



CHINA TECHNOLOGY SOLAR POWER HOLDINGS LIMITED

中科光電控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8111)

Third Quarterly Report

2019

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This report, for which the directors (“Directors”) of China Technology Solar Power Holdings Limited (“Company”, and its subsidiaries, the “Group”, “our Group”, “we” or “us”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

QUARTERLY RESULTS HIGHLIGHTS

The loss attributable to owners of the Company for the nine months ended 31 December 2019 was approximately RMB10.4 million (2018: loss attributable to owners of the Company of approximately RMB5.9 million (restated)).

The revenue of the Group for the nine months ended 31 December 2019 was approximately RMB79.1 million, representing a decrease of approximately 13.8 per cent. as compared with approximately RMB91.9 million (restated) recorded for the nine months ended 31 December 2018.

Gross profit margin of the Group was approximately 11.7 per cent. for the nine months ended 31 December 2019, as compared to approximately 27.5 per cent. for the nine months ended 31 December 2018.

Basic loss per share for the nine months ended 31 December 2019 was approximately RMB0.56 cents (2018: basic loss per share of approximately RMB0.37 cents (restated)).

The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2019 (2018: Nil).

I am pleased to present the unaudited consolidated results of China Technology Solar Power Holdings Limited for the nine months ended 31 December 2019.

BUSINESS REVIEW

The Group was principally engaged in (i) sales of solar power related products; (ii) new energy power system integration business; (iii) sales of self-service automatic teller machine (“ATM”) systems and printing systems, and (iv) provision of hardware and software technical support services in the People’s Republic of China (“PRC” or “China”) during the nine months ended 31 December 2019.

The Group recorded a loss attributable to owners of the Company of approximately RMB10.4 million for the nine months ended 31 December 2019 (2018: loss attributable to owners of the Company of approximately RMB5.9 million (restated)).

The Group’s revenue amounted to approximately RMB79.1 million for the nine months ended 31 December 2019, representing a decrease of approximately 13.8 per cent. as compared with approximately RMB91.9 million (restated) recorded for the nine months ended 31 December 2018. Such decrease was mainly because of the decrease in the sales of solar power related products by approximately RMB39.5 million to approximately RMB25.8 million during the nine months ended 31 December 2019 (2018: approximately RMB65.2 million (restated)), which was partly offset by the increase in revenue derived from the rendering of new energy power system integration services by approximately RMB26.8 million to approximately RMB53.4 million during the nine months ended 31 December 2019 (2018: approximately RMB26.6 million (restated)).

The Group’s gross profit margin was approximately 11.7 per cent. for the nine months ended 31 December 2019, as compared to approximately 27.5 per cent. for the nine months ended 31 December 2018. The gross profit margin for the nine months ended 31 December 2019 was lower than that of the same period last year, because (1) the solar power related products sold by the Group in the nine months ended 31 December 2019, with gross profit margin of approximately 13.8 per cent., were ready-made products which have a lower gross profit margin than the customised products sold by the Group in the same period last year with gross profit margin of approximately 19.7 per cent.; and (2) the unforeseen increase in the cost of the sub-contracting operations of the new energy power system integration business due to the snowfall and severe climate condition in the construction site during the nine months ended 31 December 2019, which led to a considerable decrease in the gross profit margin for the period under review, as compared to the gross profit margin of the engineering consultancy operations of the new energy power system integration business in the same period last year.

Selling expenses incurred by the Group for the nine months ended 31 December 2019 amounted to approximately RMB2.2 million (2018: approximately RMB2.0 million (restated)), representing an increase of approximately 7.6 per cent.; the increase was due to the Group allocating more resources to explore new business opportunities during the period under review as compared to the same period last year.

Administrative expenses incurred by the Group for the nine months ended 31 December 2019 amounted to approximately RMB9.0 million (2018: approximately RMB8.6 million (restated)), representing an increase of approximately 4.2 per cent.; the increase was due to the Group allocating more resources to explore new business opportunities during the period under review as compared to the same period last year.

Basic loss per share was approximately RMB0.56 cents for the nine months ended 31 December 2019, as compared with the basic loss per share of approximately RMB0.37 cents (restated) for the nine months ended 31 December 2018.

SALES OF SOLAR POWER RELATED PRODUCTS

The business of sales of solar power related products includes the research and development, sales and provision of other relevant technology consultation services of photovoltaic mounting brackets, solar trackers, the guardrail of the solar power stations and other solar power related products.

The revenue generated from the sales of solar power related products was approximately RMB25.8 million for the nine months ended 31 December 2019 (2018: approximately RMB65.2 million (restated)), which accounted for approximately 32.5 per cent. (2018: 71.0 per cent.) of the Group's revenue.

NEW ENERGY POWER SYSTEM INTEGRATION BUSINESS

The PRC government continues to support the development of the solar energy industry. Although the PRC government has cut down on subsidy on solar electricity, the Thirteenth Five-Year Plan for the National Economic and Social Development has set clear targets on the development of different renewable energy technologies, including but not limited to technologies relating to solar photovoltaic power and solar thermal power.

Considering the PRC government's encouragement on distributed photovoltaic power generation, the Group continues to look for other solar energy generation projects and new energy power system integration services.

In October 2018, Shaanxi Baike New Energy Technology Development Co., Ltd.* (陝西百科新能源科技發展有限公司) ("**Shaanxi Baike**"), an indirect wholly-owned subsidiary of the Company, and an engineering company in Sichuan province of the PRC ("**Sichuan Company**") jointly entered into a subcontractor contract ("**Subcontractor Contract**") with PowerChina Hebei Engineering Corporation Limited ("**PowerChina**") for the provision of contractor services for the construction of a photovoltaic power station in Erquanjing Xiang, Zhangbei county of the PRC at a contract price of RMB380 million (value-added tax included) ("**Zhangbei Project**"). The Zhangbei Project has a designed capacity of 500MWp. The Subcontractor Contract is for the construction of 100MWp of the first phase of the Zhangbei Project of 240MWp. Shaanxi Baike and Sichuan Company also entered into an engineering consultancy contract ("**Engineering Consultancy Contract**") pursuant to which Shaanxi Baike agreed to provide engineering consulting services in relation to the first phase of the Zhangbei Project at a contract price of RMB30 million (value-added tax included).

The revenue generated from the new energy power system integration business was approximately RMB53.4 million during the nine months ended 31 December 2019 (2018: approximately RMB26.6 million (restated)), which accounted for approximately 67.5 per cent. (2018: approximately 29.0 per cent.) of the Group's revenue. Such increase was attributable to the revenue of approximately RMB26.8 million arising from the Subcontractor Contract during the nine months ended 31 December 2019.

* For identification purpose only

Power system integration refers to the optimisation of technologies in the civil engineering system, electrical system and other ancillary system, database technologies, surveillance and software management. The Group shall source equipment and products from different vendors based on the scale and capacity of the respective new energy power stations and subsequently carry out integration of the separated equipment, functions and information into a connected, unified and coordinated system. Power system integration enables the utilisation of resources at their best to enhance optimisation of performance of the entire system and achieve centralised, high efficiency, balanced performance, substitutable and available for maintenance, as well as low cost management. The Group also offers subsequent system management services to the new energy power stations.

SALES OF SELF-SERVICE ATM SYSTEMS AND PRINTING SYSTEMS

There was no revenue generated from the sales of self-service ATM systems and printing systems during the nine months ended 31 December 2019 (2018: Nil).

PROVISION OF HARDWARE AND SOFTWARE TECHNICAL SUPPORT SERVICES

There was no revenue generated from the provision of hardware and software technical support services during the nine months ended 31 December 2019 (2018: Nil).

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Except as disclosed in the section below headed "Discloseable and Connected Transaction in relation to Acquisition of the Remaining 40% Equity Interest in Tianjin Hengqing and Issue of Consideration Shares under Specific Mandate", there were no significant investments or material acquisition or disposal of subsidiaries by the Group during the period under review.

LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

As at 31 December 2019, the Group had cash and bank balances of approximately RMB2.1 million (31 March 2019: approximately RMB2.6 million). The Group had no outstanding bank overdraft as at 31 December 2019 (31 March 2019: Nil).

The Group financed its operations by internally generated cash flow and borrowings.

CHANGE OF AUDITORS

Sky Base Partners CPA Limited ("**Sky Base Partners**") has resigned as the auditors of the Company with effect from 10 May 2019, due to the change of corporate business strategy of Sky Base Partners.

Sky Base Partners confirmed in its letter of resignation that there were no matters connected with its resignation that needed to be brought to the attention of the shareholders of the Company ("**Shareholders**").

The Board and the audit committee of the Board ("**Audit Committee**") confirmed that there was no disagreement between the Company and Sky Base Partners and there were no matters or circumstances in respect of the resignation of Sky Base Partners as auditors of the Company that needed to be brought to the attention of the Shareholders.

On 24 May 2019, the Board, with the recommendation of the Audit Committee, has appointed Deloitte Touche Tohmatsu as the new auditor of the Company to fill the casual vacancy following the resignation of Sky Base Partners and to hold office until conclusion of the next annual general meeting.

Please refer to the announcements of the Company dated 10 May 2019 and 24 May 2019 for further details of the change of auditors of the Company.

DISPOSAL OF SHARES BY SUBSTANTIAL SHAREHOLDER AND EXECUTIVE DIRECTORS

The board of directors of the Company (“**Board**”) had been informed that on 11 July 2019, Good Million Investments Limited (“**Good Million**”), a substantial Shareholder (as defined in the GEM Listing Rules), entered into a sale and purchase agreement, as vendor, with an independent third party who is an individual, as purchaser (“**Purchaser**”), pursuant to which Good Million had agreed to sell 217,766,038 shares of the Company (“**Shares**”) (representing approximately 11.87% of the total issued share capital of the Company as at 11 July 2019) held by it to the Purchaser.

As at 11 July 2019, Good Million was owned as to 70% and 30% by Mr. Chiu Tung Ping (“**Mr. Chiu**”), an executive director (“**Director**”) of the Company, the chairman of the Company and the chief executive officer of the Company, and Ms. Yuen Hing Lan (“**Ms. Yuen**”). Ms. Yuen is the spouse of Mr. Chiu.

Upon completion of the Disposal, Good Million had ceased to be a substantial Shareholder and had ceased to be interested in any Shares.

RETIREMENT OF DIRECTOR

As the resolution for the re-election of Mr. Hou Hsiao Bing (“**Mr. Hou**”) as an executive Director was not passed at the annual general meeting (“**AGM**”) of the Company held on 26 August 2019, Mr. Hou retired by rotation as a Director and ceased to be a member of the corporate governance committee of the Board at the conclusion of the AGM.

PROPOSED CHANGE OF COMPANY NAME

On 10 September 2019, the Board proposes to change the English name of the Company from “China Technology Solar Power Holdings Limited” to “China Technology Industry Group Limited” and adopt “中國科技產業集團有限公司” as its dual foreign name (“**Change of Company Name**”).

The proposed Change of Company Name will be subject to the following conditions:

- (1) the passing of a special resolution by the Shareholders at an extraordinary general meeting of the Company (“**EGM**”) to approve the Change of Company Name; and
- (2) the Registrar of Companies in the Cayman Islands approving the Change of Company Name.

Subject to the satisfaction of the conditions set out above, the Change of Company Name will take effect from the date of issue of the certificate of incorporation on change of name by the Registrar of Companies in the Cayman Islands. The Company will then carry out the necessary filing procedures with the Companies Registry in Hong Kong.

The Board considers that the Change of Company Name will better reflect the business nature and strategic direction of future development of the Group. The Board also believes that the new English and Chinese names can provide the Company with a new corporate image and identity which will benefit the Company’s business development and is in the best interests of the Company and Shareholders as a whole.

The EGM will be convened on Monday, 17 February 2020 at 2:30 p.m. to consider and, if thought fit, approve the Change of Company Name. A circular containing, among other things, information in relation to the Change of Company Name and a notice convening the EGM to approve the Change of Company Name was despatched to the Shareholders on 23 January 2020.

Further announcement(s) will be made by the Company to inform the Shareholders of the results of the EGM, the effective date of the Change of Company Name and the new stock short name of the Company, both in English and Chinese, for trading of the shares of the Company on the Stock Exchange.

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE REMAINING 40% EQUITY INTEREST IN TIANJIN HENGQING AND ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

THE ACQUISITION

On 20 December 2019 (after trading hours), the Company and 天津市新慶光伏科技有限公司 (Tianjin Xinqing Solar Photovoltaic Technology Company Limited*) (“**Vendor**”) entered into the Equity Interest Transfer Agreement (“**Equity Interest Transfer Agreement**”). Pursuant to the Equity Interest Transfer Agreement (as supplemented), the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the sale shares (representing 40% equity interests in 天津恆慶光伏科技有限公司 (Tianjin Hengqing Photovoltaic Technology Limited*) (“**Tianjin Hengqing**”)) (“**Sale Shares**”) at a consideration of RMB26,500,000 (“**Acquisition**”). Tianjin Hengqing is the legal and beneficial owner of the entire equity interests in 西藏立能光伏科技有限公司 (Xizang Lineng Solar Photovoltaic Technology Company Limited)* (“**Xizang Lineng**”). Upon completion, the Sale Shares will be transferred from the Vendor to Million Keen Limited (“**Million Keen**”), a company incorporated in the BVI and a wholly-owned subsidiary of the Company, as the designated holder of the Sale Shares of the Company. The consideration for the Acquisition (“**Consideration**”) shall be satisfied by the allotment and issue of 295,472,031 ordinary shares of the Company (“**Consideration Shares**”) at HK\$0.1 per Consideration Share (“**Issue Price**”) to the Vendor (or its nominee(s)) within a reasonable period of time after date on which the new business license of Tianjin Hengqing as a wholly foreign owned enterprise is issued.

ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

The Consideration Shares will be issued by the Company under the specific mandate proposed by the Company to be granted to the Directors by the independent shareholders of the Company at the extraordinary general meeting to be convened on Monday, 17 February 2020 at 2:30 p.m. (“**EGM**”). An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

GEM LISTING RULES IMPLICATIONS

As at 20 December 2019, Tianjin Hengqing is an indirect 60%-owned subsidiary of the Company, and the remaining 40% equity interests in Tianjin Hengqing is held by the Vendor. Therefore, the Vendor is a substantial shareholder of Tianjin Hengqing and a connected person of the Company at the subsidiary level under Chapter 20 of the GEM Listing Rules. As (i) the board of Directors has approved the Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Acquisition is exempt from the circular, independent financial advice and independent shareholders’ approval requirements under Rule 20.99 of the GEM Listing Rules. As the Vendor is a connected person to the Company, the issue of Consideration Shares of the Company to it will be subject to the announcement, reporting and shareholders’ approval requirements unless otherwise exempted under Chapter 20 of the GEM Listing Rules.

Further, as one or more of the applicable percentage ratio(s) in respect of the Acquisition exceed 5% but none of the ratios exceeds 25%, the Acquisition also constitutes a discloseable transaction for the Company and is subject to announcement requirement under Chapter 19 of the GEM Listing Rules.

The EGM will be convened for the independent shareholders of the Company to consider and, if thought fit, approve the Specific Mandate for the allotment and issue of the Consideration Shares. Given that none of the shareholders has a material interest in the Acquisition and the Equity Interest Transfer Agreement, none of them would be required to abstain from voting in the EGM. The Independent board committee (“**Independent Board Committee**”) comprising all independent non-executive directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu, has been established to advise the independent shareholders on matters in relation to the issue of the Consideration Shares pursuant to the Specific Mandate. Giraffe Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent shareholders on the issue of the Consideration Shares pursuant to the Specific Mandate.

Please refer to the announcements of the Company dated 20 December 2019 and 30 December 2019, and the circular of the Company dated 23 January 2020, for further details relating to the discloseable and connected transaction in relation to the acquisition of the remaining 40% equity interest in Tianjin Hengqing and issue of Consideration Shares under Specific Mandate.

BUSINESS PROSPECTS

Considering the PRC government’s long-term encouragement on distributed photovoltaic power generation, the Group will continue to look for other solar energy generation projects and opportunities to provide new energy power system integration services. The Group has been negotiating and securing new contracts for the new energy power system integration business during the period under review.

The Group has been identifying and exploring other business opportunities so as to diversify the Group’s business into the downstream of solar energy business with growth potential and to broaden its sources of income to bring return to the Group and its shareholders.

The PRC government introduced new policy on cutting down the subsidy on solar electricity in the last financial year and such policy has subsisted. Notwithstanding this, the Group can rely on its strength in the new energy power system integration sector and will continue to negotiate and secure new contracts for the new energy power system integration business and seize other market opportunities in the solar energy industry.

The Group will finance its future business plans by internally generated cash flow and borrowings.

Leveraging on the prudent and experienced management and the strong and determined workforce of the Group, the Group will strive to maintain and expand its operations further, thus bringing greater return to its shareholders.

Chiu Tung Ping

Chairman and executive Director

China Technology Solar Power Holdings Limited

Hong Kong, 12 February 2020

* For identification purposes only

RESULTS

The board of Directors (“Board”) announces the unaudited consolidated results of the Group for the nine months ended 31 December 2019 together with comparative unaudited consolidated results of the Group for the corresponding period in 2018 as follows:

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)
Revenue	2	26,485	65,130	79,149	91,852
Cost of sales		(24,512)	(45,963)	(69,863)	(66,564)
Gross profit		1,973	19,167	9,286	25,288
Other revenue – bank interest income		1	3	4	16
Other gains and losses	4	1,486	(29)	(2,260)	(6,284)
Selling expenses		(838)	(638)	(2,192)	(2,037)
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")		(231)	(108)	(906)	(1,143)
Change in fair value of financial derivative liabilities		61	(264)	140	440
Administrative expenses		(2,292)	(2,252)	(9,013)	(8,646)
Impairment losses recognised	6	–	–	(855)	(556)
Finance costs	5	(1,212)	(976)	(3,344)	(3,629)
(Loss) profit before tax	3	(1,052)	14,903	(9,140)	3,449
Income tax credit (expense)	7	202	(3,703)	(527)	(7,392)
(Loss) profit for the period		(850)	11,200	(9,667)	(3,943)
Total comprehensive (expenses) income for the period		(850)	11,200	(9,667)	(3,943)
(Loss) profit for the period attributable to:					
Owners of the Company		(739)	11,240	(10,353)	(5,893)
Non-controlling interests		(111)	(40)	686	1,950
		(850)	11,200	(9,667)	(3,943)
Total comprehensive (expenses) income for the period attributable to:					
Owners of the Company		(739)	11,240	(10,353)	(5,893)
Non-controlling interests		(111)	(40)	686	1,950
		(850)	11,200	(9,667)	(3,943)
(Loss) earnings per share	9				
Basic (RMB cents)		(0.04)	0.65	(0.56)	(0.37)
Diluted (RMB cents)		(0.04)	0.56	(0.56)	(0.37)

NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules.

The unaudited consolidated results have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2019, except for adoption of new and revised HKFRSs and HKAS issued by the Hong Kong Institute of Certified Public Accountants which are effective to the Group for accounting periods beginning on or after 1 April 2019. The adoption of the new HKFRSs and HKAS has no material impact on the Group’s results and financial position for the current or prior periods.

The consolidated results of the Group for the nine months ended 31 December 2019 are unaudited but have been reviewed by the audit committee of the Board (“**Audit Committee**”).

1. BASIS OF PREPARATION (continued)

PRIOR PERIOD ADJUSTMENTS

During the year ended 31 March 2019, the directors of the Company identified certain errors in the consolidated financial statements in prior years. Therefore, prior period adjustments were made as shown below.

CHANGE IN PRESENTATION CURRENCY

As the Group's major transactions are denominated and settled in RMB, since preparing the Group's annual financial statements for the year ended 31 March 2019, the Group has changed the currency in which it presents its consolidated financial statements from Hong Kong Dollar ("HK\$") to RMB, in order to better reflect the underlying performance of the Group. A change in presentation currency is a change in accounting policy which is accounted for retrospectively. The consolidated results for the nine months ended 31 December 2018 previously reported in HK\$ have therefore been restated into RMB.

	Notes	Nine months ended 31 December 2018 HK\$'000 (Unaudited and previously reported)	Change into new presentation currency RMB'000	Prior period adjustment RMB'000	Nine months ended 31 December 2018 RMB'000 (Restated and unaudited)
Revenue		106,842	91,852	–	91,852
Cost of sales		(77,427)	(66,564)	–	(66,564)
Gross profit		29,415	25,288	–	25,288
Other revenue	a, c	122	105	(89)	16
Other gains and losses	a, c	–	–	(6,284)	(6,284)
Selling expenses		(2,369)	(2,037)	–	(2,037)
Change in fair value of financial assets at FVTPL	c	(1,522)	(1,308)	165	(1,143)
Change in fair value of financial derivative liabilities	b	–	–	440	440
Administrative expenses	c	(11,631)	(9,999)	1,353	(8,646)
Impairment losses recognised	d	–	–	(556)	(556)
Finance costs		(4,221)	(3,629)	–	(3,629)
Profit (loss) before tax		9,794	8,420	(4,971)	3,449
Income tax expense		(8,598)	(7,392)	–	(7,392)
Profit (loss) for the period		1,196	1,028	(4,971)	(3,943)
Other comprehensive (expenses) income					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of financial statements of foreign operations	c	(8,748)	(7,521)	7,521	–
Total comprehensive (expenses) income for the period		(7,552)	(6,493)	2,550	(3,943)

1. BASIS OF PREPARATION (continued)

CHANGE IN PRESENTATION CURRENCY (continued)

	Nine months ended 31 December 2018 HK\$'000 (Unaudited and previously reported)	Change into new presentation currency RMB'000	Prior period adjustment RMB'000	Nine months ended 31 December 2018 RMB'000 (Restated and unaudited)
(Loss) profit for the period attributable to:				
Owners of the Company	(1,004)	(863)	(5,030)	(5,893)
Non-controlling interests	2,200	1,891	59	1,950
	1,196	1,028	(4,971)	(3,943)
Total comprehensive (expenses) income for the period attributable to:				
Owners of the Company	(9,114)	(8,384)	2,491	(5,893)
Non-controlling interests	1,562	1,891	59	1,950
	(7,552)	(6,493)	2,550	(3,943)
	HK cents	RMB cents	RMB cents	RMB cents
Loss per share				
– Basic	(0.06)	(0.05)	(0.32)	(0.37)
– Diluted	N/A	N/A	(0.32)	(0.37)

Notes:

- a. Being reclassification adjustments to conform with the current period's presentation

The reclassification adjustment represents reclassification from other revenue to other gains and losses.

- b. Change in accounting treatment following the change in functional currency

During the year ended 31 March 2019, the directors of the Company identified an error in determining the functional currency of the Company. In prior years, the Group operated in both Hong Kong and the People's Republic of China (the "PRC") and had determined HK\$ as functional currency of the Company. Starting from the year ended 31 March 2011, whereby at that time the Company was principally engaged as an investment holding company primarily holding subsidiaries with primary economic environment in the PRC, as such, the functional currency of the Company for the year ended 31 March 2011 should be RMB instead of HK\$.

Following the prior period adjustment in rectifying the functional currency from HK\$ to RMB for the year ended 31 March 2011, the initial accounting treatment for the 2011 convertible bonds which is denominated in HK\$ is different to that applied in the financial statements for the previous years as the conversion option that will be settled by the exchange of fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments and therefore accounted for as an equity instrument was no longer applied. The 2011 convertible bonds is now regarded as carrying a conversion option that will be settled other than by the exchange of fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivatives.

1. BASIS OF PREPARATION (continued)

CHANGE IN PRESENTATION CURRENCY (continued)

Notes: (continued)

- c. Impact on change in functional currency

The amounts represent the exchange impact for the correction of functional currency as detailed in note b.

- d. Impact under expected credit losses ("ECL") model upon application of HKFRS 9 Financial Instruments

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivable and contract assets. Except for those which had been determined as credit impaired under HKAS 39, all accounts receivable and contract assets have been assessed individually with significant outstanding balances and the remaining balances are grouped based on shared credit risk characteristics.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables and deposits and bank balances, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

The amount represented the impact under ECL model upon application of HKFRS 9.

2. REVENUE

DISAGGREGATION OF REVENUE

	Three months ended 31 December		Nine months ended 31 December	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)
Types of goods or services				
Sales of solar power related products	–	38,527	25,758	65,249
Rendering of new energy power system integration services	26,485	26,603	53,391	26,603
Total	26,485	65,130	79,149	91,852
Timing of revenue recognition				
A point in time	–	38,527	25,758	65,249
Over time	26,485	26,603	53,391	26,603
Total	26,485	65,130	79,149	91,852

3. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	Three months ended 31 December		Nine months ended 31 December	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)
Cost of inventories recognised as expenses	420	31,811	22,213	52,413
Depreciation of equipment	72	5	303	77
Depreciation of right-of-use assets	55	–	286	–
Minimum operating lease payments in respect of rented premises	–	147	–	464
Short-term lease payments	142	–	1,028	–

4. OTHER GAINS AND LOSSES

	Three months ended 31 December		Nine months ended 31 December	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)
Gain on disposal of equipment	–	32	–	69
Gain on disposal of investment in subsidiaries	–	3	–	23
Foreign exchange gain (loss)	1,486	(64)	(2,175)	(6,376)
Gain on disposal of right-of-use assets and lease liabilities (note)	–	–	313	–
Loss on termination of a lease contract	–	–	(398)	–
	1,486	(29)	(2,260)	(6,284)

Note: A lease contract of the Group was terminated on 30 June 2019 and a gain on disposal of right-of-use assets and lease liabilities of RMB313,000 was recognised.

5. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)
Effective interest on convertible bonds	1,078	903	3,085	2,695
Interest on other loans	108	73	151	934
Interest on lease liabilities	26	-	108	-
	1,212	976	3,344	3,629

6. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

	Three months ended 31 December		Nine months ended 31 December	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)
Impairment loss recognised (reversed) in respect of:				
– Accounts receivable	-	-	988	814
– Other receivables and deposits	-	-	(63)	(258)
– Contract assets	-	-	(70)	-
	-	-	855	556

The basis of determining the inputs and assumptions and the estimation techniques used in the unaudited consolidated results for the nine months ended 31 December 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

7. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)
Current tax				
– PRC Enterprise Income Tax	202	(3,703)	(527)	(4,589)
Under provision in prior years	–	–	–	(2,803)
	202	(3,703)	(527)	(7,392)

No provision for Hong Kong Profits Tax has been made as there is no assessable profit for the subsidiaries operating in Hong Kong during the nine months ended 31 December 2019 and 2018.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the nine months ended 31 December 2019 and 2018, except for certain subsidiaries of the Group in the PRC are under the Western China Development Plan, and were approved to enjoy the preferential tax rate of 15% in accordance with the EIT Law and relevant regulations until 2020.

8. DIVIDENDS

No dividends were paid, declared or proposed during the period under review (nine months ended 31 December 2018: nil).

9. (LOSS) EARNINGS PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated and unaudited)
(Loss) earnings				
(Loss) earnings for the period attributable to the owners of the Company	(739)	11,240	(10,353)	(5,893)

	Three months ended 31 December		Nine months ended 31 December	
	2019 RMB cents (Unaudited)	2018 RMB cents (Restated and unaudited)	2019 RMB cents (Unaudited)	2018 RMB cents (Restated and unaudited)
Basic (loss) earnings per share	(0.04)	0.65	(0.56)	(0.37)
Diluted (loss) earnings per share	(0.04)	0.53	(0.56)	(0.37)

	Three months ended 31 December		Nine months ended 31 December	
	2019 '000 (Unaudited)	2018 '000 (Restated and unaudited)	2019 '000 (Unaudited)	2018 '000 (Restated and unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,835,233	1,735,175	1,835,233	1,582,140
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	1,835,233	1,823,175	1,835,233	1,582,140

Outstanding convertible bonds of the Company are anti-dilutive since their exercise or conversion would result in a decrease in basic loss per share for the nine months ended 31 December 2019 and 2018.

Share options before exercise under the share option scheme are anti-dilutive since their exercise would result in a decrease in basic loss per share for the nine months ended 31 December 2019 and 2018.

QUARTERLY DIVIDEND

The Board does not recommend the payment of quarterly dividend for the nine months ended 31 December 2019 (2018: Nil).

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserve arising from reorganisation RMB'000 (note)	Exchange reserve RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000			
At 1 April 2018 (audited)	117,718	123,342	(20,484)	156	–	(178,863)	41,869	10,380	52,249
(Loss) profit for the period	–	–	–	–	–	(5,893)	(5,893)	1,950	(3,943)
Total comprehensive (expense) income for the period	–	–	–	–	–	(5,893)	(5,893)	1,950	(3,943)
Recognition of equity-settled share- based payments	–	–	–	–	2,070	–	2,070	–	2,070
Issue of shares upon conversion of convertible bonds	856	2,190	–	–	–	–	3,046	–	3,046
Issue of shares upon exercise of share options	2,752	592	–	–	(592)	–	2,752	–	2,752
Issue of shares pursuant to a placing agreement	24,933	(690)	–	–	–	–	24,243	–	24,243
At 31 December 2018 (restated and unaudited)	146,259	125,434	(20,484)	156	1,478	(184,756)	68,087	12,330	80,417
At 1 April 2019 (audited)	153,135	126,912	(20,484)	156	–	(232,392)	27,327	12,634	39,961
(Loss) profit for the period	–	–	–	–	–	(10,353)	(10,353)	686	(9,667)
Total comprehensive (expense) income for the period	–	–	–	–	–	(10,353)	(10,353)	686	(9,667)
At 31 December 2019 (unaudited)	153,135	126,912	(20,484)	156	–	(242,745)	16,974	13,320	30,294

Note:

Reserve arising from reorganisation

The reserve arising from reorganisation of approximately RMB20,484,000 represents the difference between the nominal value of the share capital of subsidiaries acquired and the cost of investments in these subsidiaries incurred by the Company in exchange thereof, and has been debited to the reserve of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), as 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 required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the following persons or entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Number of ordinary shares (Note 1)	Capacity	Approximate percentage of the Company's issued share capital as at 31 December 2019 (Note 2)
Mr. Huang Bo	217,766,038 (L) (Note 3)	Beneficial owner (Note 3)	11.87%
Creation Moral Limited	216,363,636 (L)	Beneficial owner (Note 4)	11.79%
Ms. Sun Aihui	216,363,636 (L)	Interest in a controlled corporation (Note 4)	11.79%
Mr. Hou Hsiao Bing	131,140,000 (L)	Beneficial owner (Note 5)	7.15%

Notes:

- The letter "L" represents long position in the shares or underlying shares of the Company.
- As at 31 December 2019, the issued share capital of the Company was 1,835,232,850 ordinary shares of HK\$0.1 each.

3. On 11 July 2019, Good Million Investments Limited (“**Good Million**”), a substantial shareholder (as defined in the GEM Listing Rules) of the Company (“**Shareholder**”), entered into a sale and purchase agreement as vendor with Mr. Huang Bo, an independent third party who is an individual, as purchaser (“**Purchaser**”) pursuant to which Good Million has agreed to sell 217,766,038 shares of the Company (“**Shares**”) (representing approximately 11.87% of the total issued share capital of the Company as at 11 July 2019) held by it to the Purchaser.

As at 11 July 2019, Good Million was owned as to 70% and 30% by Mr. Chiu Tung Ping (“**Mr. Chiu**”), an executive Director, the chairman of the Company and the chief executive officer of the Company, and Ms. Yuen Hing Lan (“**Ms. Yuen**”). Ms. Yuen is the spouse of Mr. Chiu.

Upon completion of the Disposal, Good Million ceased to be a substantial Shareholder and ceased to be interested in any Shares.

4. Ms. Sun Aihui held 100% interest in the entire issued share capital of Creation Moral Limited. Hence, Ms. Sun Aihui was deemed to be interested in the shares of the Company held by Creation Moral Limited.
5. Mr. Hou Hsiao Bing retired as an executive Director with effect from 26 August 2019.

Save as disclosed above, as at 31 December 2019, no person or entity, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

AUDIT COMMITTEE

The Audit Committee was formed on 13 December 2000. The written terms of reference (revised in December 2018) which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for Effective Audit Committee” published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company’s auditors in matters coming within the scope of the Group’s audit. It also reviews the effectiveness of both the external and internal audit and of the risk management and internal control systems of the Group. As at the date of this report, the Audit Committee comprises of three independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu. The unaudited consolidated results of the Group for the nine months ended 31 December 2019 have been reviewed and approved by the Audit Committee.

DIRECTORS’ COMPETING INTEREST OR BUSINESS

During the nine months ended 31 December 2019, none of the Directors or his/her close associates had any interest or business which competes or may compete with the business of the Group.

The Company did not have any controlling shareholder during the nine months ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the shares of the Company during the nine months ended 31 December 2019.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the nine months ended 31 December 2019.

On behalf of the Board
China Technology Solar Power Holdings Limited
Chiu Tung Ping
Chairman and executive Director

Hong Kong, 12 February 2020

As at the date of this report, the Board comprises of the following Directors:

Executive Directors:

Chiu Tung Ping (Chairman)

Yuen Hing Lan

Hu Xin

Tse Man Kit Keith

Independent non-executive Directors:

Ma Xingqin

Meng Xianglin

Dong Guangwu