卡姆丹克太陽能系統集團有限公司
Comtec Solar Systems Group Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 712)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS

- 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 for the Period, 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 a 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 year 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.

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 a 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 year 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.

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.

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.

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

INTERIM RESULTS

The Board is pleased to announce the unaudited interim results and condensed consolidated interim financial statements of the Group for the Period, together with the comparative figures for the corresponding period in 2019. These results have been reviewed by the Company's audit committee, comprising all of the independent non-executive Directors, with one of them chairing the committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(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)

	Note	For the six months ended 30 June **2020** *RMB'000* **(Unaudited)**	2019 *RMB'000* (Unaudited)
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)
		RMB cents	*RMB cents* (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

	Note	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		**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	*13*	**60,785**	54,887
Advance to suppliers		**29,472**	30,908
Equity instrument at fair value through profit or loss ("FVTPL")	*14*	**–**	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	*15*	**107,644**	109,025
Contract liabilities		**43,716**	51,320
Interest-bearing borrowings		**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

	Note	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing borrowings		**4,500**	4,800
Deferred tax liabilities		**17,551**	17,561
Deferred income		**8,195**	5,438
Convertible bonds	*16*	**76,931**	72,824
Lease liabilities		**12,580**	10,648
		119,757	111,271
Net liabilities		**(54,842)**	(31,896)
Capital and reserves			
Share capital		**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		**(54,842)**	(31,896)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

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	Definition of Material
Amendments to IAS 39, IFRSs 7 and 9	Interest Rate Benchmark Reform
Amendments to IFRS 3	Definition of a Business

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.

4. REVENUE

	For the six months ended 30 June 2020	
	Upstream business	Downstream solar and power storage
	RMB'000	*RMB'000*
	(Unaudited)	(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**

	For the six months ended 30 June 2019	
	Upstream business	Downstream solar and power storage
	RMB'000	*RMB'000*
	(Unaudited)	(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

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) profit 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)
For the six months ended 30 June 2020:			
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)**

	Upstream	Downstream solar and power storage	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 June 2019:			
Revenue	37,270	29,575	66,845
Cost of sales and services*	(43,220)	(23,704)	(66,924)
Segment (loss) profit	(5,950)	5,871	(79)
Other income			4,409
Other gains and losses			17,936
Distribution and selling expenses			(1,972)
Administrative expenses			(32,113)
Research and development expenses			(1,823)
Share of loss of joint ventures			(128)
Finance costs			(12,982)
Loss before taxation			(26,752)

* 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.

6. OTHER INCOME

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

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(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)
	(1,115)	17,936

8. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(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**	–
	11,390	12,982

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(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

10. TAXATION

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(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.

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	2019
	RMB'000	*RMB'000*
	(Unaudited)	(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.

13. 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)
	25,100	18,560
Value-added-tax recoverable	**29,109**	31,217
Other receivables	**6,576**	5,110
	60,785	54,887

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

14. 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.

15. 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
	107,644	109,025

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* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
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.

16. 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.

(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 faction 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	**76,917**	**14**

	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	72,600	224

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.

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.

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 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.

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.

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%.

Gross (loss) profit

During the Period, the Group recorded gross loss of approximately RMB0.9 million, representing a 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 RMB 1.1 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.

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 year

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 final 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 a 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.

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.

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

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 of 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.

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 CODE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. During the Period, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the Period.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls, risk management and financial reporting matters of the Company, including the review of the unaudited interim results and the unaudited condensed consolidated interim financial statements of the Group for the Period.

INTERIM DIVIDEND

The Board resolved that since the Company plans to reserve the cash for working capital requirement and any potential investment opportunities in the future, no interim dividend will be declared for the six months ended 30 June 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 OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.comtecsolar.com). The interim report for the Period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and available on the same websites in due course.

DEFINITION

"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$10.0 million due 2021 with interest rate per annum of 10.0% issued by the Company to Putana Limited, a company incorporated under the laws of British Virgin Islands and an independent third party, and such issuance was completed and closed on 31 July 2018
"Corporate Governance Code"	Code on corporate governance practices contained in the Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Kexin"	Zhejiang Kexin Power System Design and Research Company Limited (鎮江科信動力系統設計研究有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
"Listing 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

"NDRC"	the National Development and Reform Commission of the PRC
"MW"	megawatt, which equals 10^6 Watt
"Period"	the six months ended 30 June 2020
"PRC" or "China"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	Ordinary share(s) of HK$0.004 each in the share capital of the Company
"Shareholder(s)"	Shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"The9"	The9 Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands which has American depositary shares listed on the NASDAQ under trading symbol "NCTY"
"USD"	United States dollars, the lawful currency of the United States of America
"*"	For identification only
"%"	per cent

By order of the Board of
Comtec Solar Systems Group Limited
John Yi Zhang
Chairman

Shanghai, the People's Republic of China, 31 August 2020

As at the date of this announcement, the executive Directors are Mr. John Yi Zhang and Mr. Zhang Zhen, the non-executive Directors are Mr. Dai Ji and Mr. Qiao Fenglin, and the independent non-executive Directors are Mr. Kang Sun, Mr. Leung Ming Shu, Mr. Ma Teng and Mr. Xu Erming.