

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, for which the directors (“**Directors**”) of China Technology Industry Group Limited (“**Company**”, together with its subsidiaries, “**Group**”) 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 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 announcement misleading.*



**中国科技产业集团有限公司**  
**CHINA TECHNOLOGY INDUSTRY GROUP LIMITED**  
*(incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 8111)

## **2020 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

The board (“**Board**”) of Directors of the Company is pleased to announce the interim results of the Group for the six-month period ended 30 September 2020. This announcement, containing the full text of the interim report of the Company for the six-month period ended 30 September 2020, complies with the relevant requirements of the GEM Listing Rules in relation to information to accompany preliminary announcements of the interim results.

As at the date of this announcement, the Board comprises 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

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on the Company’s website at [www.chinatechsolar.com](http://www.chinatechsolar.com).*

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (“**Directors**”) of China Technology Industry Group Limited (“**Company**” together with its subsidiaries, the “**Group**”), 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.*

## INTERIM RESULTS HIGHLIGHTS

The profit attributable to owners of the Company for the six months ended 30 September 2020 ("**2020-1H**") was approximately RMB57.6 million (loss attributable to owners of the Company for the six months ended 30 September 2019 ("**2019-1H**"): approximately RMB9.6 million).

The revenue of the Group for the six months ended 30 September 2020 was approximately RMB139.5 million, representing an increase of approximately 164.9 per cent. as compared with approximately RMB52.7 million recorded for 2019-1H.

Gross profit margin of the Group was approximately 20.0 per cent. for the six months ended 30 September 2020, as compared to approximately 13.9 per cent. for 2019-1H.

Basic earnings per share for the six months ended 30 September 2020 was approximately RMB2.64 cents (2019-1H: basic loss per share of approximately RMB0.52 cents).

The Directors do not recommend the payment of a dividend for the six months ended 30 September 2020 (2019-1H: Nil).

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Six Months Ended 30 September 2020

	Notes	Three months ended 30 September		Six months ended 30 September	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (unaudited)
Revenue	3	53,285	26,906	139,484	52,664
Cost of sales		(40,235)	(23,558)	(111,553)	(45,351)
Gross profit		13,050	3,348	27,931	7,313
Other revenue – bank interest income		–	–	–	3
Other gains and losses	5	1,754	(1,058)	1,743	(3,746)
Selling expenses		(731)	(763)	(1,361)	(1,354)
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(42)	(395)	(65)	(675)
Change in fair value of financial derivative liabilities		98	(32)	204	79
Administrative expenses		(3,225)	(2,474)	(5,505)	(6,721)
Impairment losses reversed (recognised)	13	40,120	(819)	40,120	(855)
Finance costs	6	(1,346)	(1,071)	(2,812)	(2,132)
Profit (Loss) before tax	7	49,678	(3,264)	60,255	(8,088)
Income tax expense	8	(1,169)	(388)	(2,682)	(729)
<b>Profit (Loss) for the period</b>		<b>48,509</b>	<b>(3,652)</b>	<b>57,573</b>	<b>(8,817)</b>
<b>Total comprehensive income (expense) for the period</b>		<b>48,509</b>	<b>(3,652)</b>	<b>57,573</b>	<b>(8,817)</b>
Profit (Loss) for the period attributable to:					
Owners of the Company		48,516	(3,120)	57,585	(9,614)
Non-controlling interests		(7)	(532)	(12)	797
		48,509	(3,652)	57,573	(8,817)
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		48,516	(3,120)	57,585	(9,614)
Non-controlling interests		(7)	(532)	(12)	797
		48,509	(3,652)	57,573	(8,817)
<b>Earnings (Loss) per share</b>	10				
Basic (RMB cents)		2.22	(0.17)	2.64	(0.52)
Diluted (RMB cents)		2.22	(0.17)	2.64	(0.52)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

<i>Notes</i>	<b>30 September 2020 RMB'000 (Unaudited)</b>	31 March 2020 RMB'000 (Audited)
<b>Non-current assets</b>		
Property and equipment	564	676
Right-of-use assets	1,848	2,275
Rental deposit	255	255
	<b>2,667</b>	3,206
<b>Current assets</b>		
Inventories	12,457	–
Accounts and bills receivable	11 112,322	111,057
Other receivables, deposits and prepayments	16,762	18,381
Contract assets	12 4,383	4,383
Financial assets at FVTPL	14 40,074	139
Tax recoverable	–	317
Bank balances and cash	1,424	4,076
	<b>187,422</b>	138,353
<b>Current liabilities</b>		
Accounts payable	15 23,466	29,149
Other payables and accruals	46,760	55,710
Other loans	16 5,173	10,511
Taxation payable	852	–
Lease liabilities	894	929
	<b>77,145</b>	96,299
<b>Net current assets</b>	<b>110,277</b>	42,054
<b>Total assets less current liabilities</b>	<b>112,944</b>	45,260
<b>Non-current liabilities</b>		
Convertible bonds	17 35,428	34,695
Lease liabilities	993	1,457
	<b>36,421</b>	36,152
<b>Net assets</b>	<b>76,523</b>	9,108
<b>Capital and reserves</b>		
Share capital	18 189,876	153,135
Reserves	(112,974)	(143,660)
Equity attribute to owners of the Company	<b>76,902</b>	9,475
Non-controlling interests	(379)	(367)
<b>Total equity</b>	<b>76,523</b>	9,108

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 September 2020

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Reserve arising from reorganisation RMB'000 (note a)	Exchange reserve RMB'000	Equity transaction reserve RMB'000 (note b)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
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	-	-	-	-	-	(9,614)	(9,614)	797	(8,817)
Total comprehensive (expense) income for the period	-	-	-	-	-	(9,614)	(9,614)	797	(8,817)
At 30 September 2019 (unaudited)	153,135	126,912	(20,484)	156	-	(242,006)	17,713	13,431	31,144
At 1 April 2020 (audited)	153,135	126,912	(20,484)	156	823	(251,067)	9,475	(367)	9,108
Profit (Loss) for the period	-	-	-	-	-	57,585	57,585	(12)	57,573
Total comprehensive income (expense) for the period	-	-	-	-	-	57,585	57,585	(12)	57,573
Issue of shares pursuant to an equity interest transfer agreement	26,899	(6,621)	-	-	(20,278)	-	-	-	-
Issue of shares in relation to loan capitalisation	9,842	-	-	-	-	-	9,842	-	9,842
At 30 September 2020 (unaudited)	189,876	120,291	(20,484)	156	(19,455)	(193,482)	76,902	(379)	76,523

Notes:

a. 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.

b. Equity transaction reserve

The equity transaction reserve represents the effect of changes in the Group's interest in existing subsidiaries without losing control and the consideration to be issued for the aforementioned transaction, which would be reclassified to share capital and share premium upon issuance of ordinary shares.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 September 2020

	Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (unaudited)
<b>OPERATING ACTIVITIES</b>		
NET CASH FROM (USED IN) OPERATING ACTIVITIES	3,267	(41,592)
<b>INVESTING ACTIVITIES</b>		
Interest received	–	3
NET CASH FROM INVESTING ACTIVITIES	–	3
<b>FINANCING ACTIVITIES</b>		
Raise of other loans	4,274	2,018
Interest paid	(50)	–
Advances from the owner of the solar power plant project	–	6,250
Repayments to the owner of the solar power plant project	–	(4,500)
Repayments of lease liabilities	(417)	–
Advances from a related party	7,750	37,000
Repayments to a related party	(17,476)	(50)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(5,919)	40,718
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,652)	(871)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,076	2,641
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,424	1,770
Represented by:		
Bank balances and cash	1,424	1,770



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 September 2020

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Rules”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

### ***APPLICATION OF NEW AND AMENDMENTS TO HKFRSs***

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

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

## 3. REVENUE

### ***Disaggregation of revenue***

	Three months ended 30 September		Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Types of goods or services</b>				
Sales of renewable energy products	53,285	–	139,484	25,758
Rendering of new energy power system integration services	–	26,906	–	26,906
<b>Total</b>	<b>53,285</b>	<b>26,906</b>	<b>139,484</b>	<b>52,664</b>
<b>Timing of revenue recognition</b>				
A point in time	53,285	–	139,484	25,758
Over time	–	26,906	–	26,906
<b>Total</b>	<b>53,285</b>	<b>26,906</b>	<b>139,484</b>	<b>52,664</b>

## 4. OPERATING SEGMENTS

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

- (a) Sales of renewable energy products;
- (b) New energy power system integration business;
- (c) Sales of self-service automatic teller machine ("ATM") systems and printing systems; and
- (d) Provision of hardware and software technical support services.

### SEGMENT REVENUE AND RESULTS

The following is an analysis of the Group's revenue and results by reportable segments:

#### Six months ended 30 September 2020

	Sales of renewable energy products RMB'000 (Unaudited)	New energy power system integration business RMB'000 (Unaudited)	Sales of self-service ATM systems and printing systems RMB'000 (Unaudited)	Provision of hardware and software technical support services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers	139,484	-	-	-	139,484
Segment profit (loss)	24,808	37,765	(171)	(186)	62,216
Unallocated other gains and losses					1,732
Unallocated expenses					(1,020)
Change in fair value of financial assets at FVTPL					(65)
Change in fair value of financial derivative liabilities					204
Finance costs					(2,812)
Profit before tax					60,255
Income tax expense					(2,682)
Profit for the period					57,573

#### 4. OPERATING SEGMENTS *(continued)*

##### SEGMENT REVENUE AND RESULTS *(continued)*

Six months ended 30 September 2019

	Sales of renewable energy products RMB'000 (Unaudited)	New energy power system integration business RMB'000 (Unaudited)	Sales of self-service ATM systems and printing systems RMB'000 (Unaudited)	Provision of hardware and software technical support services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers	25,758	26,906	–	–	52,664
Segment results profit (loss)	3,236	983	(191)	(137)	3,891
Unallocated other gains and losses					(3,746)
Unallocated expenses					(5,505)
Change in fair value of financial assets at FVTPL					(675)
Change in fair value of financial derivative liabilities					79
Finance costs					(2,132)
Loss before tax					(8,088)
Income tax expense					(729)
Loss for the period					(8,817)

##### SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at 30 September 2020

	Sales of renewable energy products RMB'000 (Unaudited)	New energy power system integration business RMB'000 (Unaudited)	Sales of self-service ATM systems and printing systems RMB'000 (Unaudited)	Provision of hardware and software technical support services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets	56,707	127,387	2,802	3	186,899
Property and equipment (for corporate)					564
Right-of-use assets (for corporate)					1,848
Rental deposit (for corporate)					255
Other receivables, deposits and prepayments (for corporate)					111
Financial assets at FVTPL (for corporate)					74
Bank balances and cash (for corporate)					338
Total assets					190,089
Segment liabilities	22,080	35,616	2,377	127	60,200
Other payables and accruals (for corporate)					10,878
Other loans (for corporate)					5,173
Lease liabilities (for corporate)					1,887
Convertible bonds (for corporate)					35,428
Total liabilities					113,566

#### 4. OPERATING SEGMENTS *(continued)*

##### SEGMENT ASSETS AND LIABILITIES *(continued)*

As at 31 March 2020

	Sales of renewable energy products RMB'000 (Audited)	New energy power system integration business RMB'000 (Audited)	Sales of self-service ATM systems and printing systems RMB'000 (Audited)	Provision of hardware and software technical support services RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	24,574	109,561	3,002	15	137,152
Property and equipment (for corporate)					676
Right-of-use assets (for corporate)					2,275
Rental deposit (for corporate)					255
Other receivables, deposits and prepayments (for corporate)					904
Financial assets at FVTPL (for corporate)					139
Bank balances and cash (for corporate)					158
Total assets					141,559
Segment liabilities	24,847	43,860	2,381	104	71,192
Other payables and accruals (for corporate)					13,667
Other loans (for corporate)					10,511
Lease liabilities (for corporate)					2,386
Convertible bonds (for corporate)					34,695
Total liabilities					132,451

For the purpose of monitoring segment performances and allocating resources among segments:

- all assets are allocated to operating segments, other than corporate assets of the management companies and investment holding companies; and
- all liabilities are allocated to operating segments, other than corporate liabilities of the management companies and investment holding companies, such as other payables and accruals, other loans, lease liabilities and convertible bonds for corporate.

## 5. OTHER GAINS AND LOSSES

	Three months ended 30 September		Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Foreign exchange gain (loss)	1,642	(973)	1,642	(3,661)
Gain on disposal of right-of-use assets and lease liabilities (note)	–	313	–	313
Loss on termination of a lease contract	–	(398)	–	(398)
Miscellaneous income	112	–	101	–
	<b>1,754</b>	<b>(1,058)</b>	<b>1,743</b>	<b>(3,746)</b>

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.

## 6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Effective interest on convertible bonds	1,155	1,033	2,316	2,007
Interest on other loans	181	38	446	43
Interest on lease liabilities	10	–	50	82
	<b>1,346</b>	<b>1,071</b>	<b>2,812</b>	<b>2,132</b>

## 7. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging (crediting):

	Three months ended 30 September		Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories recognised as expenses	40,235	–	111,553	21,793
Depreciation of equipment	56	6	112	13
Depreciation of right-of-use assets	213	–	427	231
Short-term lease payments	122	443	243	886
Foreign exchange (gain) loss	(1,642)	973	(1,642)	3,661
Staff costs (including directors' emoluments)				
– Salaries and other benefits	1,695	1,735	3,373	3,026
– Retirement benefit scheme contributions	18	16	35	26

## 8. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax				
– People's Republic of China ("PRC") Enterprise Income Tax	<b>1,169</b>	388	<b>2,682</b>	729
	<b>1,169</b>	388	<b>2,682</b>	729

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 six months ended 30 September 2020 and 2019.

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 six months ended 30 September 2020 and 2019, 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.

## 9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (six months ended 30 September 2019: nil).

## 10. EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Profit (Loss)</b>				
Profit (Loss) for the period attributable to the owners of the Company	48,516	(3,120)	57,585	(9,614)

	Three months ended 30 September		Six months ended 30 September	
	2020 RMB cents (Unaudited)	2019 RMB cents (Unaudited)	2020 RMB cents (Unaudited)	2019 RMB cents (Unaudited)
Basic earnings (loss) per share	2.22	(0.17)	2.64	(0.52)
Diluted earnings (loss) per share	2.22	(0.17)	2.64	(0.52)

	Three months ended 30 September		Six months ended 30 September	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)	2020 '000 (Unaudited)	2019 '000 (Unaudited)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	2,182,201	1,835,233	2,182,201	1,835,233
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	2,182,201	1,835,233	2,182,201	1,835,233

Outstanding convertible bonds of the Company are anti-dilutive since their exercise or conversion would result in an increase in basic earnings per share for the six months ended 30 September 2020 or a decrease in basic loss per share for the six months ended 30 September 2019.



## 11. ACCOUNTS AND BILLS RECEIVABLE

	As at 30 September 2020 RMB'000 (Unaudited)	As at 31 March 2020 RMB'000 (Audited)
Accounts receivable	114,966	128,591
Bills receivable	14,890	–
Less: Allowance for credit losses	(17,534)	(17,534)
	<b>112,322</b>	111,057

As at 30 September 2020, accounts receivable from contracts with customers amounted to RMB112,322,000 (31 March 2020: RMB111,057,000).

The Group normally allows credit period of 180 days (31 March 2020: 180 days).

The following is an aged analysis of accounts and bills receivable net of allowance for credit losses/doubtful debts presented based on dates of delivery of goods/the invoice dates:

	As at 30 September 2020 RMB'000 (Unaudited)	As at 31 March 2020 RMB'000 (Audited)
0 to 90 days	15,598	11,655
91 to 180 days	40,855	33,000
Over 180 days	55,869	66,402
	<b>112,322</b>	111,057

As at 30 September 2020, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of approximately RMB44,160,000 (31 March 2020: approximately RMB40,553,000) which are past due as at the reporting date. Out of the past due balances, approximately RMB35,688,000 (31 March 2020: approximately RMB31,650,000) has been past due 90 days or more and is not considered as in default as the management considers that the major customer is a state-owned company with strong financial position. The management of the Group considers default occurred when the debtors get into financial difficulty or the debtors do not repay any accounts receivable though the Group has pursued for several times, which indicate the Group may not collect these accounts receivable. The Group does not hold any collateral over these balances.

## 12. CONTRACT ASSETS

	As at 30 September 2020 RMB'000 (Unaudited)	As at 31 March 2020 RMB'000 (Audited)
Current assets – new energy power system integration business	4,395	4,395
Less: allowance for credit losses	(12)	(12)
	<b>4,383</b>	4,383

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones stipulated in the relevant contracts at the reporting date on new energy power system integration business. The contract assets are transferred to trade receivables when the rights become unconditional.

## 13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Three months ended 30 September		Six months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Impairment loss (reversed) recognised in respect of:				
– Accounts receivable	(40,120)	1,108	(40,120)	988
– Other receivables and deposits	–	(228)	–	(63)
– Contract assets	–	(61)	–	(70)
	<b>(40,120)</b>	819	<b>(40,120)</b>	855

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020.

## 14. FINANCIAL ASSETS AT FVTPL

Financial assets mandatorily measured at FVTPL:

	<b>As at 30 September 2020 RMB'000 (Unaudited)</b>	As at 31 March 2020 RMB'000 (Audited)
Listed securities held for trading:		
Equity securities listed in New York Stock Exchange classified as current assets	74	139
Wealth management product (Note)	40,000	–
	<b>40,074</b>	139

Note: Please refer to the announcement of the Company dated 15 October 2020 and the section headed “Events occurred after the period under review” below for details.

## 15. ACCOUNTS PAYABLE

The following is an aged analysis of accounts payable presented based on the invoice dates.

	<b>As at 30 September 2020 RMB'000 (Unaudited)</b>	As at 31 March 2020 RMB'000 (Audited)
0 to 60 days	11,294	2,561
60 to 90 days	8,226	–
91 to 180 days	–	9,944
Over 180 days	3,946	16,644
	<b>23,466</b>	29,149

The credit period is generally 90 to 180 days and certain suppliers allowed a longer credit period on a case-by-case basis.

## 16. OTHER LOANS

	As at 30 September 2020 RMB'000 (Unaudited)	As at 31 March 2020 RMB'000 (Audited)
Loans from directors (note a)	2,741	3,830
Loan from a close family member of a shareholder (note b)	2,432	6,681
	<b>5,173</b>	10,511

Notes:

- (a) The loans were advanced from the following executive directors:

	As at 30 September 2020 RMB'000 (Unaudited)	As at 31 March 2020 RMB'000 (Audited)
Mr. Tse Man Kit Keith (note i)	–	1,089
Mr. Chiu Tung Ping (note ii)	2,741	2,741
	<b>2,741</b>	3,830

- i. The amount is interest bearing at a fixed interest rate of 12% per annum, unsecured and repayable on demand.
- ii. The amount is non-interest bearing, unsecured and repayable on demand.
- (b) The loan was advanced from Mr. Huang Yuan Ming, the son of Mr. Huang Bo, a shareholder of the Company. The loan is interest bearing at a fixed interest rate at 12% per annum, unsecured and repayable on demand.

## 17. CONVERTIBLE BONDS

### 2011 CONVERTIBLE BONDS (“2011 CB”)

On 1 June 2011 (“**Issue Date**”), the Company issued a ten-year zero coupon convertible bonds at par with a nominal value of HK\$163,100,000 (equivalent to RMB140,592,000) to Good Million Investments Limited (the “**Vendor**”), in acquiring from the Vendor of the entire issued share capital of China Technology Solar Power Holdings Limited, a company incorporated in the British Virgin Islands (“**CTSP (BVI)**”), and its subsidiaries (“**Target Group**”). The convertible bonds are denominated in HK\$. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date on 1 June 2021 (“**Maturity Date**”) at a conversion price of HK\$0.5 per share. If the bonds have not been converted, they will be redeemed on Maturity Date at par.

The 2011 CB was divided into Tranche I convertible bonds (“**Tranche I CB**”) and Tranche II convertible bonds (“**Tranche II CB**”) of HK\$113,100,000 (equivalent to RMB97,492,000) and HK\$50,000,000 (equivalent to RMB43,100,000) respectively. For Tranche I CB, the CB holders are not subject to any restriction for exercising the conversion of Tranche I CB into share. For Tranche II CB, the amount should be subject to change in relation to a profit guarantee amounted to HK\$30,000,000 (equivalent to RMB24,408,000) made by the Vendor to the Company during the year ended 30 March 2012. Pursuant to a supplementary agreement made between the Vendor and the Company on 30 January 2012, the amount of profit guarantee was increased to HK\$40,000,000 (equivalent to RMB32,544,000) and the guarantee period was extended to 30 September 2012. In the event that the profit guarantee could not be achieved, the principal amount of the Tranche II CB will be adjusted to HK\$0 if the profit guarantee is equivalent to or less than HK\$15,000,000 (equivalent to RMB12,204,000) or a loss.

## 17. CONVERTIBLE BONDS (continued)

### 2011 CONVERTIBLE BONDS ("2011 CB") (continued)

Based on the audited consolidated financial statements of the Target Group for the 12 months ended 30 September 2012, the Target Group recorded a loss of HK\$77,000 (equivalent to RMB63,000). On such basis, the revised profit under the revised profit guarantee of HK\$40,000,000 (equivalent to RMB32,544,000) was not achieved. Accordingly, the principal amount of the Tranche II CB in the principal amount of HK\$50,000,000 (equivalent to RMB40,680,000) was adjusted to HK\$0.

For the year ended 31 March 2019, Tranche I CB with a nominal value of HK\$5,000,000 (equivalent to RMB4,343,000) were converted by the bondholders into 10,000,000 ordinary shares at a conversion price of HK\$0.5 per ordinary share. Up to 31 March 2020, Tranche I CB with a nominal value of HK\$69,100,000 (equivalent to RMB55,973,000) had been converted by the bondholders into 138,200,000 ordinary shares at a conversion price of HK\$0.5 per ordinary share.

The 2011 CB comprises two components:

- Debt component was initially measured at fair value amounted to approximately HK\$29,943,000 (equivalent to RMB25,811,000). The effective interest rate of the liability component on initial recognition was 13.39% per annum.
- Derivative component comprises conversion right of the Bondholders. It is subsequently measured at fair value.

The fair value of the liability component of the convertible bonds at the issue date was valued by an independent professional valuer determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

	Debt component		Derivative component		Total	
	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000
At 1 April 2019 (audited)	32,985	28,295	310	266	33,295	28,561
Interest charge	2,271	2,007	–	–	2,271	2,007
Exchange loss	–	1,499	–	–	–	1,499
Gain arising on changes of fair value	–	–	(102)	(79)	(102)	(79)
At 30 September 2019 (unaudited)	35,256	31,801	208	187	35,464	31,988
At 1 April 2020 (audited)	37,683	34,482	233	213	37,916	34,695
Interest charge	2,585	2,316	–	–	2,585	2,316
Exchange gain	–	(1,379)	–	–	–	(1,379)
Gain arising on changes of fair value	–	–	(223)	(204)	(223)	(204)
At 30 September 2020 (unaudited)	40,268	35,419	10	9	40,278	35,428

## 18. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
<b>Ordinary shares of HK\$0.1 each</b>		
<b>Authorised</b>		
At 1 April 2019 and 31 March 2020 (audited)	2,500,000	250,000
Increase in authorised share capital	2,500,000	250,000
At 30 September 2020 (unaudited)	5,000,000	500,000
<b>Issued and fully paid</b>		
At 1 April 2019 and 31 March 2020 (audited)	1,835,233	183,523
Issue of consideration shares under specific mandate on 8 April 2020	295,472	29,547
Issue of subscription shares under specific mandate on 19 August 2020	110,178	11,018
At 30 September 2020 (unaudited)	2,240,883	224,088
	<b>As at 30 September 2020 RMB'000 (Unaudited)</b>	As at 31 March 2020 RMB'000 (Audited)
Presented in the condensed consolidated financial statements as	<b>189,876</b>	153,135

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group was principally engaged in (i) sales of renewable energy 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 six months ended 30 September 2020.

The Group recorded a profit attributable to owners of the Company of approximately RMB57.6 million for the six months ended 30 September 2020 (2019-1H: loss attributable to owners of the Company of approximately RMB9.6 million). The profit attributable to the owners of the Company for 2020-1H in the amount of approximately RMB57.6 million was mainly attributable to (1) the increase in revenue and gross profit of the Group during 2020-1H; and (2) an impairment loss reversed in respect of accounts receivable in the amount of approximately RMB40.1 million which had been written off in previous years.

The Group’s revenue amounted to approximately RMB139.5 million for the six months ended 30 September 2020, representing an increase of approximately 164.9 per cent. as compared with approximately RMB52.7 million recorded in 2019-1H. The increase in revenue was mainly attributable to revenue generated from the sales of renewable energy products of approximately RMB139.5 million during 2020-1H where the revenue generated therefrom during 2019-1H was approximately RMB25.8 million, which was partly offset by the decrease in revenue generated during 2020-1H from the rendering of new energy power system integration services by approximately RMB26.9 million when compared to 2019-1H.

The Group’s gross profit margin was approximately 20.0 per cent. for the six months ended 30 September 2020, as compared to approximately 13.9 per cent. for 2019-1H. The increase in the gross profit margin was due to (1) the increase in revenue generated from the sales of renewable energy products as stated above; and (2) that customers were willing to pay a higher price for renewable energy products for completion of new energy projects which had been postponed as a result of the outbreak of coronavirus disease (COVID-19) during the first quarter of 2020.

Selling expenses incurred by the Group for the six months ended 30 September 2020 amounted to approximately RMB1.4 million (2019-1H: approximately RMB1.4 million), representing an increase of approximately 0.5 per cent..

Administrative expenses incurred by the Group for the six months ended 30 September 2020 amounted to approximately RMB5.5 million (2019-1H: approximately RMB6.7 million), representing a decrease of approximately 18.1 per cent.; the decrease was due to the Group’s policy on cost control.

The impairment losses on financial assets subject to expected credit loss model (“**ECL**”) reversed during the six months ended 30 September 2020 amounted to approximately RMB40.1 million (2019-1H: impairment losses on financial assets subject to ECL recognized of approximately RMB0.1 million) due to the bad debts recovered of approximately RMB40.1 million during the period under review.

Basic earnings per share was approximately RMB2.64 cents for the six months ended 30 September 2020, as compared with the basic loss per share of approximately RMB0.52 cents for 2019-1H.



## SALES OF RENEWABLE ENERGY PRODUCTS

The business of sales of renewable energy 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 solar related products as well as wind power related products.

The Group sources business for the sales of renewable energy products by negotiating and securing contracts with the engineering, procurement, and construction contractors of construction projects of solar photovoltaic power station and wind power station. The Group will supply the renewable energy products required under such projects and be responsible for their design optimisation. The Group will assess the geological condition of the construction site and propose specific design, requirements and standards for such construction and engage mounting manufacturers to provide the relevant products.

On 9 April 2020, the Group has entered into two supply contracts with a PRC state-owned entity (“**Purchaser**”) pursuant to which the Group agreed to (i) sell and the Purchaser agreed to purchase towers for wind turbines and (ii) provide to the Purchaser technical services associated with the wind power projects for which the towers for wind turbines will be used. Please refer to the section headed “Sales of Towers for Wind Turbines and Solar Power Related Products” below for details.

During the six months ended 30 September 2020, the revenue generated from the sales of renewable energy products was approximately RMB139.5 million (2019-1H: approximately RMB25.8 million), accounted for 100.0 per cent. (2019-1H: approximately 48.9 per cent.) of the Group’s total revenue.

## NEW ENERGY POWER SYSTEM INTEGRATION BUSINESS

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.

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

There was no revenue generated from the new energy power system integration business during the six months ended 30 September 2020 (2019-1H: approximately RMB26.9 million).

\* For identification purpose only



## **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 six months ended 30 September 2020 (2019-1H: 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 six months ended 30 September 2020 (2019-1H: Nil).

## **SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

Except as disclosed in the sections 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” and “Major Transaction in relation to Subscription of Wealth Management Product”, there were no significant investments or material acquisition or disposal of subsidiaries by the Group during the period under review.

## **FINANCIAL REVIEW**

### ***LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES***

As at 30 September 2020, the Group had cash and bank balances denominated in Hong Kong dollars, Renminbi and United States dollars amounting to a total of approximately RMB1.4 million (31 March 2020: approximately RMB4.1 million). The Group had no outstanding bank overdraft as at 30 September 2020 (31 March 2020: Nil).

As at 30 September 2020, the Group had other loans amounting to (i) HK\$Nil (31 March 2020: approximately RMB1.1 million) that was due to an executive Director, Mr. Tse Man Kit Keith; and approximately RMB2.4 million (31 March 2020: approximately RMB6.7 million) that was from Mr. Huang Yuan Ming, the son of Mr. Huang Bo, a shareholder of the Company, which were interest bearing at 12% per annum, unsecured and repayable on demand; and (ii) approximately RMB2.7 million (31 March 2020: approximately RMB2.7 million) that was due to an executive Director, Mr. Chiu Tung Ping, which was unsecured, non interest bearing and had no fixed term of repayment.

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

During the period under review, the Group did not use any financial instrument for hedging purpose and did not have any outstanding hedging instrument as at 30 September 2020.

### ***BANKING FACILITIES***

As at 30 September 2020, the Group did not have any banking facilities.

### ***CURRENT RATIO***

As at 30 September 2020, the Group’s current ratio, represented by a ratio of current assets to current liabilities, was approximately 2.4 (31 March 2020: 1.4). The current ratio remained stable during the six months ended 30 September 2020.

## GEARING RATIO

As at 30 September 2020, the gearing ratio of the Group, based on total liabilities over total assets, was approximately 59.7 per cent. (31 March 2020: approximately 93.6 per cent.).

	As at 30 September 2020 RMB'000	As at 31 March 2020 RMB'000
Total assets	190,089	141,559
Total liabilities	113,566	132,451
Gearing ratio	59.7 per cent.	93.6 per cent.

The decrease in the gearing ratio was because of the followings:

- (i) the increase in total assets of the Group by approximately RMB48.5 million as a result of the increase in inventories, accounts and bills receivable and financial assets at FVTPL by approximately RMB12.5 million, RMB1.3 million and RMB39.9 million respectively, which was partly offset by the decrease in other receivables, deposits and prepayments and bank balances and cash by approximately RMB1.6 million and RMB2.7 million respectively; and
- (ii) the decrease in total liabilities of the Group by approximately RMB18.9 million which was due to the decrease in accounts payable, other payables and accruals and other loans by approximately RMB5.7 million, RMB9.0 million and RMB5.3 million respectively during the six months ended 30 September 2020.

## CHARGES ON ASSETS

As at 30 September 2020, the Group pledged no asset to secure borrowings granted to the Group (31 March 2020: Nil).

## CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any significant contingent liabilities.

## EXPOSURE TO FOREIGN EXCHANGE RISK

Most of the transactions, income and expenditure of the Group are denominated in Renminbi. The Group may be exposed to foreign currency risks such as the PRC's government control on foreign currency conversion. During the six months ended 30 September 2020, the Group did not have a foreign currency hedging policy. However, the management will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.



## EMPLOYEES

As at 30 September 2020, the Group employed 22 and 8 staff (2019-1H: 19 and 6 staff) in the PRC and Hong Kong respectively. The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Staff cost, including directors' emoluments, was approximately RMB3.4 million for the six months ended 30 September 2020 (2019-1H: approximately RMB3.0 million). The increase in staff cost by approximately 11.7 per cent was due to the increase in the number of staff by 5 during the six months ended 30 September 2020.

Continuing briefing and professional development is provided to the Directors and company secretary of the Company if necessary. Other staff serving in different positions is subject to different classes of training. Other staff would receive trainings that cover internal programs, seminars or other related activities which are mainly related to working knowledge and expertise, and also certain trainings in relation to occupational safety each year.

The remuneration of the Directors was determined by the Board with reference to the prevailing market rates, roles and responsibilities of the Directors. Share options may be granted to Directors and employees of the Group to subscribe for shares of the Company. Particulars of the Share Option Scheme are set out in the section "Equity-Linked Agreements" of this interim report.

## EQUITY-LINKED AGREEMENTS

Set out below are the equity-linked agreements entered into by the Company during the six months ended 30 September 2020 or subsisted as at 30 September 2020:

### *SHARE OPTION SCHEME*

The Company has adopted a share option scheme ("**Share Option Scheme**") which became effective on 26 August 2014 and will remain in force for a period of 10 years until 20 August 2024.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity ("**Invested Entity**") in which the Group holds an equity interest.

Eligible participants ("**Eligible Participants**") under the Share Option Scheme include (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of, or any individual for the time being seconded to work for, the Company, any of its subsidiary or any Invested Entity; (b) any non-executive Director (including independent non-executive Directors) of the Company, any subsidiary of the Company or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to the Group relating to business development of the Group or any member of the Group or any Invested Entity; and (h) any joint venture or business alliance of any member of the Group who have contributed to the development and growth of the Group.

The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The initial total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing of the relevant resolution adopting the Share Option Scheme (“**General Scheme Limit**”). On 26 September 2018, the General Scheme Limit was refreshed and the maximum number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group has been re-set at 10% of the shares in issue as at the date of approval of refreshing the General Scheme Limit. On the basis that there were a total of 1,726,012,850 shares in issue as at the date of passing the relevant resolution of the refreshment of the General Scheme Limit, the Directors were allowed to grant options to Eligible Participants to subscribe for a maximum of 172,601,285 ordinary shares of HK\$0.10 each, representing approximately 7.7% of the issued shares of the Company as at the date of this report. Share options in respect of a total of 109,220,000 ordinary shares of HK\$0.10 each have been granted by the Company under the Share Option Scheme to Eligible Participants and have all been exercised during the year ended 31 March 2019.

The maximum number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised, cancelled or outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the issued shares of the Company from time to time.

An offer of the grant of option may be accepted by an Eligible Participant within such time as may be specified in the offer (which shall not be later than 21 days from the offer date).

Unless otherwise determined by the Directors and stated in the offer for the grant of option to the grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

The subscription price for a share under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share of the Company.

During the six months ended 30 September 2020, no options had been granted, exercised, cancelled or lapsed under the Share Option Scheme. As at 1 April 2020, 30 September 2020 and the date of this report, there was no outstanding option under the Share Option Scheme.

## **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 was 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**”) was 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.

## **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 ("**Board**") 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 of the Company ("**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.

An extraordinary general meeting ("**EGM-1**") was convened on 17 February 2020 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-1. 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.

## **COMPLETION OF ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

On 8 April 2020, the Board announced that all the conditions precedent under the Equity Interest Transfer Agreement have been fulfilled and Completion has taken place in accordance with the terms of the Equity Interest Transfer Agreement, and the allotment and issue of Consideration Shares has also been completed on 8 April 2020.

A total of 295,472,031 Shares (being the Consideration Shares) were allotted and issued by the Company to the Vendor's nominee, Li Xiaoyan\* (李曉豔) ("**Ms. Li**") at the Issue Price of HK\$0.10 per Consideration Share. The Consideration Shares represent (i) approximately 16.10% of the issued shares of the Company ("**Shares**") immediately before completion of the allotment and issue of the Consideration Shares and (ii) approximately 13.87% of the enlarged issued Shares immediately after the allotment and issue of the Consideration Shares. As a result, Ms. Li holds 295,472,031 Shares, representing approximately 13.87% of the enlarged issued Shares as at 8 April 2020 immediately after the allotment and issue of the Consideration Shares and has become a substantial shareholder (as defined in the GEM Listing Rules) of the Company.

Upon Completion, each of Tianjin Hengqing and Xizang Lineng has become an indirect wholly-owned subsidiary of the Company, and the financial results of Tianjin Hengqing and Xizang Lineng will remain consolidated into the consolidated financial statements of the Group.

Please refer to the announcements of the Company dated 20 December 2019, 30 December 2019, 15 January 2020 and 8 April 2020 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 the specific mandate.

## SALES OF TOWERS FOR WIND TURBINES AND SOLAR POWER RELATED PRODUCTS

On 9 April 2020, each of Xizang Lineng and 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**”) entered into a supply contract with a PRC state-owned entity, the purchaser, pursuant to which each of Xizang Lineng and Shaanxi Baike agreed to (i) sell and the purchaser agreed to purchase towers for wind turbines and (ii) provide to the purchaser technical services associated with the wind power projects for which the towers for wind turbines will be used, at a consideration (subject to adjustments in accordance with the respective supply contract) of RMB189.6 million and RMB60.0 million, respectively. The transactions and matters contemplated thereunder are expected to be completed by 31 March 2021. Please refer to the announcement of the Company dated 9 April 2020 for further details.

On 8 May 2020, Xizang Lineng entered into a supply contract with a PRC state-owned entity, the purchaser, pursuant to which Xizang Lineng agreed to sell and the purchaser agreed to purchase mounting required under construction project of a solar photovoltaic power station at a consideration of approximately RMB65.8 million. The transaction and matters contemplated thereunder are expected to be completed by 31 March 2021. Please refer to the announcement of the Company dated 8 May 2020 for further details.

## CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION AND ISSUE OF NEW SHARES UNDER SPECIFIC MANDATES

### *THE LOAN CAPITALISATION*

On 3 July 2020 (after trading hours), the Company entered into a subscription agreement with each of Mr. Tse Man Kit Keith (“**Mr. Tse**”), an executive Director (“**Mr. Tse Subscription Agreement**”) and with Mr. Huang Yuan Ming (“**Mr. Huang**”), the son of Mr. Huang Bo (a substantial shareholder of the Company) (“**Mr. Huang Subscription Agreement**”), respectively, pursuant to which the Company has conditionally agreed to allot and issue, and each of Mr. Tse and Mr. Huang has conditionally agreed to subscribe for 12,587,857 new shares of the Company (“**Mr. Tse Subscription Shares**”) and 98,994,980 new shares of the Company (“**Mr. Huang Subscription Shares**”, together with Mr. Tse Subscription Shares, “**Subscription Shares**”), respectively, at the subscription price of HK\$0.1 per share (“**Subscription Price**”). The subscription amount payable by Mr. Tse under Mr. Tse Subscription Agreement shall be satisfied by capitalising the amount owed by the Group to Mr. Tse of approximately HK\$1,225,817 (“**Mr. Tse Indebted Amount**”), and the subscription amount payable by Mr. Huang under Mr. Huang Subscription Agreement shall be satisfied by capitalising the amount owed by the Group to Mr. Huang of approximately HK\$9,624,859 (“**Mr. Huang Indebted Amount**”). Upon completion of the above, the Company shall save the interest expenses of approximately HK\$988,284 for the following year immediately after the completion, which will further improve the profitability of the Company.



## **GEM LISTING RULES IMPLICATIONS**

Mr. Tse is an executive Director and therefore, Mr. Tse is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the loan capitalisation for Mr. Tse constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement, circular and independent shareholders' approval requirements.

As at 3 July 2020, Mr. Huang is interested in 80,000,000 Shares, representing approximately 3.75% of the total issued share capital of the Company. Mr. Huang is also the son of Mr. Huang Bo, a substantial Shareholder of the Company. As at 3 July 2020, Mr. Huang Bo is interested in 434,129,674 Shares, representing approximately 20.37% of the total issued share capital of the Company. Accordingly, Mr. Huang is an associate of a connected person of the Company under Chapter 20 of the GEM Listing Rules. Therefore, the loan capitalisation for Mr. Huang constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement, circular and independent shareholders' approval requirements.

Given that Mr. Huang Bo and Mr. Huang have a material interest in the loan capitalisation for Mr. Huang, Mr. Huang Bo and Mr. Huang are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve Mr. Huang Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of Mr. Huang Subscription Shares under the specific mandate). Mr. Tse, being the executive Director, had abstained from voting on the Board resolution(s) for approving Mr. Tse Subscription Agreement and the transactions contemplated thereunder.

An independent committee of the Board ("**Independent Board Committee**"), comprising all the independent non-executive Directors, has been established to advise independent shareholders (taking into account the recommendation of the independent financial adviser as to whether the terms of each of the Subscription Agreements and the transactions contemplated thereunder are (i) fair and reasonable, (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group and (iii) in the interests of the Company and its shareholders as a whole and how to vote on each of the Subscription Agreements and the transactions contemplated thereunder. Giraffe Capital Limited has been appointed by the Company with the approval of the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee and the independent shareholders in this regard.

An extraordinary general meeting ("**EGM-2**") was convened and held on 14 August 2020 for the purpose of considering and, if thought fit, approving each of Mr. Tse Subscription Agreement and Mr. Huang Subscription Agreement (collectively, "**Subscription Agreements**") and the transactions contemplated thereunder, including the grant of the specific mandates for the allotment and issue of the Subscription Shares.

## COMPLETION OF ISSUE OF SUBSCRIPTION SHARES UNDER SPECIFIC MANDATES

On 19 August 2020, all the conditions precedent under the Subscription Agreements have been fulfilled and completion has taken place in accordance with the terms of the Subscription Agreements, and the allotment and issue of shares for the loan capitalisation has also been completed on 19 August 2020.

A total of 97,741,194 Shares and a total of 12,437,348 Shares (together, the “**Actual Subscription Shares**”) were allotted and issued by the Company to Mr. Huang and Mr. Tse, respectively, at the Subscription Price of HK\$0.10 per Actual Subscription Share. The Actual Subscription Shares represent (i) approximately 5.17% of the issued Shares immediately before completion of the allotment and issue of the Actual Subscription Shares and (ii) approximately 4.92% of the enlarged issued Shares immediately after the allotment and issue of the Actual Subscription Shares. As a result, (i) Mr. Huang holds 177,741,194 Shares, representing approximately 7.93% of the enlarged issued Shares as at 19 August 2020 immediately after the allotment and issue of the Actual Subscription Shares, and (ii) Mr. Tse holds 12,437,348 Shares, representing approximately 0.56% of the enlarged issued Shares as at 19 August 2020 immediately after the allotment and issue of the Actual Subscription Shares.

Please refer to the announcement of the Company dated 3 July 2020, 14 August 2020 and 19 August 2020 and the circular of the Company dated 28 July 2020 for further details.

## EXPANSION OF PRINCIPAL BUSINESS ACTIVITIES

During the three months ended 30 June 2020, 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 systems and printing systems and (iv) provision of hardware and software technical support services in the People’s Republic of China.

As disclosed in the Company’s announcement dated 9 April 2020 in relation to, among other matters, the sales of towers for wind turbines, the Group entered into two supply contracts pursuant to which the Group agreed to, among other things, sell towers for wind turbines (the “**Transactions**”). The Board believes that the Transactions represent a good opportunity in the renewable energy business that is closely related the Group’s main business in order to tap into other renewable energy areas, diversify the Group’s renewable energy portfolios and supplement multi-type energy supply in the long run. The Transactions contributed to an increase in revenue of the Group in the six months ended 30 September 2020.

In order to broaden the source of income and offer better returns to the Shareholders, the Board has resolved that the Company will adopt sales of renewable energy products as one of the principal business activities of the Group. The Directors will continue to seek opportunities in respect of renewable energy products such as wind power related products so as to better utilise the existing resources to maximise returns to the Shareholders, broaden the source of income and improve the financial position of the Group. Please refer to the announcement of the Company dated 3 August 2020 for further details.

## INCREASE IN AUTHORISED SHARE CAPITAL

By an ordinary resolution passed on 10 September 2020, the authorised share capital of the Company was increased from HK\$250,000,000 divided into 2,500,000,000 shares of HK\$0.1 each to HK\$500,000,000 divided into 5,000,000,000 shares of HK\$0.1 each by creation of additional 2,500,000,000 unissued shares in the share capital of the Company.



## MAJOR TRANSACTION IN RELATION TO SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCT

### SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCT

During the period from 30 September 2020 to 8 October 2020, Hami Dongke New Energy Technology Development Co., Ltd\* (哈密東科新能源科技發展有限公司) (“**Hami Dongke**”), a wholly-owned subsidiary of the Company, had subscribed for a wealth management product (“**Wealth Management Product**”) from China Construction Bank Corporation (中國建設銀行股份有限公司) (“**CCB**”) Shaanxi Branch in an aggregate amount of RMB40,000,000 (“**Subscription**”). On 9 October 2020, Hami Dongke redeemed the Subscription and received the entire principal amount together with an aggregate interest in the amount of RMB22,685.

The Company earned approximately RMB2,500 during the period under review. As at 30 September 2020, the fair value of the wealth management product amounted to RMB40,000,000, which was approximately 21.0 per cent. of the total assets of the Group.

Below sets out the principal terms of the Subscription.

Parties	:	(i) CCB Shaanxi Branch; and  (ii) Hami Dongke
		To the best knowledge, information and belief of the Directors having made all reasonable enquiries, CCB and its ultimate substantial beneficial owners as publicly disclosed by CCB are third parties independent from the Company and its connected persons.
Date of subscription	:	30 September 2020 (redeemed on 9 October 2020)
Name of product	:	CCB Shaanxi Branch “Qianyuan-Silutiantianying” Open-ended Asset Portfolio RMB Wealth Management Product* (中國建設銀行陝西省分行“乾元-絲路天天盈”開放式資產組合型人民幣理財產品)
Type of product	:	Non-principal guaranteed with floating income
Currency of principal and return	:	RMB
Subscription amount	:	RMB40,000,000
Basis of consideration	:	The minimum amount for the initial subscription by an institutional subscriber is RMB100,000. Each additional subscription amount by an institutional subscriber must be a multiple of RMB1,000.

Term of product	: No fixed maturity period <sup>#</sup>
	<p><sup>#</sup> During the term of the Wealth Management Product, any application for purchase, additional investment and redemption can be made from 1:00am to 3:30pm on any business day.</p> <p>CCB Shaanxi Branch has a right to prematurely terminate the Wealth Management Product.</p>
Scope of investment	: Cash assets, money market instruments, money market funds, standardised fixed income assets, non-standardised debt assets and other assets in compliance with regulatory requirements
Expected annualised yield rate	: 2.3% if the term of subscription is not less than seven days and not more than 13 days
	CCB Shaanxi Branch may adjust the expected annualised yield rate in view of the prevailing market condition.
Return calculation	: $\text{Return} = \text{principal of subscription} \times \text{actual annualised yield rate} \times \text{number of days of subscription} / 365$
	The return will be calculated according to the principal of each subscription, number of days of that subscription and the actual annualised yield rate for that subscription.
Repayment arrangement: of principal and return	The principal and return, upon redemption, will be deposited to Hami Dongke's designated account in real time. Where the Wealth Management Product is prematurely terminated by CCB Shaanxi Branch, the principal and return will be deposited to Hami Dongke's designated account within five business days from the date of such premature termination.

\* For identification purpose only

## ***BASIS OF DETERMINATION FOR CONSIDERATION***

The Board confirmed that the consideration of the Subscription was determined on the basis of commercial terms negotiated at arm's length.

## ***INVESTMENT STRATEGY FOR THE SUBSCRIPTION***

The Subscription was made from the spare funds of the Group and was made for the treasury management purpose to increase the return of the idle funds of the Group after taking into account, among others, the level of risk and return on investment. Although the Wealth Management Product was marketed as a non-principal guaranteed financial product and without a guaranteed return, the Board considers that the Wealth Management Product with a flexible redemption term had relatively low risk as the Group would be readily able to recover the principal and receive the expected return on the Subscription. Therefore, the Board considers that the Subscription does not cause any adverse impact on the working capital of the Group.

Appropriate short-term wealth management with low risk exposure is conducive to enhancing the utilisation of capital while increasing income from idle funds. The Board is of the view that the Subscription, which offered a better interest rate than the prevailing fixed-term deposit interest rates offered by banks or licensed financial institutions, was made on normal commercial terms in the ordinary course of business of the Group, is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER GEM LISTING RULES**

At the relevant time, since at least one of the applicable percentage ratios for the Subscription exceeded 25% but were less than 100%, the Subscription constituted a major transaction under Chapter 19 of the GEM Listing Rules and was subject to the notification, announcement and shareholders' approval requirements set out under Chapter 19 of the GEM Listing Rules.

The Company regrets that it did not duly comply with the notification, announcement and shareholders' approval requirements under Rule 19.34, 19.38 and 19.40 of the GEM Listing Rules by omitting to issue an announcement and circular for shareholders' approval at the relevant time of making the Subscription. The Company wishes to apologise in this regard. It is always the intention of the Company to fully comply with the GEM Listing Rules. The Directors, having been fully informed of all the facts of the Subscription, consider that the failure to comply with Chapter 19 of the GEM Listing Rules in respect of the Subscription was inadvertent and can be avoided going forward. The Group has taken the incident seriously and shall implement remedial measures to prevent re-occurrence of similar incidents as detailed in the announcement of the Company dated 15 October 2020.

## **EXTRAORDINARY GENERAL MEETING (“EGM-3”) AND DESPATCH OF CIRCULAR**

The EGM-3 will be convened to consider and, if thought fit, to ratify and approve the Subscription. To the best of the Directors' knowledge, information and belief, no Shareholder has a material interest in the Subscription and therefore, no Shareholder will be required to abstain from voting on the relevant resolution at the EGM-3.

A circular containing, among other things, (i) details of the Subscription, (ii) notice of the EGM-3 and (iii) other information as required by the GEM Listing Rules is expected to be despatched to the Shareholders on or before 24 November 2020.

Please refer to the announcements of the Company dated 15 October 2020 and 6 November 2020 for further details.

## **BUSINESS PROSPECTS**

The Group has been identifying and exploring other business opportunities so as to diversify the Group's business into the wind power generation projects with growth potential and to broaden its sources of income to bring return to the Group and its shareholders.

On 9 April 2020 and 2 May 2020, the Group had entered into three supply contracts with a PRC state-owned entity (the “**Purchaser**”) pursuant to which the Group agreed to (i) sell and the Purchaser agreed to purchase towers for wind turbines and provide to the Purchaser technical services associated with the wind power projects for which the towers for wind turbines will be used, at an aggregate consideration of approximately RMB249.6 million; and (ii) sell and the Purchaser agreed to purchase mounting required under a construction project of a solar photovoltaic power station at a consideration of approximately RMB65.8 million. These transactions and matters contemplated thereunder are expected to be completed by 31 March 2021. The Board believes that these transactions represent a good opportunity in the renewable energy business.

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 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 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 returns to its shareholders.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the period under review (2019-1H: Nil).

## 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 September 2020, 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 directors as referred to in Rule 5.46 of the GEM Listing Rules are as follows:

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES OF THE COMPANY

Name of Directors/Chief executive	Number and class of securities (Note 1)	Capacity	Approximate percentage of the Company's issued share capital as at 30 September 2020 (Note 2)
Mr. Tse Man Kit Keith (Executive Director)	12,437,348 ordinary shares (L)	Beneficial owner	0.56%

Notes:

1. The letter "L" represents long positions in the shares or underlying shares of the Company.
2. As at 30 September 2020, the issued share capital of the Company was 2,240,883,423 ordinary shares of HK\$0.1 each.

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

As at 30 September 2020, 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 30 September 2020 (Note 2)
Mr. Huang Bo	434,129,674 (L)	Beneficial owner	19.37%
Ms. Li Xiaoyan* (李曉豔女士)	295,472,031 (L)	Beneficial owner	13.19%
Mr. Huang Yuan Ming	177,741,194 (L)	Beneficial owner	7.93%
Mr. Hou Hsiao Bing (Note 3)	131,140,000 (L)	Beneficial owner	5.85%

\* for identification purpose only

Notes:

1. The letter "L" represents long position in the shares or underlying shares of the Company.
2. As at 30 September 2020, the issued share capital of the Company was 2,240,883,423 ordinary shares of HK\$0.1 each.
3. Mr. Hou Hsiao Bing retired as an executive Director with effect from 26 August 2019.



## AUDIT COMMITTEE

The Audit Committee was formed on 13 December 2000 with written terms of reference (revised in December 2018) made in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules and posted on the websites of the Company and the Stock Exchange.

The Audit Committee meets at least four times a year to review with senior management and at least twice a year with the Company's auditors for the Company's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to the GEM Listing Rules, internal and audit control and budget and cash flow forecast.

As at 30 September 2020, the Audit Committee comprised three independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu, with Ms. Ma Xingqin acting as the chairman. The unaudited consolidated results of the Group for the six months ended 30 September 2020 have been reviewed and approved by the Audit Committee.

## REMUNERATION COMMITTEE

The remuneration committee of the Board ("**Remuneration Committee**") was established in June 2005.

The Remuneration Committee was established with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference (revised in March 2012) followed the requirements of code provision B.1.2 set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 15 to the GEM Listing Rules and were posted on the websites of the Company and the Stock Exchange.

As at 30 September 2020, the Remuneration Committee comprised three independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu with Ms. Ma Xingqin acting as the chairman.

## CORPORATE GOVERNANCE COMMITTEE

A corporate governance committee of the Board ("**Corporate Governance Committee**") has been established with effect from 28 March 2012 with written terms of reference following code provision D.3.1 of the CG Code and posted on the websites of the Company and the Stock Exchange.

The Corporate Governance Committee comprised four executive Directors, namely, Mr. Chiu Tung Ping, Ms. Yuen Hing Lan, Mr. Tse Man Kit Keith and Ms. Hu Xin, with Mr. Tse Man Kit Keith acting as the chairman. The primary duties of the Corporate Governance Committee are, among other things, to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.



## NOMINATION COMMITTEE

A nomination committee of the Board ("**Nomination Committee**") has been established with effect from 28 March 2012, with written terms of reference (revised in December 2018) following the requirements of code provision A.5.2 of the CG Code and posted on the websites of the Company and the Stock Exchange.

As at 30 September 2020, the Nomination Committee comprised three independent non-executive Directors, namely, Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu, with Ms. Ma Xingqin acting as the chairman of the Nomination Committee.

The Nomination Committee is responsible for considering suitable candidates to serve as Directors and making recommendations on the appointment and termination of service of Directors. The Nomination Committee selects and nominates candidates based on whether they possess the skills and experience required by the Group's development.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 September 2020, none of the Directors or his/her close associates had an interest in a business which competes or may compete with the business of the Group.

The Company did not have controlling shareholder as at 30 September 2020 and as at the date of this report.

## 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 six months ended 30 September 2020.

## 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.

## CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2020, the Company has complied with all the code provisions set out in the CG Code, except for the deviations from code provisions A.2.1 and E.1.2 as explained below.

### **CODE PROVISION A.2.1**

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman of the Board and chief executive officer should be separate and should not be performed by the same individual.

The Company deviates from this provision because Mr. Chiu Tung Ping has been performing both the roles of chairman of the Board and chief executive officer of the Group starting from 13 July 2012. However, the Board believes that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group. The Board will continue to review the effectiveness of the current structure and assess whether separation of roles of chairman of the Board and chief executive officer of the Group is necessary.

### **CODE PROVISION E.1.2**

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Due to other commitments which must be attended by Mr. Chiu Tung Ping, the chairman of the Board, Mr. Chiu was unable to attend the annual general meeting of the Company held on 10 September 2020 ("2020 AGM"). Nevertheless, Mr. Tse Man Kit Keith, an executive Director, had presided as the chairman at the 2020 AGM to answer questions from the shareholders of the Company.

On behalf of the Board  
**Chiu Tung Ping**  
*Chairman and executive Director*

Hong Kong, 12 November 2020

As at the date of this report, the Board comprises 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*