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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)

FIRST QUARTERLY RESULT ANNOUNCEMENT 2012
FOR THE THREE MONTHS ENDED 30 JUNE 2012

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 loss attributable to equity holders of the Company for the three months ended 30 June 2012 was approximately HK\$1.5 million (the loss attributable to equity holders of the Company for the three months ended 30 June 2011 was approximately HK\$21.8 million).

The revenue of the Group from continuing operations for the three months ended 30 June 2012 was approximately HK\$13.4 million, representing an increase of approximately 59.6 per cent. as compared to the three months ended 30 June 2011.

Gross profit margin of the Group was approximately 24.5 per cent. in the three months ended 30 June 2012, compared to approximately 24.6 per cent. in the three months ended 30 June 2011.

Basic loss per share from continuing and discontinued operations for the three months ended 30 June 2012 was approximately HK0.16 cents (basic loss per share from continuing and discontinued operations for the three months ended 30 June 2011 was approximately HK2.79 cents).

The Directors do not recommend the payment of a dividend for the three months ended 30 June 2012 (three months ended 30 June 2011: Nil).

I am pleased to present the unaudited consolidated results of China Technology Solar Power Holdings Limited (“**Company**”, together with its subsidiaries, the “**Group**”), for the three months ended 30 June 2012.

BUSINESS REVIEW

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, (iii) solar energy generation, and (iv) power system integration business in the People’s Republic of China (“**PRC**” or “**China**”) during the three months ended 30 June 2012.

The Group’s revenue from continuing operations amounted to approximately HK\$13.4 million for the three months ended 30 June 2012, representing an increase of approximately 59.6 per cent. compared with approximately HK\$8.4 million recorded for the three months ended 30 June 2011.

The Group’s gross profit margin was approximately 24.5 per cent. in the three months ended 30 June 2012, compared to approximately 24.6 per cent. in the three months ended 30 June 2011.

Selling expenses from continuing operations incurred by the Group for the three months ended 30 June 2012 amounted to approximately HK\$0.7 million (three months ended 30 June 2011: approximately HK\$1.4 million), representing a decrease of approximately 47.8 per cent. as a result of the Group’s policy on cost control.

Administrative expenses from continuing operations incurred by the Group for the three months ended 30 June 2012 amounted to approximately HK\$3.4 million (three months ended 30 June 2011: HK\$18.2 million), representing a decrease of approximately 81.3 per cent. as a result of the non-recurrent one-off professional expenses arising from the acquisition of China Technology Solar Power Holdings Limited (“**CTSP (BVI)**”), a company incorporated in the British Virgin Islands with limited liability, of approximately HK\$4.4 million in the same period last year and the Group’s policy on cost control.

The Group recorded a loss attributable to equity holders of the Company amounting to approximately HK\$1.5 million for the three months ended 30 June 2012 (three months ended 30 June 2011: loss attributable to equity holders of the Company of approximately HK\$21.8 million).

Basic loss per share from continuing and discontinued operations was approximately HK0.16 cents for the three months ended 30 June 2012, compared with the basic loss per share from continuing and discontinued operations of approximately HK2.79 cents for the three months ended 30 June 2011.

IMPLEMENTATION OF SELF-SERVICE ATM SYSTEMS AND PRINTING SYSTEMS

During the three months ended 30 June 2012, 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 approximately 100.0 per cent. (three months ended 30 June 2011: 100.0 per cent.) of the Group’s total revenue from the sales of goods and rendering of services from continuing operations.

The revenue generated from the implementation of self-service ATM systems and printing systems (including the provision of technical consultancy and support services) remained steady and recorded approximately HK\$13.4 million in the three months ended 30 June 2012, representing an increase of approximately 59.6 per cent. compared with the three months ended 30 June 2011.

PROVISION OF TECHNICAL CONSULTANCY AND SUPPORT SERVICES

The provision of technical consultancy and support services, which were already included in the implementation of self-service ATM systems and printing systems, contributed to a stable and recurrent source of income for the Group and accounted for approximately 13.6 per cent. (three months ended 30 June 2011: approximately 17.8 per cent.) of the total revenue from the sales of goods and rendering of services from continuing operations for the three months ended 30 June 2012. Income derived from the provision of technical consultancy and support services during the three months ended 30 June 2012 increased by approximately 21.8 per cent., as compared with the same period last year.

As an authorised value-added reseller of self-service ATM systems of NCR (Beijing) Financial Equipment System Co., Ltd (“**NCR**”) and marketing agent of printing systems of Fuji Xerox in China, the Group has fully committed itself as a reliable and reputable vendor and a total solution provider for self-service ATM systems and printing systems.

By having ATM service centers established in major cities in China including Shaoxing, Taicang, Taiyuan, Shanghai, Beijing, Wenzhou, Yiwu, Chongqing, Wuxi, Changshu, Jinhua, Yingkou, Funing, Jingzhou, Datong, Yangzhou, Xuzhou, Huzhou, Lvliang, Quzhou and Huaian, the Group has ATM service centers covering a total of 21 strategic cities and locations currently.

Leveraging on its sales network and existing clientele, the Group aims to secure higher renewal rates upon the expiry of the existing contracts.

SOLAR ENERGY GENERATION AND POWER SYSTEM INTEGRATION OPERATION

The Group has completed the acquisition of CTSP (BVI), on 1 June 2011. CTSP (BVI) and its subsidiaries (“**Solar Business Sub-Group**”) is principally engaged in (i) solar energy generation and (ii) related power system integration business in the PRC. The acquisition is an opportunity for the Company to diversify its scope of business and to enter into the new energy industry, so as to maximize the shareholders’ value.

Solar energy generation

During the three months ended 30 June 2012, income generated from solar energy generation amounted to approximately HK\$6.2 million (three months ended 30 June 2011: Nil).

On 28 December 2011, 青海百科光電有限責任公司 (Qinghai Baike Solar Power Co., Ltd.) (“**Qinghai Baike**”), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Solar Business Sub-Group, has 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 Qinghai Province Electric Company). On 30 December 2011, Qinghai Baike 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, and has officially commenced, 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). Up to 30 June 2012, the total grid electricity generation volume of the Qinghai Geermu Power Plant has reached 5,142,400 KWh.

Notwithstanding that the Solar Business Sub-Group has a satisfactory progress in the construction of solar photovoltaic power plant, having taken into account of the capital expenditure required for the future construction and development of solar energy generation business, the Company is considering to concentrate its resources to develop the power system integration business as mentioned below. If the opportunity arises, the Company may consider to dispose of the solar energy generation business for a cash consideration, so that the cashflow of the Group could be improved and the Group is able to concentrate its resources for the power system integration business.

Nonetheless, the Group may set up solar photovoltaic power stations in the future depending on the actual condition of review, business development and the approvals by government authorities.

As the Company is considering to dispose of the solar energy generation business, the results of the solar energy generation are presented as discontinued operation in the unaudited consolidated results of the Group.

Power system integration business

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. The Group 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 to enhance optimization of performance of the entire system and achieve centralized, 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 power stations.

As mentioned in the circular dated 16 May 2011, the Group has secured and signed two agreements for the provision of one-off service on system integration services for biomass energy, thermal power and solar energy generation companies and projects. As the contracting parties in the two agreements were in the process of obtaining the necessary licenses from the respective government authorities during the three months ended 30 June 2012, the Group had not commenced such system integration services and did not have income generated from the power system integration business during the three months ended 30 June 2012 (three months ended 30 June 2011: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

As at 30 June 2012, the Group had cash and bank balances amounting to a total of approximately HK\$22.5 million (31 March 2012: approximately HK\$3.8 million). The Group has no outstanding bank overdraft as at 30 June 2012 (31 March 2012: HK\$Nil).

The Group financed its operations by internally generated cash flow and proceeds from placing of shares of the Company. Please refer to the annual report of the Company for the year ended 31 March 2012 for details.

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.

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. The acquisition is an opportunity for the Group to diversify its scope of business and to enter into the new energy industry, so as to maximize the shareholders' value.

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

RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 30 June 2012 together with comparative unaudited consolidated results of the Group for the corresponding period in 2011 as follows:

		From 1 April 2012 to 30 June 2012 (unaudited) <i>HK\$'000</i>	From 1 April 2011 to 30 June 2011 (unaudited) (Restated) <i>HK\$'000</i>
	<i>Notes</i>		
Continuing operations			
Revenue	2	13,357	8,369
Cost of sales		<u>(10,089)</u>	<u>(6,312)</u>
Gross profit		3,268	2,057
Other revenue	2	205	152
Selling expenses		(726)	(1,392)
Change in fair value of financial assets at fair value through profit or loss	3	(2,173)	(3,228)
Administrative expenses		(3,400)	(18,194)
Finance costs	4	<u>(2,040)</u>	<u>(1,062)</u>
Loss before taxation	3	(4,866)	(21,667)
Income tax expenses	5	<u>–</u>	<u>(11)</u>
Loss for the period from continuing operations		(4,866)	(21,678)
Discontinued operation			
Profit/(loss) for the period from discontinued operation	6	<u>3,369</u>	<u>(151)</u>
Loss for the period		(1,497)	(21,829)
Other comprehensive income			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>(688)</u>	<u>631</u>
Total comprehensive income for the period		<u><u>(2,185)</u></u>	<u><u>(21,198)</u></u>
Loss for the period attributable to:			
Equity holders of the Company		<u><u>(1,497)</u></u>	<u><u>(21,829)</u></u>
Total comprehensive income attributable to:			
Equity holders of the Company		<u><u>(2,185)</u></u>	<u><u>(21,198)</u></u>
Dividend		<u><u>–</u></u>	<u><u>–</u></u>
Loss per share			
From continuing and discontinued operations			
– Basic	7	<u><u>(0.16 cents)</u></u>	<u><u>(2.79 cents)</u></u>
– Diluted	7	<u><u>(0.38 cents)</u></u>	<u><u>(3.45 cents)</u></u>
From continuing operations			
– Basic	7	<u><u>(0.53 cents)</u></u>	<u><u>(2.78 cents)</u></u>
– Diluted	7	<u><u>(1.25 cents)</u></u>	<u><u>(3.43 cents)</u></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 2012, 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 2012. 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 three months ended 30 June 2012 are unaudited but have been reviewed by the audit committee of the Company (“Audit Committee”).

2. REVENUE AND OTHER REVENUE

During the three months ended 30 June 2012, 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; (iii) solar energy generation; and (iv) power system integration business in the PRC.

Revenues recognised during the period are as follows:–

	Continuing operations		Discontinued operation		Consolidated	
	From 1 April 2012 to 30 June 2012 HK\$'000	From 1 April 2011 to 30 June 2011 HK\$'000	From 1 April 2012 to 30 June 2012 HK\$'000	From 1 April 2011 to 30 June 2011 HK\$'000	From 1 April 2012 to 30 June 2012 HK\$'000	From 1 April 2011 to 30 June 2011 HK\$'000
Revenue						
Sales of goods	11,543	6,880	–	–	11,543	6,880
Rendering of services	1,814	1,489	–	–	1,814	1,489
Solar energy generation	–	–	6,213	–	6,213	–
	<u>13,357</u>	<u>8,369</u>	<u>6,213</u>	<u>–</u>	<u>19,570</u>	<u>8,369</u>
Other revenue						
Bank interest income	5	10	–	–	5	10
Government subsidies for business development	79	142	–	–	79	142
Gain on trading in financial instrument	121	–	–	–	121	–
	<u>205</u>	<u>152</u>	<u>–</u>	<u>–</u>	<u>205</u>	<u>152</u>
Total revenue	<u>13,562</u>	<u>8,521</u>	<u>6,213</u>	<u>–</u>	<u>19,775</u>	<u>8,521</u>

3. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	Continuing operations		Discontinued operation		Consolidated	
	1 April 2012 to 30 June 2012	1 April 2011 to 30 June 2011	1 April 2012 to 30 June 2012	1 April 2011 to 30 June 2011	1 April 2012 to 30 June 2012	1 April 2011 to 30 June 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories	8,563	5,190	-	-	8,563	5,190
Depreciation	27	171	731	-	758	171
Change in fair value of financial assets at fair value through profit or loss	2,173	3,228	-	-	2,173	3,228
	<u>2,173</u>	<u>3,228</u>	<u>-</u>	<u>-</u>	<u>2,173</u>	<u>3,228</u>

4. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	1 April 2012 to 30 June 2012	1 April 2011 to 30 June 2011	1 April 2012 to 30 June 2012	1 April 2011 to 30 June 2011	1 April 2012 to 30 June 2012	1 April 2011 to 30 June 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Imputed finance costs on convertible bonds	1,512	1,062	-	-	1,512	1,062
Interest on other loan	528	-	730	-	1,258	-
	<u>2,040</u>	<u>1,062</u>	<u>730</u>	<u>-</u>	<u>2,770</u>	<u>1,062</u>

5. INCOME TAX EXPENSES

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the three months ended 30 June 2012 (three months ended 30 June 2011: Nil).

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

	Continuing operations		Discontinued operation		Consolidated	
	1 April 2012 to 30 June 2012 HK\$'000	1 April 2011 to 30 June 2011 HK\$'000	1 April 2012 to 30 June 2012 HK\$'000	1 April 2011 to 30 June 2011 HK\$'000	1 April 2012 to 30 June 2012 HK\$'000	1 April 2011 to 30 June 2011 HK\$'000
Current income tax						
– Hong Kong profits tax	-	-	-	-	-	-
– Overseas taxation	-	11	-	-	-	11
Deferred taxation	-	-	-	-	-	-
Income tax expenses	<u>-</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>

6. DISCONTINUED OPERATION

On the circular of the Company dated 22 February 2012, the Board of the Directors of the Company announced that the Group is considering to dispose of the solar energy generation business and concentrate its resources on the power system integration business. In addition, the Company has in negotiation with an independent third party on a possible sale of the solar energy generation business. Accordingly, the solar energy generation business is classified as a discontinued operation during the three months ended 30 June 2012. For the purpose of presenting this discontinued operation, the comparative unaudited consolidated results and the related notes have been re-presented as if the solar energy generation business had been discontinued in the same period last year.

In this regards, the results of the discontinued operation (solar energy generation) included in the unaudited consolidated results are set out below:

	From 1 April 2012 to 30 June 2012 HK\$'000	From 1 April 2011 to 30 June 2011 (Restated) HK\$'000
Profit/(loss) for the period from discontinued operation		
Revenue	6,213	–
Cost of sales	<u>(720)</u>	<u>–</u>
Gross profit	5,493	–
Expenses	<u>(2,124)</u>	<u>(151)</u>
Profit/(loss) before taxation	3,369	(151)
Income tax expenses	<u>–</u>	<u>–</u>
Profit/(loss) for the period from discontinued operation	<u><u>3,369</u></u>	<u><u>(151)</u></u>

7. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the ordinary equity holders of the Company is based on the following data:

	From 1 April 2012 to 30 June 2012 HK\$'000	From 1 April 2011 to 30 June 2011 HK\$'000
Loss		
Loss for the purpose of basic and diluted loss per share	<u><u>(1,497)</u></u>	<u><u>(21,829)</u></u>

	From 1 April 2012 to 30 June 2012	From 1 April 2011 to 30 June 2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	926,592,072	781,038,226
Effect of dilutive potential ordinary shares: Warrants issued by the Company	<u>(536,942,675)</u>	<u>(148,275,862)</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>389,649,397</u>	<u>632,762,364</u>

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	From 1 April 2012 to 30 June 2012 HK\$'000	From 1 April 2011 to 30 June 2011 HK\$'000
Loss for the period attributable to the equity holders of the Company	(1,497)	(21,829)
Less: Profit/(loss) for the period attributable to the equity holder of the Company from discontinued operation	<u>3,369</u>	<u>(151)</u>
Loss for the purpose of basic loss per share from continuing operations	<u>(4,866)</u>	<u>(21,678)</u>

From discontinued operation

Basic earnings per share from discontinued operation is HK0.36 cents per share, based on the profit for the three months ended 30 June 2012 from the discontinued operation of approximately HK\$3,369,000 (three months ended 30 June 2011: Basic loss per share HK0.02 cents based on the loss for the three months ended 30 June 2011 of approximately HK\$151,000) and the denominators detailed above for basic earnings/(loss) per share.

There is no diluted earnings per share from discontinued operation for the three months ended 30 June 2012 as the exercise of the outstanding warrants of the Company will have an anti-dilutive effect (three months ended 30 June 2011: Diluted loss per share is HK0.02 cents, based on the loss for the three months ended 30 June 2011 of approximately HK\$151,000 and weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share).

QUARTERLY DIVIDEND

The Board does not recommend the payment of quarterly dividend for the period from 1 April 2012 to 30 June 2012 (three months ended 30 June 2011: Nil).

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Warrant reserve HK\$'000	Reserve	Exchange	Convertible	Discontinued operation HK\$'000	Deficit HK\$'000	
				arising from reorganization HK\$'000	reserve HK\$'000	bonds reserve HK\$'000			
At 1 April 2011	73,719	85,600	9,680	(24,317)	8,464	2,387	(56,989)	-	98,544
Issue of consideration shares	13,300	41,230	-	-	-	-	-	-	54,530
Equity component of convertible bonds (note c)	-	-	-	-	-	119,919	-	-	119,919
Deferred tax liabilities arising from the convertible bonds	-	-	-	-	-	(19,787)	-	-	(19,787)
Transferred to discontinued operation	-	-	-	-	91	-	-	(91)	-
Total comprehensive income for the period	-	-	-	-	631	-	(21,829)	-	(21,198)
At 30 June 2011 (Restated)	<u>87,019</u>	<u>126,830</u>	<u>9,680</u>	<u>(24,317)</u>	<u>9,186</u>	<u>102,519</u>	<u>(78,818)</u>	<u>(91)</u>	<u>232,008</u>
At 1 April 2012	92,659	142,148	9,680	(24,317)	10,214	91,767	(104,293)	576	218,434
Transferred to discontinued operation	-	-	-	-	168	-	-	(168)	-
Total comprehensive income for the period	-	-	-	-	(688)	-	(1,497)	-	(2,185)
At 30 June 2012	<u>92,659</u>	<u>142,148</u>	<u>9,680</u>	<u>(24,317)</u>	<u>9,694</u>	<u>91,767</u>	<u>(105,790)</u>	<u>408</u>	<u>216,249</u>

Notes:

- 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.
- 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.
- On 1 June 2011, the Company issued convertible bonds with a principal amount of HK\$163,100,000. Equity component of the convertible bonds of approximately HK\$119,919,000 was recognized in the convertible bonds reserve account.

- (d) The exchange reserve comprises:
- (i) The foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates whose functional currencies are different from the functional currency of the Company.
 - (ii) The exchange differences on monetary items which form part of the Group's net investment in the foreign subsidiaries.

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 30 June 2012, 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 of the Company 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 30 June 2012, 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 30 June 2012, 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 30 June 2012 <i>(Note 2)</i>
Good Million Investments Limited	317,766,038 (L)	Beneficial owner <i>(Note 3)</i>	34.29%
Mr. Qin Zhongde	88,000,000 (L)	Beneficial owner <i>(Note 4)</i>	9.50%
China Technology Development Group Corporation	57,313,962 (L)	Beneficial owner <i>(Note 5)</i>	6.19%

Notes:

1. The letter "L" represents the long position in the shares and underlying shares of the Company.
2. As at 30 June 2012, 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, both being executive Directors, held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited.
4. 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.
5. BHL Solar Technology Company Limited is wholly-owned by China Technology Development Group Corporation.

Save as disclosed above, as at 30 June 2012, 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. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Tam Kam Biu, William, Mr. Zhou Jing and Mr. Yang Guocai. The unaudited consolidated results of the Group for the three months ended 30 June 2012 have been reviewed and approved by the Audit Committee.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

Mr. Tam Kam Biu, 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 has an interest in a business which competes 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 three months ended 30 June 2012.

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 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 period under review.

On behalf of the Board

Chiu Tung Ping

Chairman and executive Director

Hong Kong, 8 August 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

Hu Xin

Independent non-executive Directors:

Tam Kam Biu, William

Zhou Jing

Yang Guocai

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