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This announcement, for which the directors (“Directors”) of China Technology Solar Power Holdings Limited (“Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules (“GEM Listing Rules”) Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of the Stock Exchange 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 announcement 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 document misleading.



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 RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2011

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

* *For identification purpose only*

QUARTERLY RESULTS HIGHLIGHTS

- The revenue of the Group during the nine months ended 31 December 2011 was approximately HK\$28.9 million, representing a decrease of approximately 0.6 per cent., as compared to the same period last year (nine months ended 31 December 2010: approximately HK\$29.1 million).
- The loss attributable to equity holders of the Company during the nine months ended 31 December 2011 was approximately HK\$46.5 million (nine months ended 31 December 2010: approximately HK\$23.1 million).
- The Board does not recommend the payment of quarterly dividend for the nine months ended 31 December 2011 (nine months ended 31 December 2010: Nil).

The Board announces the unaudited consolidated results of the Group for the nine months ended 31 December 2011.

FINANCIAL PERFORMANCE

The Group is principally engaged in (i) sales of self-service automatic teller machine (“**ATM**”) systems and printing systems; (ii) provision of hardware and software technical support services; and (iii) solar energy generating and power system integration business in the People’s Republic of China (“**PRC**” or “**China**”).

The revenue of the Group during the nine months ended 31 December 2011 was approximately HK\$28.9 million, representing a decrease of approximately 0.6 per cent., as compared to the same period last year (nine months ended 31 December 2010: approximately HK\$29.1 million).

The Group recorded a loss attributable to equity holders of the Company of approximately HK\$46.5 million in the nine months ended 31 December 2011, compared with the loss attributable to equity holders of the Company of approximately HK\$23.1 million for the corresponding period last year, mainly as a result of the increase in the loss of approximately HK\$9.5 million arising from the change in fair value of financial assets at fair value through profit or loss, the recognition of the one-off professional expenses of approximately HK\$4.8 million arising from the acquisition of China Technology Solar Power Holdings Limited, a company incorporated in the British Virgin Islands with limited liability (“**CTSP (BVI)**”), and the increase in the finance costs of approximately HK\$4.7 million.

Basic loss per share during the nine months ended 31 December 2011 was approximately HK5.45 cents, compared with the basic loss per share of approximately HK3.74 cents for the corresponding period last year.

BUSINESS REVIEW

The Group continued to specialize in the provision of implementation and upgrading of self-service ATM systems and printing systems, application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in the PRC during the nine months ended 31 December 2011.

After the completion of the acquisition of the entire issued share capital of CTSP (BVI) on 1 June 2011, the Group is in the process of constructing solar photovoltaic power stations in the desert connected to the grid at Geermu Basin in the Qinghai province with designed power generation capacity of 200 MW and negotiating related power system integration business in the PRC during the period under review.

On 28 December 2011, 青海百科光電有限責任公司 (unofficial English translation being Qinghai Baike Solar Power Co., Ltd.), a wholly-owned subsidiary of the Company, completed the construction of a 10MW solar photovoltaic power plant in 青海省格爾木東出口光伏園區 (unofficial English translation being Geermu East Exit Solar Power District, Qinghai province) (“**Qinghai Geermu Power Plant**”) and passed the grid integration inspection tests with the consent of 青海省電力公司 (unofficial English translation being Province Electric Company).

On 30 December 2011, 青海百科光電有限責任公司 (unofficial English translation being Qinghai Baike Solar Power Co., Ltd.), has received the notification from 青海省發展和改革委員會 (unofficial English translation being Qinghai Province Development and Reform Committee) (“**Committee**”) that the Qinghai Geermu Power Plant has passed the inspection test of the Committee, and has conformed with the normal operation requirements for grid integrated power generation. Pursuant to the relevant regulations of the PRC, from the date of commercial operation of the Qinghai Geermu Power Plant, the unit selling price of electricity shall be set at RMB1.15/KWh (inclusive of tax). The Qinghai Geermu Power Plant has officially commenced in January 2012.

Implementation of self-service ATM systems and printing systems

During the nine months ended 31 December 2011, implementation of self-service ATM systems and printing systems (including the provision of technical consultancy and support services) remained the Group’s core business and accounted for 100.0 per cent. (nine months ended 31 December 2010: 100.0 per cent.) of the Group’s revenue from the sales of goods and rendering of services.

The revenue generated from the implementation of self-service ATM systems and printing systems (including the provision of technical consultancy and support services) amounted to approximately HK\$28.9 million, representing a decrease of approximately 0.6 per cent., as compared with the corresponding period last year (nine months ended 31 December 2010: approximately HK\$29.1 million).

Solar energy generation

During the nine months ended 31 December 2011, the Group did not have income generated from solar energy generation business (nine months ended 31 December 2010: Nil).

Power system integration business

During the nine months ended 31 December 2011, the Group did not have income generated from the power system integration business (nine months ended 31 December 2010: Nil).

Provision of technical consultancy and support services

The provision of technical consultancy and support services, which were already included in the above-mentioned implementation of self-service ATM systems and printing systems business, contributed to a stable and recurrent source of income for the Group and accounted for approximately 24.5 per cent. of the total revenue from the sales of goods and rendering of services of the Group for the nine months ended 31 December 2011, compared with approximately 25.7 per cent. for the corresponding period last year. Income derived from the provision of technical consultancy and support services during the nine months ended 31 December 2011 decreased by approximately 5.3 per cent, as compared with the corresponding period last year.

By having ATM service centers established in major cities in China including Shaoxing, Hainan, Taiyuan, Shanghai, Beijing, Hefei, Wenzhou, Nanjing, Yiwu, Chongqing, Wuxi, Changshu, Suzhou, Jinhua, Yingkou, Yancheng, Taizhou, Datong, Yangzhou, Xuzhou, Huzhou, Lvliang, Quzhou and Huaian, the Group has ATM service centers covering a total of 24 strategic cities and locations currently.

In respect of marketing and sales of self-service ATM systems and printing systems, as well as the provision of system maintenance and enhancement services to financial institutions, the Group maintained its position with new contracts clinched with Postal Savings Bank of China, Bank of Communications, Bank of Taizhou, Bank of Wenzhou, Bank of Yingkou, Rural Commercial Banks, Shanghai Pudong Development Bank, the Rural Credit Cooperatives of China, several branches of the China State Postal Bureau, the Ministry of Public Security of the PRC and Huang Shijie De Da Jinka Co., Ltd during the period under review.

Gross profit

The Group's gross profit margin for the nine months ended 31 December 2011 was approximately 23.8 per cent., compared with approximately 24.6 per cent. for the corresponding period last year.

Selling expenses

Selling expenses incurred by the Group for the nine months ended 31 December 2011 amounted to approximately HK\$5.0 million (nine months ended 31 December 2010: approximately HK\$4.8 million), representing an increase of approximately 5.6 per cent..

Administrative expenses

Administrative expenses incurred by the Group for the nine months ended 31 December 2011 amounted to approximately HK\$30.4 million (nine months ended 31 December 2010: approximately HK\$21.4 million), representing an increase of approximately 42.1 per cent. which was mainly attributable to the one-off professional expenses of approximately HK\$4.8 million arising from the acquisition of CTSP (BVI) during the period under review.

Liquidity, financial resources and treasury policies

As at 31 December 2011, the Group had cash and bank balances amounting to a total of approximately HK\$27.4 million (31 March 2011: approximately HK\$43.2 million). The Group has no outstanding bank overdraft as at 31 December 2011 (31 March 2011: HK\$Nil).

The Group financed its operations by internally generated cash flow and proceeds from placing of shares of the Company and convertible bonds. Please refer to the annual report of the Company for the year ended 31 March 2011 and the section headed “Placing of existing shares and subscription for new shares under general mandate” of this report for details.

Material acquisitions and disposals of subsidiaries and affiliated companies during the period under review

During the nine months ended 31 December 2011, the Group has completed the acquisition of CTSP (BVI) at the consideration of HK\$292,000,000.

CTSP (BVI) is principally engaged in solar energy generation and related power system integration business in the PRC:

CTSP (BVI) provides system integration services, which is different from contracting and does not provide the related construction works. System integration refers to the optimization of technologies in the civil engineering system, electrical system and other ancillary system, database technologies, surveillance and software management. CTSP (BVI) shall source equipment and products from different vendors based on the scale and capacity of the respective power stations, and subsequently carry out integration of the separated equipment, functions and information into a connected, unified and coordinated system. System integration enables the utilization of resources at their best so as to enhance optimization of performance of the entire system and achieve centralized, high efficiency, balanced performance, as well as low cost management. CTSP (BVI) also offers subsequent system management services to the power stations.

To provide system integration service, it does not only require ample knowledge in the structure and construction of power station but also the knowledge in the products and technologies of different manufacturers so as to propose the best system method and technical solution.

Solar energy is generated and converted into electricity via grid connected solar energy power system and transfer the electrical power through inverter directly to the connected grid, instead of going through the storage in batteries. Such technology signifies a new development in solar energy.

Please refer to the circular of the Company dated 16 May 2011 for further details of the acquisition.

Business prospects

The Group is recognized as a professional ATM software, hardware and service company in the ATM sector, and is an authorized value-added reseller of self-service ATM systems of NCR (Beijing) Financial Equipment System Co., Ltd and a marketing agent for Fuji Xerox for its printing systems in China.

The Group will fully commit itself to being one of the leading ATM total solution providers in the banking sector in the PRC and offer a full range of banking and financial system solutions for the banking and financial sectors, and persist to put efforts on enhancing closer customer relationships, broadening business relationships and exploring new business opportunities in corporate outsourcing technical service sector.

Leveraging on our prudent and experienced management and our strong and determined workforce, the Group, by keeping on boosting its marketing effort in the PRC to bring in new customers, will strive to maintain and expand its operations further, thus expanding our market share while at the same time bringing greater return to our shareholders.

Following the completion of the acquisition of the entire issued share capital of CTSP (BVI) on 1 June 2011, the Group is positioned to benefit from the growing demand in energy in the PRC, as well as the growing emphasis and awareness on renewable energy by the PRC government.

As the new energy industry such as solar photovoltaic power stations and biomass energy power stations are emerging in the PRC, the need for system integration services grows accordingly. Given that there is the strict entry requirements and the business of provision of solar energy is a new industry in the PRC, CTSP (BVI) has (i) conducted preliminary works and studies including various substantial researches and studies about the selection of location, power grid, climate, policies and environment for the development of solar photovoltaic power stations in Qinghai Province; (ii) already obtained certain permits and approvals from the government authority for the construction of the power station; and (iii) established a medium of communication with the local government. With such a solid foundation for the business of provision of solar energy, CTSP (BVI) has a competitive advantage in such new industry in the PRC. The acquisition is an opportunity for the Company to diversify its scope of business and to enter into a high growth business sector, so as to maximize the shareholders' value.

RESULTS

The unaudited consolidated results of the Group for the periods of three months and nine months ended 31 December, 2011 together with the comparative unaudited consolidated results of the Group for the corresponding periods in 2010 are as follows:–

	<i>Notes</i>	From 1 October, 2011 to 31 December, 2011 (unaudited) <i>HK\$'000</i>	From 1 April, 2011 to 31 December, 2011 (unaudited) <i>HK\$'000</i>	From 1 October, 2010 to 31 December, 2010 (unaudited) <i>HK\$'000</i>	From 1 April, 2010 to 31 December, 2010 (unaudited) <i>HK\$'000</i>
Revenue	2	9,738	28,931	10,776	29,099
Cost of sales		<u>(7,820)</u>	<u>(22,038)</u>	<u>(8,182)</u>	<u>(21,931)</u>
Gross profit		1,918	6,893	2,594	7,168
Other revenue	2	–	567	19	188
Selling expenses		(2,837)	(5,034)	(2,440)	(4,768)
Change in fair value of financial assets at fair value through profit or loss	3	(3,062)	(13,472)	(3,962)	(3,962)
Administrative expenses		<u>(7,127)</u>	<u>(30,398)</u>	<u>(15,096)</u>	<u>(21,388)</u>
Loss from operations	3	(11,108)	(41,444)	(18,885)	(22,762)
Finance costs	4	<u>(1,934)</u>	<u>(5,077)</u>	<u>(352)</u>	<u>(352)</u>
Loss before taxation		(13,042)	(46,521)	(19,237)	(23,114)
Income tax expenses	5	–	(11)	(5)	(24)
Loss for the period		<u>(13,042)</u>	<u>(46,532)</u>	<u>(19,242)</u>	<u>(23,138)</u>
Other comprehensive income for the period					
Exchange differences on translation of financial statements of overseas subsidiaries		410	2,354	700	1,425
Total comprehensive income for the period		<u>(12,632)</u>	<u>(44,178)</u>	<u>(18,542)</u>	<u>(21,713)</u>
Loss for the period attributable to Equity holders of the Company		<u>(13,042)</u>	<u>(46,532)</u>	<u>(19,242)</u>	<u>(23,138)</u>
Total comprehensive income attributable to Equity holders of the Company		<u>(12,632)</u>	<u>(44,178)</u>	<u>(18,542)</u>	<u>(21,713)</u>
Dividend		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>
Loss per share					
– Basic	6	<u>(1.45 cents)</u>	<u>(5.45 cents)</u>	<u>(2.69 cents)</u>	<u>(3.74 cents)</u>
– Diluted	6	<u>(1.80 cents)</u>	<u>(6.45 cents)</u>	<u>(3.23 cents)</u>	<u>(4.64 cents)</u>

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**”) and Hong Kong Accounting Standards (“**HKAS**”) 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 2011, 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 January 2011. 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 2011 are unaudited but have been reviewed by the audit committee of the Company (“**Audit Committee**”).

2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in (i) sales of self-service ATM systems and printing systems; (ii) provision of hardware and software technical support services; and (iii) solar energy generating and power system integration business in the PRC.

Revenues recognised during the period are as follows: –

	From 1 October, 2011 to 31 December, 2011 (unaudited) HK\$’000	From 1 April, 2011 to 31 December, 2011 (unaudited) HK\$’000	From 1 October, 2010 to 31 December, 2010 (unaudited) HK\$’000	From 1 April, 2010 to 31 December, 2010 (unaudited) HK\$’000
Revenue				
Sale of goods	7,619	21,849	7,749	21,622
Rendering of services	2,119	7,082	3,027	7,477
	<u>9,738</u>	<u>28,931</u>	<u>10,776</u>	<u>29,099</u>
Other revenue				
Government subsidies for business development	–	144	1	153
Interest income	–	297	18	35
Others	–	126	–	–
	<u>–</u>	<u>567</u>	<u>19</u>	<u>188</u>
Total revenue	<u>9,738</u>	<u>29,498</u>	<u>10,795</u>	<u>29,287</u>

3. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charging:–

	From 1 October, 2011 to 31 December, 2011 (unaudited) HK\$'000	From 1 April, 2011 to 31 December, 2011 (unaudited) HK\$'000	From 1 October, 2010 to 31 December, 2010 (unaudited) HK\$'000	From 1 April, 2010 to 31 December, 2010 (unaudited) HK\$'000
Cost of inventories sold	6,596	18,175	5,271	16,901
Depreciation	95	696	15	50
Change in fair value of financial assets at fair value through profit or loss	3,062	13,472	3,962	3,962
Impairment loss recognised on other deposit	–	–	7,745	7,745
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4. FINANCE COSTS

	From 1 October, 2011 to 31 December, 2011 (unaudited) HK\$'000	From 1 April, 2011 to 31 December, 2011 (unaudited) HK\$'000	From 1 October, 2010 to 31 December, 2010 (unaudited) HK\$'000	From 1 April, 2010 to 31 December, 2010 (unaudited) HK\$'000
Imputed finance costs on convertible bonds	1,661	4,781	352	352
Interests on other loans	273	296	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,934</u>	<u>5,077</u>	<u>352</u>	<u>352</u>

5. INCOME TAX EXPENSES

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the nine months ended 31 December, 2011 (nine months ended 31 December, 2010: Nil).

Income tax expenses on overseas profits has been calculated on the estimated assessable profit at the rates of taxation prevailing in the PRC in which the subsidiaries of the Group operate.

The amount of income tax expenses charged to the consolidated results represents:–

	From 1 October, 2011 to 31 December, 2011 (unaudited) HK\$'000	From 1 April, 2011 to 31 December, 2011 (unaudited) HK\$'000	From 1 October, 2010 to 31 December, 2010 (unaudited) HK\$'000	From 1 April, 2010 to 31 December, 2010 (unaudited) HK\$'000
Current taxation:				
– Hong Kong profits tax	–	–	–	–
– Overseas taxation	–	11	5	24
Deferred taxation	–	–	–	–
Income tax expenses	<u>–</u>	<u>11</u>	<u>5</u>	<u>24</u>

6. LOSS PER SHARE

	From 1 October, 2011 to 31 December, 2011 (unaudited) HK\$'000	From 1 April, 2011 to 31 December, 2011 (unaudited) HK\$'000	From 1 October, 2010 to 31 December, 2010 (unaudited) HK\$'000	From 1 April, 2010 to 31 December, 2010 (unaudited) HK\$'000
Loss				
Loss for the purpose of basic and diluted loss per share	<u>(13,042)</u>	<u>(46,532)</u>	<u>(19,242)</u>	<u>(23,138)</u>
	From 1 October, 2011 to 31 December, 2011 Number of shares	From 1 April, 2011 to 31 December, 2011 Number of shares	From 1 October, 2010 to 31 December, 2010 Number of shares	From 1 April, 2010 to 31 December, 2010 Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	899,826,855	853,135,345	714,757,289	618,427,708
Effect of dilutive potential ordinary shares: Warrants issued by the Company	<u>(176,243,094)</u>	<u>(132,078,391)</u>	<u>(119,941,349)</u>	<u>(119,941,349)</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>723,583,761</u>	<u>721,056,954</u>	<u>594,815,940</u>	<u>498,486,359</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to equity holders of the Company							
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Reserve arising from reorganization <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Convertible bonds reserve <i>HK\$'000</i>	Retained profits (Deficit) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2010	54,379	29,555	9,680	(24,317)	6,614	–	(20,637)	55,274
Issue of shares	18,700	55,795	–	–	–	–	–	74,495
Issue of convertible bonds	–	–	–	–	–	2,387	–	2,387
Transaction cost on issue of shares and convertible bonds	–	(2,060)	–	–	–	–	–	(2,060)
Shares issued on exercise of options	640	1,920	–	–	–	–	–	2,560
Total comprehensive income for the period	–	–	–	–	1,425	–	(23,138)	(21,713)
At 31 December 2010	<u>73,719</u>	<u>85,210</u>	<u>9,680</u>	<u>(24,317)</u>	<u>8,039</u>	<u>2,387</u>	<u>(43,775)</u>	<u>110,943</u>
At 1 April 2011	73,719	85,600	9,680	(24,317)	8,464	2,387	(56,989)	98,544
Issue of consideration shares (<i>note d</i>)	13,300	41,230	–	–	–	–	–	54,530
Equity component of convertible bonds (<i>note d</i>)	–	–	–	–	–	119,919	–	119,919
Deferred tax liabilities arising from the convertible bonds	–	–	–	–	–	(19,272)	–	(19,272)
Shares issued on exercise of the conversion rights attached to Tranche I convertible bonds	2,400	9,600	–	–	–	(8,880)	–	3,120
Issue of shares	3,240	6,480	–	–	–	–	–	9,720
Transaction cost on issue of shares	–	(820)	–	–	–	–	–	(820)
Release of convertible bonds reserve (<i>note c</i>)	–	–	–	–	–	(2,387)	2,387	–
Total comprehensive income for the period	–	–	–	–	2,354	–	(46,532)	(44,178)
At 31 December 2011	<u>92,659</u>	<u>142,090</u>	<u>9,680</u>	<u>(24,317)</u>	<u>10,818</u>	<u>91,767</u>	<u>(101,134)</u>	<u>221,563</u>

Notes:

- a. During the year ended 31 March 2010, the Company issued 100,000,000 warrant at HK\$0.10 each for cash. Net proceeds from the issuance of warrant of approximately HK\$9,680,000 was recognized as warrant reserve.
- b. The reserve arising from reorganization of approximately HK\$24,317,000 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.
- c. On 5 November 2010, the Company issued convertible bonds with a principal amount of HK\$26,000,000. Equity component of the convertible bonds of approximately HK\$2,387,000 was recognized in the convertible bonds reserve account. On 4 November 2011, the Company had settled such convertible bonds, and therefore the convertible bonds reserve of approximately HK\$2,387,000 was transferred to retained profits (deficit).
- d. Pursuant to the conditional sale and purchase agreement dated 13 December 2010 entered into between (i) City Max International Limited; (ii) the Company; (iii) Good Million Investments Limited; (iv) Mr. Chiu Tung Ping; and (v) Ms. Yuen Hing Lan in relation to the sale and purchase of the entire issued share capital of CTSP (BVI), the Company has issued 133,000,000 consideration shares and convertible bonds in the aggregate principal amount of HK\$163,100,000 to Good Million Investments Limited on 1 June 2011. Details of the acquisition is contained in the circular of the Company dated 16 May 2011. Equity component of the convertible bonds of approximately HK\$119,919,000 was recognized in the convertible bonds reserve account.

QUARTERLY DIVIDEND

The Directors do not recommend the payment of quarterly dividend for the period under review (nine months ended 31 December 2010: Nil).

LITIGATION

Legal action has been commenced by Oceania City Investment Company Limited (“**Oceania**”), a wholly-owned subsidiary of the Company, against Max Success Group Limited, Rus Energy Investment Group Limited and Mr. Qin Yun for the refund of initial deposit of USD2 million for the termination of an acquisition of an investment with effective on 28 May 2010 (“**HCA 1153 of 2010**”). The defendants have raised a legal action against the Company and the Directors for counterclaim of USD7 million for misrepresentation, fraud and conspiracy of the Company and the Directors during the negotiation of the proposed acquisition of China-Rus Energy Investment Limited.

On 4 November 2011, Oceania obtained summary judgment in HCA 1153 of 2010 against the defendants for the return of the sum of USD2 million.

The Company has sought legal advice regarding the case raised by the defendants and intends to actively defend the action under the case.

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES UNDER GENERAL MANDATE

The Top-up Placing Agreement

Before the trading hours commenced on 6 December 2011, Mr. Hou Hsiao Bing (“**Vendor**”), a substantial shareholder and an executive Director, the Company and Yee On Securities Limited (“**Placing Agent**”) entered into a placing agreement (“**Top-up Placing Agreement**”) pursuant to which the Vendor has agreed to place, and the Placing Agent has agreed to procure not less than six placees, on a best effort basis, for the purchase of up to an aggregate of 89,000,000 placing shares at the placing price of HK\$0.30 per placing share.

The Subscription Agreement

Before the trading hours commenced on 6 December 2011, the Vendor and the Company entered into a subscription agreement (“**Subscription Agreement**”) pursuant to which the Vendor has agreed to subscribe for such number of subscription shares which is equivalent to the number of the placing shares placed by the Vendor, being a maximum number of 89,000,000 subscription shares, at the subscription price of HK\$0.30 per subscription share.

Completion of the Top-up Placing took place on 12 and 14 December 2011 where a total of 32,400,000 placing shares beneficially owned by the Vendor were placed to not less than six placees at HK\$0.30 per placing share.

All the conditions of the Subscription Agreement had been fulfilled and completion of the subscription took place on 16 December 2011 whereby 32,400,000 subscription shares were allotted and issued to the Vendor, at HK\$0.30 per subscription share. The Company received net proceeds of approximately HK\$8.9 million from the subscription.

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 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of 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 the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(a) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES OF THE COMPANY

Name of Directors	Capacity	Number and class of securities <i>(Note 1)</i>	Percentage shareholding in the same class of securities <i>(Note 2)</i>
Mr. Chiu Tung Ping <i>(Executive Director)</i>	Interests of controlled corporation <i>(Note 3)</i>	317,766,038 ordinary shares (L)	34.29%
Ms. Yuen Hing Lan <i>(Executive Director)</i>	Interests of spouse <i>(Note 3)</i>	317,766,038 ordinary shares (L)	34.29%
Mr. Hou Hsiao Bing <i>(Executive Director)</i>	Beneficial owner	131,150,000 ordinary shares (L)	14.15%
Mr. Hou Hsiao Wen <i>(Executive Director)</i>	Beneficial owner	25,370,000 ordinary shares (L)	2.74%

Notes:

1. The letter "L" represents the Directors' long positions in the interests in the shares and underlying shares of the Company.
2. As at 31 December 2011, the entire issued share capital of the Company is 926,592,072 shares of HK\$0.1 each.
3. Mr. Chiu Tung Ping and Ms. Yuen Hing Lan held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited. Ms. Yuen Hing Lan is the spouse of Mr. Chiu Tung Ping, and hence both Mr. Chiu Tung Ping and Ms. Yuen Hing Lan were deemed to be interested in the shares of the Company held by Good Million Investments Limited.

(b) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS/SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY'S ASSOCIATED CORPORATIONS

Name of Director	Name of associated corporations	Number of shares interested	Nature of interest	Approximate percentage holding of the non-voting deferred shares
Mr. Hou Hsiao Bing <i>(Executive Director)</i>	Truth Honour Electronic Limited	3,000,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares
Mr. Hou Hsiao Bing <i>(Executive Director)</i>	Soluteck Investments Limited	500,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares

Truth Honour Electronic Limited and Soluteck Investments Limited are subsidiaries of the Company and are thus associated corporations of the Company.

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

As at 31 December 2011, 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 in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Number of ordinary shares interested <i>(Note 1)</i>	Capacity	Approximate percentage of the Company's issued share capital as at 31 December 2011 <i>(Note 2)</i>
Mr. Qin Yun	530,875,000 (L)	Interest of controlled corporation <i>(Note 3)</i>	57.29%
Ms. Hu Jianming	530,875,000 (L)	Interests of spouse <i>(Notes 3 and 4)</i>	57.29%
Max Success Group Ltd	451,243,750 (L)	Beneficial owner <i>(Note 3)</i>	48.70%
Good Million Investments Limited	317,766,038 (L)	Beneficial owner <i>(Note 5)</i>	34.29%
Mr. Qin Zhongde	88,000,000 (L)	Beneficial owner <i>(Note 6)</i>	9.50%
Rus Energy Investment Group Limited	79,631,250 (L)	Beneficial owner <i>(Note 3)</i>	8.59%
China Technology Development Group Corporation	57,313,962 (L)	Beneficial owner <i>(Note 7)</i>	6.19%

Notes:

1. The letter "L" represents the long position in the shares and underlying shares of the Company.
2. As at 31 December 2011, the entire issued share capital of the Company is 926,592,072 shares of HK\$0.1 each.
3. The 451,243,750 shares and 79,631,250 shares in the Company represented the consideration shares that would have been issued to Max Success Group Ltd ("Max Success") and Rus Energy Investment Group Limited ("Rus Energy"), respectively, by the Company as part payment of consideration pursuant to a sale and purchase agreement in respect of the entire issued share capital of China-Rus Energy Investment Limited dated 18 January 2010 among Max Success and Rus Energy as vendors, Mr. Qin Yun as guarantor and Oceania, a wholly-owned subsidiary of the Company, as purchaser upon and if the said sale and purchase agreement was completed. Since Mr. Qin Yun held 100% and 60%, respectively, interest in the entire issued shares in Max Success and Rus Energy, he is deemed to be interested in all the shares of the Company in which Max Success and Rus Energy would be interested pursuant to the SFO. Oceania subsequently decided to terminate the acquisition and rescind the said sale and purchase agreement with effect from 28 May 2010. Notwithstanding that, none of Max Success, Rus Energy and Mr. Qin Yun has notified the Company of the cessation or any change of their interest in the above shares of the Company.

4. Ms. Hu Jianming is the spouse of Mr. Qin Yun. Accordingly, Ms. Hu Jianming is deemed, by virtue of SFO, to be interested in all the shares in which Mr. Qin Yun is interested.
5. Mr. Chiu Tung Ping and Ms. Yuen Hing Lan, both being executive Directors, held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited.
6. Ms. Huang Xiulan is the spouse of Mr. Qin Zhongde. Accordingly, Ms. Huang Xiulan is deemed, by virtue of SFO, to be interested in all the shares in which Mr. Qin Zhongde is interested.
7. BHL Solar Technology Company Limited is wholly-owned by China Technology Development Group Corporation.

Save as disclosed above, as at 31 December 2011, 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 which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An 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 audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. As at 31 December 2011, the Audit Committee comprised three independent non-executive Directors, namely Mr. Tam Kam Bui, William, Mr. Zhou Jing and Mr. Yang Guocai. The unaudited consolidated results of the Group for the nine months ended 31 December 2011 have been reviewed and approved by the Audit Committee.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

Mr. Tam Kam Bui, William, an independent non-executive Director, is an executive director of China Bio Cassava Holdings Limited (Stock Code: 8129), a company incorporated in the Cayman Islands whose securities are listed on GEM. As China Bio Cassava Holdings Limited is also a company which is engaged in business related to research and development of information technology, China Bio Cassava Holdings Limited may be in competition with the Group.

Save as disclosed above, none of the Directors (as defined in the GEM Listing Rules) has an interest in a business which compete or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION BY THE COMPANY OR ANY OF ITS SUBSIDIARIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the nine months ended 31 December 2011.

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 also made specific enquiry of all 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 period under review.

On behalf of the Board

Chiu Tung Ping

Chairman and executive Director

Hong Kong, 8 February 2012

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

Executive Directors:

Chiu Tung Ping (Chairman)

Yuen Hing Lan

Hou Hsiao Bing

Hou Hsiao Wen

Wang Daling

Leung King Pak

Ren Huiye

Independent non-executive Directors:

Tam Kam Biu, William

Zhou Jing

Yang Guocai

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