RMB17.9 million (31 December 2019: RMB19.1 million), approximately RMB7.3 million (31 December 2019: RMB4.0 million), and approximately RMB0.8 million (31 December 2019: RMB0.7 million) respectively, to various parties to secure financing facilities granted to the Group. Save as disclosed above, as at 30 June 2020, 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 and disposal of subsidiaries.

Use of proceeds

On 31 December 2019 (after trading hours), Mr. Sun Da, an independent third party, and the Company entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue 104,885,179 subscriptions shares at subscriptions price of HK\$0.1 per share to Mr. Sun Da. The subscription were completed on 28 February 2020 with the 104,885,179 subscription shares allotted and issued to Mr. Sun Da, generating the net proceeds of approximately HK\$10.3 million which represented a net subscription price of approximately HK\$0.098 per subscription share. The net proceeds are expected to be used for the general working capital of the Group. As at the date of this announcement, the net proceeds have been used as general working capital of the Group. Please refer to the announcement of the Company dated 2 January 2020 for further details.

Save as disclosed herein, the Company has not conducted any equity fund raising activities in the Period.

Human resources

As at 30 June 2020, the Group had 61 (31 December 2019: 122) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Payment levels of the employees are commensurate with their responsibilities, performance and contribution.

Details of the future investment plans for material investment

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

Management Discussion and Analysis

Exposure to fluctuations in exchange rates and any related hedges

The Group recognized net exchange losses of approximately RMB1.5 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 arise.

Important events after period

The Group did not have any important event after Period.

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 2020. 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 2020, 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 Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions in the Company

Name of Director	Nature of interest	Number of Consolidated 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	156,070,887	21.29%
Mr. Zhang Zhen ²	Interest in a controlled corporation/Beneficial owner	32,281,769	4.40%
Mr. Dai Ji ³	Beneficial owner	67,500,000	9.21%
Mr. Kang Sun ⁴	Beneficial owner	200,000	0.03%
Mr. Leung Ming Shu ⁵	Beneficial owner	150,000	0.02%
Mr. Xu Erming ⁶	Beneficial owner	50,000	0.01%

Notes:

- (1) Fonty, which is 100% beneficially owned by Mr. Zhang, held 144,113,461 Consolidated Shares. For the purposes of the SFO, Mr. Zhang is also deemed to be interested in 11,957,426 Consolidated Shares which are beneficially owned by Zhang Trusts For Descendants as the founder of the trust.
- (2) The 32,281,769 Consolidated Shares in which Mr. Zhang Zhen is deemed to be interested represent (1) 26,906,769 Consolidated Shares held by True Joy Renewable Limited, a company which is wholly-owned by Mr. Zhang Zhen; (2) the 375,000 Consolidated 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 5,000,000 Consolidated Shares which may be issued to him upon the exercise of the New Share Options granted to him on 29 May 2019 under the New Share Option Scheme (as defined below).
- (3) The 67,500,000 Consolidated Shares in which Mr. Dai Ji is deemed to be interested represent held by himself (as defined below).
- (4) The 200,000 Consolidated Shares in which Mr. Kang Sun is deemed to be interested represent 50,000 Consolidated Shares which may be issued to him upon the exercise of the Share Options to him on 2 May 2017 under the Old Share Option Scheme (as defined below) and 150,000 Consolidated 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).
- (5) The 150,000 Consolidated Shares in which Mr. Leung Ming Shu is deemed to be interested represent 50,000 Consolidated 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 100,000 Consolidated 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 50,000 Consolidated Shares in which Mr. Xu Erming is deemed to be interested represent 50,000 Consolidated 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 2020, none of the Directors or 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.

Save as disclosed in this report, at no time throughout the Period was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and 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 or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

Corporate Governance and Other Information

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 2020, 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 Consolidated shares interested	Approximate percentage of interest in the issued share capital of the Company
Fonty Holdings Limited	Beneficial owner	144,113,461	19.66%
Ms. Carrie Wang ¹	Interest of spouse	156,070,887	21.29%
Harmony Gold Ventures Corp ²	Beneficial owner	38,662,827	5.27%
Shanghai Hengqu Internet Technology Co., Ltd.* ²	Interest in a controlled corporation	38,662,827	5.27%
Jiangyin Jinqu Capital Management Co., Ltd.* ²	Interest in a controlled corporation	38,662,827	5.27%
Mr. Wang Yixin (王藝新) ²	Interest in a controlled corporation	38,662,827	5.27%
Advanced Gain Limited ³	Beneficial owner	47,728,179	6.51%
Mr. Wu Zheqiang ³	Interest in a controlled corporation	47,728,179	6.51%
Mr. Sun Da ⁴	Beneficial owner	104,885,179	14.31%

Notes:

- (1) Ms. Carrie Wang is the spouse of Mr. John Yi Zhang, 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), by 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 38,662,827 Consolidated Shares held by Harmony Gold Ventures Corp.

- (3) Advanced Gain Limited is wholly owned by Mr. Wu Zheqiang. Therefore Mr. Wu Zheqiang is deemed to be interested in the 47,728,179 Consolidated Shares held by Advanced Gain Limited.
- (4) The 104,885,179 Shares in which Mr. Sun Da is deemed to be interested represent held by himself.

Save as disclosed above, as at 30 June 2020, the Directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

Share Option Scheme

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.

As at 31 August 2020, being the date of the 2020 Interim Report, the total number of shares of the Company under the Old Share Option Scheme which may be issued upon exercise of all outstanding share options was 38,844,044 (after the Share Consolidation), representing approximately 5.30% of the shares of the Company in issue on 31 August 2020. Since the old share option scheme was terminated on 1 October 2019, no further options can be granted under it. However, the share options granted under the Old Share Option Scheme prior to its termination shall continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme.

In view of, among others, the fact that the Old Share Option Scheme expired on 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 Unconsolidated Shares.

Corporate Governance and Other Information

As at 31 August 2020, being the date of the 2020 Interim Report, the total number of shares of the Company under the New Share Option Scheme which may be issued upon exercise of all outstanding share options was 52,442,589 (after the Share Consolidation), representing approximately 7.15% of the shares of the Company in issue on 31 August 2020.

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.

Corporate Governance and Other Information

Details of the share options exercised and lapsed under the Old Share Option Scheme during the Period are as follows:

Grantee	Date of grant	Exercise price per Share	After share consolidation					Balance as at 30 June 2020
			Balance as at 1 January 2020	Share options granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	
Director								
Mr. Chau Kwok Keung ⁽¹³⁾	02 May 2017	HK\$1.340	375,000	-	-	-	-	375,000
Mr. Kang Sun	02 May 2017	HK\$1.340	50,000	-	-	-	-	50,000
Mr. Leung Ming Shu	02 May 2017	HK\$1.340	50,000	-	-	-	-	50,000
Mr. Xu Erming	02 May 2017	HK\$1.340	50,000	-	-	-	-	50,000
Mr. Zhang Zhen	02 May 2017	HK\$1.340	375,000	-	-	-	-	375,000
Other participants								
Employees	15 June 2018	HK\$0.604	1,150,000	-	-	-	-	1,150,000
Employees	02 May 2017	HK\$1.340	1,975,000	-	-	-	-	1,975,000
Consultants	15 June 2018	HK\$0.604	4,171,544	-	-	-	-	4,171,544
Consultants	02 May 2017	HK\$1.340	2,600,000	-	-	-	-	2,600,000
Consultants	09 September 2016	HK\$2.240	4,500,000	-	-	-	-	4,500,000
Consultants	25 November 2015	HK\$2.944	10,650,000	-	-	-	-	10,650,000
Consultants	26 June 2015	HK\$6.000	5,000,000	-	-	-	-	5,000,000
Consultants	31 March 2014	HK\$5.544	225,000	-	-	-	-	225,000
Consultants	30 September 2013	HK\$7.480	1,005,000	-	-	-	-	1,005,000
Consultants	27 December 2012	HK\$5.048	1,212,500	-	-	-	-	1,212,500
Consultants	28 June 2012	HK\$3.920	12,500	-	-	-	-	12,500
Total			33,401,544	-	-	-	-	33,401,544

Corporate Governance and Other Information

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

Corporate Governance and Other Information

- (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 2016	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 2015	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

Corporate Governance and Other Information

- (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 2,875,000 (after the Share Consolidation) 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 2,600,000 (after the Share Consolidation) 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 8,100,000 (after the Share Consolidation) Share Options on 2 May 2017, among which 1,050,000 (after the Share Consolidation) 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 5,496,544 (after the Share Consolidation) Share Options granted, 4,171,544 (after the Share Consolidation) 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

Corporate Governance and Other Information

The remaining 1,150,000 (after the Share Consolidation) 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

(13) Mr. Chau resigned as a Director on 31 January 2020.

Detail 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	After share consolidation					Balance as at 30 June 2020
			Balance as at 1 January 2020	Share options granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	
Director								
Mr. Zhang Zhen	29 May 2019	HK\$0.280	5,000,000	-	-	-	-	5,000,000
Mr. Chau Kwok Keung ⁽²⁾	29 May 2019	HK\$0.280	5,000,000	-	-	-	-	5,000,000
Mr. Kang Sun	29 May 2019	HK\$0.280	150,000	-	-	-	-	150,000
Mr. Leung Ming Shu	29 May 2019	HK\$0.280	100,000	-	-	-	-	100,000
Other participants								
Employees	29 May 2019	HK\$0.280	3,325,000	-	-	-	-	3,325,000
Consultants	29 May 2019	HK\$0.280	22,828,456	-	-	-	-	22,828,456
Total			36,403,456	-	-	-	-	36,403,456

Corporate Governance and Other Information

Notes:

- (1) 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 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
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

- (2) Mr. Chau resigned as a Director on 31 January 2020.

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

Further details of the Old Share Option Scheme and the New Share Option Scheme are set out in note 20 to the financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Period for the six months ended 30 June 2020

	NOTES	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4	28,490	66,845
Cost of sales and services	5	(29,403)	(66,924)
Gross loss		(913)	(79)
Other income	6	2,966	4,409
Other gains and losses	7	(1,115)	17,936
Distribution and selling expenses		(469)	(1,972)
Administrative expenses		(21,020)	(32,113)
Research and development expenses		(577)	(1,823)
Share of loss of a joint venture		(24)	(128)
Finance costs	8	(11,390)	(12,982)
Loss before taxation	9	(32,542)	(26,752)
Income tax credit	10	10	99
Loss and total comprehensive expense for the period		(32,532)	(26,653)
Loss and total comprehensive expense for the period attributable to			
Owners of the Company		(31,161)	(23,958)
Non-controlling interests		(1,371)	(2,695)
		(32,532)	(26,653)
		<i>RMB cents</i>	<i>RMB cents</i> (adjusted)
Loss per share			
— Basic	12	(4.45)	(4.57)
— Diluted	12	(4.45)	(4.57)

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	NOTES	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		130,325	139,083
Right-of-use assets		23,013	24,196
Investment properties		86,027	86,027
Goodwill	13	3,807	3,807
Intangible assets		2,892	3,795
Interests in a joint venture		11,284	11,308
Interests in an associate		159	159
Deposits paid for acquisition of property, plant and equipment		640	451
		258,147	268,826
Current assets			
Inventories		15,668	18,312
Trade and other receivables	14	60,785	54,887
Advance to suppliers		29,472	30,908
Equity instrument at fair value through profit or loss ("FVTPL")	15	–	7,306
Pledged bank deposits		22,749	22,436
Bank balances and cash		6,210	3,286
		134,884	137,135
Current liabilities			
Trade and other payables	16	107,644	109,025
Contract liabilities		43,716	51,320
Interest-bearing borrowings	17	162,053	153,179
Tax liabilities		5,798	5,790
Deferred income		393	537
Considerable payable		5,130	4,814
Lease liabilities		3,382	1,921
		328,116	326,586
Net current liabilities		(193,232)	(189,451)
Total assets less current liabilities		64,915	79,375

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	NOTES	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing borrowings	17	4,500	4,800
Deferred tax liabilities		17,551	17,561
Deferred income		8,195	5,438
Convertible bonds	18	76,931	72,824
Lease liabilities		12,580	10,648
		<u>119,757</u>	<u>111,271</u>
Net liabilities		<u>(54,842)</u>	<u>(31,896)</u>
Capital and reserves			
Share capital	19	2,556	2,179
Reserves		(55,037)	(33,085)
Equity attribute to owners of the Company		(52,481)	(30,906)
Non-controlling interests		(2,361)	(990)
Total deficits		<u>(54,842)</u>	<u>(31,896)</u>

Condensed Consolidated Statement of Changes in Equity

Period for the six months ended 30 June 2020

	Attributable to owners of the Company									
	Share capital	Share premium	Share options reserve	Special reserve	Surplus reserve	Property revaluation reserve	Accumulated losses	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 2019 (Audited)	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
Disposal of equity interest in a subsidiary without losing control	-	-	-	-	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
At 1 January 2020 (Audited)	2,179	1,524,284	119,594	21,726	84,583	31,040	(1,814,312)	(30,906)	(990)	(31,896)
Loss and total comprehensive expense for the period	-	-	-	-	-	-	(31,161)	(31,161)	(1,371)	(32,532)
Recognition of equity-settled share-based payments	-	-	454	-	-	-	-	454	-	454
Shares issued upon subscription in February 2020	377	8,755	-	-	-	-	-	9,132	-	9,132
At 30 June 2020 (Unaudited)	2,556	1,533,039	120,048	21,726	84,583	31,040	(1,845,473)	(52,481)	(2,361)	(54,842)

Condensed Consolidated Statement of Cash Flows

Period for the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Operating activities		
Loss before taxation	(32,542)	(26,752)
Adjustments for:		
Interest income	(124)	(212)
Interest expenses	11,390	12,982
Depreciation of property, plant and equipment	9,375	8,165
Depreciation of right-of-use assets	1,172	2,243
Gain on disposal of property, plant and equipment	(958)	(4,274)
Amortisation of intangible assets	903	932
Share-based payment expenses	454	5,315
Release of deferred income	(421)	(143)
Reversal of impairment losses on other receivables, net	(282)	(304)
Impairment losses on trade receivables, net	245	–
Write-down of inventories	–	1,340
Gain on fair value change of contingent consideration payables	–	(5,936)
Loss on disposal of equity instrument at FVTPL	861	–
Gain on fair value change of derivative component of convertible bonds	(212)	(4,469)
Share of loss of a joint venture	24	128
Gain on payables waived by a counterparty	–	(3,517)
Net foreign exchange loss	1,571	362
Operating cash flows before movements in working capital	(8,544)	(14,140)
Decrease in inventories	6,272	7,044
(Increase) decrease in trade and other receivables	(5,378)	10,190
Increase in bills receivable	–	(150)
Decrease in advance to suppliers	1,436	32,600
Increase (decrease) in trade and other payables	756	(6,518)
Decrease in contract liabilities	(7,604)	(11,158)
Increase in deferred income	3,034	–
Cash (used in) generated from operations	(10,028)	17,868
Taxes paid	–	(30)
Net cash (used in) from operating activities	(10,028)	17,838

Condensed Consolidated Statement of Cash Flows

Period for the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Investing activities		
Withdrawal of pledged bank deposits	22,436	22,063
Placement of pledged bank deposits	(22,749)	(22,275)
Proceeds from disposal of property, plant and equipment	1,101	5,021
Proceeds from disposal of equity instrument at FVPL	6,445	–
Interest received	124	212
Deposits paid for acquisition of property, plant and equipment	(189)	(176)
Purchase of property, plant and equipment	(2,900)	(12,446)
Capital injection into a joint venture	–	(150)
Net cash from (used in) investing activities	4,268	(7,751)
Financing activities		
Proceeds from issue of new shares	9,426	–
Expenses on issue of new shares	(294)	–
Interest-bearing borrowings raised	9,596	138,939
Interest paid	(6,106)	(8,244)
Repayment of interest-bearing borrowings	(1,520)	(148,310)
Coupon payment	(1,224)	–
Repayment of lease liabilities	(1,194)	(1,897)
Capital contribution from non-controlling interests	–	4,445
Net cash from (used in) financing activities	8,684	(15,067)
Increase (decrease) in cash and cash equivalents	2,924	(4,980)
Cash and cash equivalents at beginning of the period	3,286	8,020
Cash and cash equivalents at end of the period, represented by bank balances and cash	6,210	3,040

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

1. GENERAL

The condensed consolidated financial statements of Comtec Solar Systems Group Limited (the “Company”) and its subsidiaries (together the “Group”) for the six months ended 30 June 2020 were authorised for issue in accordance with a resolution of the board of directors of the Company on 31 August 2020.

The Company is a public limited company incorporated in the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 October 2009. Its parent company and ultimate holding company is Fonty Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. John Yi Zhang (“Mr. Zhang”), who is the chairman and a director of the Company.

The Company is an investment holding company. The 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 investment, development, construction and operation of solar photovoltaic power stations.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2020 are unaudited, but have been reviewed by the Audit Committee of the Company. The condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

2. BASIS OF PREPARATION *(continued)*

The Group incurred a loss of RMB33 million for the six months ended 30 June 2020 and had net current liabilities and net liabilities of RMB193 million and RMB55 million as at that date respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

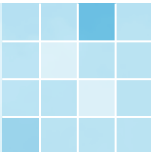
The Group has developed and implemented the following liquidity plan:

- The Company successfully raised gross proceeds of HKD22,850,000 (equivalent to RMB20,589,000) from issue of new shares during the year ended 31 December 2019. In addition, in February 2020, the Company raised gross proceeds of HKD10,489,000 (equivalent to RMB9,426,000) from issue of new shares of the Company;
- Mr. Zhang has committed to provide necessary financial support in the form of debt and/or equity to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future;
- Another shareholder Mr. Dai Ji has committed to provide necessary financial support in the form of debt and/or equity to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future;
- Historically, the Group has been able to roll over or obtain replacement borrowings from existing credit for most of its short-term interest-bearing borrowings upon their maturity. The Group has assumed it will continue to be able to do so for the foreseeable future; and
- The Group is adopting strict control of operating and investing activities.

The directors of the Company are satisfied, after taking into account the factors as mentioned above, that the Group will have sufficient working capital for at least the next 12 months from 30 June 2020. Accordingly, the condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared on a going concern basis.

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020



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 value at the end of the reporting period.

Other than changes in accounting policies resulting from the application of new/revised International Financial Reporting Standards (“IFRS”) as explained below, the accounting policies and methods of computation used in the condensed consolidation financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019.

New/Revised IFRSs that are effective for the current period

The Group has applied, for the first time, the following new/revised IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IASs 1 and 8	<i>Definition of Material</i>
Amendments to IAS 39, IFRSs 7 and 9	<i>Interest Rate Benchmark Reform</i>
Amendments to IFRS 3	<i>Definition of a Business</i>

The application of the new/revised IFRSs in the current period has had no material impact on the Group’s financial position and financial performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

4. REVENUE

	For the six months ended 30 June 2020	
	Upstream business RMB'000 (Unaudited)	Downstream solar and power storage RMB'000 (Unaudited)
Types of goods or services		
Sales of monocrystalline solar wafers	592	–
Sales of monocrystalline solar ingots	7	–
Sales of polysilicon	39	–
Sales of power storage products	–	16,534
Installation service for photovoltaic power stations	–	8,183
Power generation	–	2,919
Sales of others	216	–
Total revenue	854	27,636
Geographical markets		
The People's Republic of China (the "PRC") including Hong Kong	854	27,636
Total revenue	854	27,636
Timing of revenue recognition		
At a point in time	854	16,534
Overtime	–	11,102
Total revenue	854	27,636

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

4. REVENUE (continued)

	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	–
Sales of power storage products	–	24,225
Consulting services for photovoltaic power stations	–	323
Installation service for photovoltaic power stations	–	1,987
Power generation	–	3,040
Sales of others	441	–
Total revenue	37,270	29,575
Geographical markets		
The PRC including Hong Kong	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	24,548
Overtime	–	5,027
Total revenue	37,270	29,575

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

5. SEGMENT INFORMATION

The Group is principally engaged in research, production and sales of efficient mono-crystalline products, investment, development, construction and operation of solar photovoltaic power stations and the research, production and sales of power storage products. The Group has two operating and reportable segments for financial reporting purpose for the six months ended 30 June 2020. The Group's segment (loss) profit is the loss before tax of the Group except that finance costs as well as corporate income and expense are excluded from the measurement of segment (loss) profit.

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

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

Segment revenues and results

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

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

5. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

	Upstream <i>RMB'000</i> <i>(Unaudited)</i>	Downstream solar and power storage <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
<i>For the six months ended 30 June 2019:</i>			
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)

* Included in the cost of sales and services of the upstream segment and the downstream solar and power storage segment for the six months ended 30 June 2020 was depreciation of property, plant and equipment of RMB6,538,000 (Six months ended 30 June 2019: RMB5,640,000) and RMB2,837,000 (Six months ended 30 June 2019: RMB2,525,000) respectively.

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

6. OTHER INCOME

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Government grants	421	1,598
Rental income	2,392	2,282
Interest income	124	212
Others	29	317
	<u>2,966</u>	<u>4,409</u>

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net foreign exchange loss	(1,461)	(536)
Gain on disposal of property, plant and equipment	958	4,274
Reversal of impairment losses on other receivables, net	282	304
Impairment losses on trade receivables, net	(245)	–
Gain on fair value change of contingent consideration payables	–	5,936
Gain on fair value change of derivative component of convertible bonds	212	4,469
Gain on payables waived by a counterparty	–	3,517
Loss on disposal of equity instrument at FVTPL	(861)	–
Others	–	(28)
	<u>(1,115)</u>	<u>17,936</u>

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

8. FINANCE COSTS

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest on borrowings	6,106	8,244
Imputed interest on convertible bonds	4,481	3,807
Imputed interest on leases liabilities	487	931
Others	316	–
	<u>11,390</u>	<u>12,982</u>

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories recognised as expense	23,615	63,996
Depreciation of property, plant and equipment	9,375	8,165
Depreciation of right-of-use assets	1,172	2,243
Amortisation of intangible assets	903	932

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

10. TAXATION

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	–	30
Deferred tax		
Current period	(10)	(129)
Income tax credit	(10)	(99)

No Hong Kong Profits Tax was provided for the six months ended 30 June 2020 and 2019 as the group entities had no assessable profits or incurred tax losses in Hong Kong.

No PRC Enterprise Income Tax was provided for the six months ended 30 June 2020 as the group entities incurred losses in the PRC. PRC Enterprise Income Tax was calculated at the applicable tax rate of 25% in accordance with the relevant laws and regulations in the PRC for the six months ended 30 June 2019.

11. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2020 and 2019.

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

12. LOSS PER SHARE

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Loss		
Loss for the period attributable to owners of the Company	(31,161)	(23,958)
		(adjusted)
Number of shares		
Weighted average number of ordinary shares	699,749,764	524,425,895

The number of shares for the six months ended 30 June 2019 has been adjusted and restated to reflect the share consolidation during the year ended 31 December 2019.

The outstanding share options and conversion option of the convertible bonds of the Company have not been included in the computation of diluted loss per share as they are anti-dilutive for the six months ended 30 June 2020 and 30 June 2019.

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

13. GOODWILL

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Cost	105,917	105,917
Accumulated impairment	(102,110)	(102,110)
	<u>3,807</u>	<u>3,807</u>

The net carrying amount of the goodwill arose from acquisition of Zhenjiang Kexin Power System Design and Research Company Limited in prior years and has been allocated to the cash generating unit ("CGU") relating to the downstream business: the power storage CGU.

The directors of the Company assessed and determined that there were no impairment indicators for the goodwill as at 30 June 2020.

14. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Trade receivables	50,284	43,499
Impairment	(25,184)	(24,939)
	<u>25,100</u>	<u>18,560</u>
Value-added-tax recoverable	29,109	31,217
Other receivables	6,576	5,110
	<u>60,785</u>	<u>54,887</u>

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

14. TRADE AND OTHER RECEIVABLES *(continued)*

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

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
0 to 30 days	4,795	2,189
31 to 60 days	2,784	333
61 to 90 days	799	509
91 to 180 days	2,370	2,389
Over 180 days	14,352	13,140
	25,100	18,560

The movement in impairment on trade receivables during the current period was as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
At the beginning of the period/year	24,939	25,558
Impairment loss recognised (reversed)	245	(619)
At end of the period/year	25,184	24,939

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

15. EQUITY INSTRUMENT AT FVTPL

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Equity instrument at FVTPL	–	7,306

The equity instrument was fully disposed of during the current period, resulted in a loss on disposal of equity instrument at FVTPL of RMB861,000.

16. TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Trade payables	54,003	55,736
Payables for acquisition of property, plant and equipment	19,453	21,522
Staff salaries and welfare payables	7,429	6,813
Other payables and accrued charges	26,759	24,954
	<u>107,644</u>	<u>109,025</u>

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

16. TRADE AND OTHER PAYABLES *(continued)*

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

	At 30 June 2020 RMB'000 <i>(Unaudited)</i>	At 31 December 2019 RMB'000 <i>(Audited)</i>
0 to 30 days	2,836	6,200
31 to 60 days	825	1,170
61 to 90 days	2,907	1,096
91 to 180 days	2,235	1,377
Over 181 days	45,200	45,893
	54,003	55,736

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.

17. INTEREST-BEARING BORROWINGS

	At 30 June 2020 RMB'000 <i>(Unaudited)</i>	At 31 December 2019 RMB'000 <i>(Audited)</i>
Bank loans		
— secured	136,584	136,554
Other borrowings		
— unsecured	29,969	21,425
	166,553	157,979

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

17. INTEREST-BEARING BORROWINGS (continued)

(a) Bank loans

The bank loans are repayable:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within one year	132,084	131,754
More than one year but not exceeding two years	900	700
More than two years but not exceeding five years	3,100	3,100
More than five years	500	1,000
	<u>136,584</u>	<u>136,554</u>
Presented as:		
Current	132,084	131,754
Non-current	4,500	4,800
	<u>136,584</u>	<u>136,554</u>

The interest rate exposures of the bank loans as at 30 June 2020 were as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Fixed-rate borrowings	113,930	114,230
Variable-rate borrowings	22,654	22,324
	<u>136,584</u>	<u>136,554</u>

Bank loans of RMB22,654,000 (31 December 2019: RMB22,324,000) as at 30 June 2020 carried interest at variable market rates benchmarking to the interest rates of the People's Bank of China or the London Interbank Offered Rate.

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

17. INTEREST-BEARING BORROWINGS *(continued)*

(a) Bank loans *(continued)*

The effective interest rates (which are also equal to contract interest rates) on the Group's bank loans during the six months ended 30 June 2020 were as follows:

	At 30 June 2020 <i>Per annum</i>	At 31 December 2019 <i>Per annum</i>
Effective interest rate:		
Fixed rate	5.44% to 7.80%	5.44% to 7.80%
Variable rate	2.67%	3.92%

(b) Other borrowings

At the end of the reporting period, the Group's other borrowings are unsecured, interest-bearing at rates ranging from 5.5% to 24.0% per annum and repayable within twelve months.

18. CONVERTIBLE BONDS

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

The principal terms of the Bonds

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

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

18. CONVERTIBLE BONDS (continued)

The principal terms of the Bonds (continued)

(iv) Conversion

- (a) Conversion price — The conversion price is HKD0.174 per share, subject to adjustments.

Upon the completion of the share consolidation on 28 August 2019, the conversion price has been increased to HKD0.696 per share.

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

- (c) Number of conversion shares issuable — The number of conversion shares to be issued shall be calculated based on the principal amount of the Bonds being converted and the conversion price applicable on the relevant conversion date. No fraction of a share shall be issued on conversion of the Bonds.

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

The movements of the debt and derivative components of the Bonds for the six months ended 30 June 2020 are set out as below:

	Debt Component RMB'000	Derivative Component RMB'000
At 1 January 2020	72,600	224
Interest charge	4,481	—
Interest payment	(1,224)	—
Loss arising on changes of fair value	—	(212)
Exchange realignment	1,060	2
At 30 June 2020	<u>76,917</u>	<u>14</u>
	Debt Component RMB'000	Derivative Component RMB'000
At 1 January 2019	65,353	7,549
Interest charge	8,160	—
Interest payment	(2,028)	—
Loss arising on changes of fair value	—	(7,407)
Exchange realignment	1,115	82
At 31 December 2019	<u>72,600</u>	<u>224</u>

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

19. SHARE CAPITAL

Authorised:	Number of shares	Amount HKD'000
Ordinary shares		
At 1 January 2019	7,600,000,000	7,600
Share consolidation	(5,700,000,000)	–
At 31 December 2019 and 30 June 2020	<u>1,900,000,000</u>	<u>7,600</u>

Issued and fully paid:	Number of shares	Amount HKD'000
Ordinary shares		
At 1 January 2019	2,097,703,580	2,098
Shares issued upon subscription in July 2019	145,454,546	145
Shares issued upon subscription in August 2019	270,000,000	270
Share consolidation	(1,884,868,595)	–
At 31 December 2019 and 1 January 2020	<u>628,289,531</u>	<u>2,513</u>
Shares issued upon subscription in February 2020	<u>104,885,179</u>	<u>420</u>
At 30 June 2020	<u>733,174,710</u>	<u>2,933</u>

Presented as RMB:	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Ordinary shares	<u>2,556</u>	<u>2,179</u>

On 28 February 2020, the Company issued 104,885,179 new shares pursuant to a subscription agreement dated 31 December 2019 at the subscription price of HKD0.10 per subscription share, with an aggregate net proceed of HKD10,161,000 (equivalent to RMB9,132,000), after deducting related expenses of HKD328,000 (equivalent to RMB294,000).

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

20. SHARE-BASED COMPENSATION

(a) Share Option Scheme

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 2020:

Date of grant	2020 (After share consolidation)				
	Exercise price (HKD)	Number of options			At 30 June 2020
		At 1 January 2020	Cancelled	Lapsed	
15 June 2018	0.604	5,321,544	–	–	5,321,544
2 May 2017	1.340	5,475,000	–	–	5,475,000
9 September 2016	2.240	4,500,000	–	–	4,500,000
25 November 2015	2.944	10,650,000	–	–	10,650,000
26 June 2015	6.000	5,000,000	–	–	5,000,000
31 March 2014	5.544	225,000	–	–	225,000
30 September 2013	7.480	1,005,000	–	–	1,005,000
27 December 2012	5.048	1,212,500	–	–	1,212,500
28 June 2012	3.920	12,500	–	–	12,500
		<u>33,401,544</u>	<u>–</u>	<u>–</u>	<u>33,401,544</u>

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

20. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

Date of grant	Exercise price (HKD)	2019						Exercise price (HKD)
		(Before share consolidation)			(After share consolidation)			
		Number of options						
		At 1 January 2019	Cancelled	Lapsed	At 31 December 2019	At 31 December 2019	At 31 December 2019	
15 June 2018 (i)	0.151	21,986,175	–	(700,000)	21,286,175	5,321,544	0.604	
2 May 2017	0.335	28,200,000	–	(6,300,000)	21,900,000	5,475,000	1.340	
9 September 2016	0.560	89,000,000	(71,000,000)	–	18,000,000	4,500,000	2.240	
25 November 2015	0.736	59,000,000	(16,400,000)	–	42,600,000	10,650,000	2.944	
26 June 2015	1.500	20,000,000	–	–	20,000,000	5,000,000	6.000	
11 May 2015	1.390	59,800,000	(54,100,000)	(5,700,000)	–	–	–	
31 March 2014	1.386	35,650,000	(29,900,000)	(4,850,000)	900,000	225,000	5.544	
30 September 2013	1.870	4,020,000	–	–	4,020,000	1,005,000	7.480	
27 December 2012	1.262	7,538,000	(2,388,000)	(300,000)	4,850,000	1,212,500	5.048	
28 June 2012	0.980	8,784,000	(6,154,000)	(2,580,000)	50,000	12,500	3.920	
24 May 2010	1.490	2,240,000	(900,000)	(1,340,000)	–	–	–	
		<u>336,218,175</u>	<u>(180,842,000)</u>	<u>(21,770,000)</u>	<u>133,606,175</u>	<u>33,401,544</u>		

Except as detailed in (i) below, all of the above options are fully vested and exercisable as at 30 June 2020 and 31 December 2019:

- (i) 5,034,043 shares (after share consolidation) are vested and exercisable as at 31 December 2019.

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

20. SHARE-BASED COMPENSATION (continued)

(b) New Share Option Scheme

Set out below are the details of movements of the outstanding options granted under the New Share Option Scheme during the six months ended 30 June 2020:

Date of grant	2020 Number of options (After share consolidation)				
	At				At
	1 January 2020	Granted	Cancelled	Lapsed	30 June 2020
29 May 2019	36,403,456	–	–	–	36,403,456
Exercise price (HKD)	0.280				0.280
Exercisable	27,302,592				36,403,456

Date of grant	2019 Number of options					
	(Before share consolidation)				(After share consolidation)	
	At 1 January 2019	Granted	Cancelled	Lapsed	At 31 December 2019	At 31 December 2019
29 May 2019	–	145,613,825	–	–	145,613,825	36,403,456
Exercise price (HKD)		0.70			0.070	0.280
Exercisable					109,210,368	27,302,592

The Group recognised an expense of approximately RMB454,000 (six months ended 30 June 2019: RMB5,315,000) for the six months ended 30 June 2020 in relation to the share options granted by the Company under the New Share Option Scheme.

Notes to the Condensed Consolidated Financial Statements

Period for the six months ended 30 June 2020

21. PLEDGED OF ASSETS

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Right-of-use assets	17,949	19,093
Property, plant and equipment	91,882	93,002
Investment properties	86,027	86,027
Pledged bank deposits	22,749	22,436
Trade receivable	842	675
Inventories	7,284	3,972
	226,733	225,205

22. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

As at 30 June 2020, included in trade and other payables were RMB302,000 (31 December 2019: RMB3,800,000) payable to the subsidiaries of the joint venture of the Company and contract liabilities of RMB8,055,000 (31 December 2019: RMB10,940,000) received from the joint venture of the Company.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the six months ended 30 June 2020 was as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Basic salaries and allowances	2,690	3,017
Retirement benefit scheme contributions	89	171
Share-based payments expense	314	786
Performance related incentive bonuses	–	–
	3,093	3,974

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.

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 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
“Global Offering” or “IPO”	the listing of the Shares on the Stock Exchange on 30 October 2009
“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

Definitions

“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 partially-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
“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, which equals 10 ⁶ Watt
“NDRC”	the National Development and Reform Commission of the PRC
“Period”	The six months ended 30 June 2020
“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
“Prospectus”	the prospectus of the Company dated 19 October 2009
“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

Definitions

“Share Consolidation ”	the share consolidation of every four issued and unissued Unconsolidated Shares into one (1) Share
“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
“The9”	The9 Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands which has American depository shares listed on the NASDAQ under trading symbol “NCTY”
“Unconsolidated Share(s) ”	ordinary share(s) of HK\$0.001 each in the share capital of the Company prior to the Company’s share consolidation which took effect on 28 August 2019
“USD”	United States dollars, the lawful currency of the United States of America
“*”	For identification only
“% ”	per cent