



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

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*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 2021 (“**2021-1H**”) was approximately RMB5.5 million (profit attributable to owners of the Company for the six months ended 30 September 2020 (“**2020-1H**”): approximately RMB57.6 million).

The revenue of the Group for 2021-1H was approximately RMB47.9 million, representing a decrease of approximately 65.6 per cent. as compared with approximately RMB139.5 million recorded for 2020-1H.

Gross profit margin of the Group was approximately 23.7 per cent. for 2021-1H, as compared to approximately 20.0 per cent. for 2020-1H.

Basic earnings per share for 2021-1H was approximately RMB1.28 cents (2020-1H: basic earnings per share of approximately RMB13.35 cents (restated due to consolidation of shares)).

The Directors do not recommend the payment of a dividend for 2021-1H (2020-1H: Nil).

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

For The Six Months Ended 30 September 2021

	Notes	Three months ended 30 September		Six months ended 30 September	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3	38,184	53,285	47,921	139,484
Cost of sales		(28,431)	(40,235)	(36,546)	(111,553)
Gross profit		9,753	13,050	11,375	27,931
Other revenue – bank interest income		–	–	3	–
Other gains	5	717	1,754	1,812	1,743
Selling expenses		(589)	(731)	(1,037)	(1,361)
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		66	(42)	–	(65)
Realised loss on financial assets at FVTPL		(138)	–	(138)	–
Change in fair value of financial derivative liabilities		43	98	62	204
Administrative expenses		(2,899)	(3,225)	(4,662)	(5,505)
Impairment losses reversed	13	–	40,120	–	40,120
Finance costs	6	(399)	(1,346)	(1,406)	(2,812)
Profit before tax	7	6,554	49,678	6,009	60,255
Income tax expense	8	(488)	(1,169)	(488)	(2,682)
<b>Profit for the period</b>		<b>6,066</b>	<b>48,509</b>	<b>5,521</b>	<b>57,573</b>
<b>Total comprehensive income for the period</b>		<b>6,066</b>	<b>48,509</b>	<b>5,521</b>	<b>57,573</b>
Profit (loss) for the period attributable to:					
Owners of the Company		6,066	48,516	5,521	57,585
Non-controlling interests		–	(7)	–	(12)
		6,066	48,509	5,521	57,573
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		6,066	48,516	5,521	57,585
Non-controlling interests		–	(7)	–	(12)
		6,066	48,509	5,521	57,573
<b>Earnings per share</b>	10		(Restated)		(Restated)
Basic (RMB cents)		1.39	11.12	1.28	13.35
Diluted (RMB cents)		1.35	10.69	1.28	12.83

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

<i>Notes</i>	<b>30 September 2021 RMB'000 (Unaudited)</b>	31 March 2021 RMB'000 (Audited)
<b>Non-current assets</b>		
Property and equipment	355	460
Right-of-use assets	921	1,338
Goodwill	–	–
Rental deposit	255	255
	<b>1,531</b>	2,053
<b>Current assets</b>		
Inventories	13,123	–
Accounts and bills receivables	11 154,311	190,385
Other receivables, deposits and prepayments	37,436	24,403
Financial assets at fair value through profit or loss	12 –	164
Bank balances and cash	1,959	1,909
	<b>206,829</b>	216,861
<b>Current liabilities</b>		
Accounts payables	14 43,954	36,301
Other payables and accruals	29,984	44,395
Other loans	15 13,536	9,137
Convertible bonds	16 –	36,333
Tax payable	660	3,397
Lease liabilities	837	832
	<b>88,971</b>	130,395
<b>Net current assets</b>	<b>117,858</b>	86,466
<b>Total assets less current liabilities</b>	<b>119,389</b>	88,519
<b>Non-current liabilities</b>		
Convertible bonds	16 25,783	–
Lease liabilities	143	577
	<b>25,926</b>	577
<b>Net assets</b>	<b>93,463</b>	87,942
<b>Capital and reserves</b>		
Share capital	17 189,876	189,876
Reserves	(96,033)	(101,554)
Equity attributable to owners of the Company	<b>93,843</b>	88,322
Non-controlling interests	(380)	(380)
<b>Total equity</b>	<b>93,463</b>	87,942

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 September 2021

	Attributable to owners of the Company						Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserve arising from reorganisation RMB'000 (note a)	Exchange reserve RMB'000	Equity transaction reserve RMB'000 (note b)	Accumulated losses RMB'000			
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
At 1 April 2021 (audited)	<b>189,876</b>	<b>120,291</b>	<b>(20,484)</b>	<b>156</b>	<b>(11,210)</b>	<b>(190,307)</b>	<b>88,322</b>	<b>(380)</b>	<b>87,942</b>
Profit for the period	-	-	-	-	-	5,521	5,521	-	5,521
Total comprehensive income for the period	-	-	-	-	-	5,521	5,521	-	5,521
At 30 September 2021 (unaudited)	<b>189,876</b>	<b>120,291</b>	<b>(20,484)</b>	<b>156</b>	<b>(11,210)</b>	<b>(184,786)</b>	<b>93,843</b>	<b>(380)</b>	<b>93,463</b>

## 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 2021

	Six months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
NET CASH FROM OPERATING ACTIVITIES	20,501	3,267
<b>INVESTING ACTIVITY</b>		
Interest received	3	–
NET CASH FROM INVESTING ACTIVITY	3	–
<b>FINANCING ACTIVITIES</b>		
Raise of other loans	4,062	4,274
Interest paid	(30)	(50)
Repayments of lease liabilities	(462)	(417)
Advances from a related party	–	7,750
Repayments to a related party	(24,024)	(17,476)
NET CASH USED IN FINANCING ACTIVITIES	(20,454)	(5,919)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50	(2,652)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,909	4,076
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,959	1,424
Represented by:		
Bank balances and cash	1,959	1,424

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 September 2021

## 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 2021-1H are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

### **APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 39, HKFRS 7, HKFRS 4, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concession
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The application of the 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	
	2021 RMB’000 (Unaudited)	2020 RMB’000 (Unaudited)	2021 RMB’000 (Unaudited)	2020 RMB’000 (Unaudited)
<b>Types of goods or services</b>				
Sales of renewable energy products	38,184	53,285	47,921	139,484
<b>Timing of revenue recognition</b>				
A point in time	38,184	53,285	47,921	139,484



## 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 2021

	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	47,921	-	-	-	47,921
Segment profit (loss)	9,250	(654)	(6)	(92)	8,498
Unallocated other gains and losses					1,783
Unallocated expenses					(2,790)
Realised loss on financial assets at FVTPL					(138)
Change in fair value of financial derivative liabilities					62
Finance costs					(1,406)
Profit before tax					6,009
Income tax expense					(488)
Profit for the period					5,521

## 4. OPERATING SEGMENTS (continued)

### SEGMENT REVENUE AND RESULTS (continued)

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

### SEGMENT ASSETS AND LIABILITIES

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

As at 30 September 2021

	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	74,434	126,214	2,732	6	203,386
Property and equipment (for corporate)					355
Right-of-use assets (for corporate)					921
Rental deposit (for corporate)					255
Other receivables, deposits and prepayments (for corporate)					3,322
Bank balances and cash (for corporate)					121
Total assets					208,360
Segment liabilities	47,150	2,328	2,377	307	52,162
Other payables and accruals (for corporate)					22,436
Other loans (for corporate)					13,536
Lease liabilities (for corporate)					980
Convertible bonds (for corporate)					25,783
Total liabilities					114,897

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

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

As at 31 March 2021

	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	66,989	146,005	2,763	16	215,773
Property and equipment (for corporate)					460
Right-of-use assets (for corporate)					1,338
Rental deposit (for corporate)					255
Other receivables, deposits and prepayments (for corporate)					829
Financial assets at FVTPL (for corporate)					164
Bank balances and cash (for corporate)					95
Total assets					218,914
Segment liabilities	22,843	40,070	2,377	223	65,513
Other payables and accruals (for corporate)					18,580
Other loans (for corporate)					9,137
Lease liabilities (for corporate)					1,409
Convertible bonds (for corporate)					36,333
Total liabilities					130,972

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 such as property and equipment, right-of-use assets, rental deposit, other receivables, deposits and prepayments, financial assets at FVTPL and bank balances and cash; 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

	Three months ended 30 September		Six months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Foreign exchange gain	563	1,642	705	1,642
Miscellaneous income	154	112	154	101
Gain on fair value of issuance of convertible bonds	–	–	953	–
	<b>717</b>	1,754	<b>1,812</b>	1,743

## 6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Effective interest on convertible bonds	197	1,155	1,039	2,316
Interest on other loans	189	181	337	446
Interest on lease liabilities	13	10	30	50
	<b>399</b>	1,346	<b>1,406</b>	2,812

## 7. PROFIT BEFORE TAX

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

	Three months ended 30 September		Six months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of inventories recognised as expenses	28,431	40,235	36,546	111,553
Depreciation of property and equipment	51	56	106	112
Depreciation of right-of-use assets	211	213	421	427
Short-term lease payments	87	122	173	243
Staff costs (including directors' emoluments)				
– Salaries and other benefits	1,579	1,695	3,157	3,373
– Retirement benefit scheme contributions	18	18	35	35

## 8. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax				
– People's Republic of China ("PRC") Enterprise Income Tax	488	1,169	488	2,682
	488	1,169	488	2,682

No provision for Hong Kong Profits Tax has been made as there is no assessable profit for the subsidiaries operating in Hong Kong during 2021-1H and 2020-1H.

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 for 2021-1H and 2020-1H.

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 2021-1H and 2020-1H, 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 for 2021-1H and 2020-1H.

## 9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (2020-1H: nil).

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Profit</b>				
Profit for the period attributable to the owners of the Company	6,066	48,516	5,521	57,585

	Three months ended 30 September		Six months ended 30 September	
	2021 RMB cents (Unaudited)	2020 RMB cents (Restated) (Unaudited)	2021 RMB cents (Unaudited)	2020 RMB cents (Restated) (Unaudited)
Basic earnings per share	1.39	11.12	1.28	13.35
Diluted earnings per share	1.35	10.69	1.28	12.83

	Three months ended 30 September		Six months ended 30 September	
	2021 '000 (Unaudited)	2020 '000 (Restated) (Unaudited)	2021 '000 (Unaudited)	2020 '000 (Restated) (Unaudited)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	436,440	436,440	431,319	431,319
Weighted average number of ordinary shares for the purpose of diluted earnings per share	449,240	454,040	431,319	448,919

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 2021-1H.

## 11. ACCOUNTS AND BILLS RECEIVABLES

	As at 30 September 2021 RMB'000 (Unaudited)	As at 31 March 2021 RMB'000 (Audited)
Receivables at amortised cost comprise:		
Accounts receivables – contracts with customers	169,641	206,715
Bills receivables	1,000	–
Less: allowance for impairment of accounts receivables	(16,330)	(16,330)
	<b>154,311</b>	<b>190,385</b>

Notes:

As at 30 September 2021, accounts receivables from contracts with customers amounted to RMB153,311,000 (31 March 2021: RMB190,385,000). As at 30 September 2021 and 31 March 2021, accounts receivables included RMB11,700,000 due from a related company controlled by Mr. Huang Yuan Ming, the son of Mr. Huang Bo, a shareholder of the Company.

The Group does not hold any collateral over these balances.

The Group allows an average credit period of 180 days (31 March 2021: 180 days) to its trade customers. The following is an aged analysis of accounts and bills receivables, net of allowance for impairment, presented based on dates of delivery of goods/the invoice dates.

	As at 30 September 2021 RMB'000 (Unaudited)	As at 31 March 2021 RMB'000 (Audited)
0 to 90 days	55,878	56,442
91 to 180 days	7,143	78,614
Over 180 days	91,290	55,329
	<b>154,311</b>	<b>190,385</b>

As at 30 September 2021, included in the Group's accounts and bills receivables balance are debtors with aggregate carrying amount of RMB50,663,000 (31 March 2021: RMB34,573,000) which are past due as at the reporting date. Out of the past due balances, RMB50,663,000 (31 March 2021: RMB34,573,000) has been past due 90 days or more and is not considered as in default as the management considers that there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience and credit reassessment of each individual customer.



## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 30 September 2021 RMB'000 (Unaudited)</b>	<b>As at 31 March 2021 RMB'000 (Audited)</b>
Financial assets mandatorily measured at FVTPL:		
Listed securities held for trading:		
Equity securities listed in New York Stock Exchange classified as current assets	–	164

## 13. IMPAIRMENT LOSSES REVERSED

	<b>Three months ended 30 September</b>		<b>Six months ended 30 September</b>	
	<b>2021 RMB'000 (Unaudited)</b>	2020 RMB'000 (Unaudited)	<b>2021 RMB'000 (Unaudited)</b>	2020 RMB'000 (Unaudited)
Impairment losses reversed in respect of:				
– Accounts receivables	–	(40,120)	–	(40,120)
	–	(40,120)	–	(40,120)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for 2021-1H are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2021.

## 14. ACCOUNTS PAYABLES

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

	<b>As at 30 September 2021 RMB'000 (Unaudited)</b>	As at 31 March 2021 RMB'000 (Audited)
0 to 90 days	36,088	3,009
91 to 180 days	150	29,346
Over 180 days	7,716	3,946
	<b>43,954</b>	36,301

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

## 15. OTHER LOANS

	<b>As at 30 September 2021 RMB'000 (Unaudited)</b>	As at 31 March 2021 RMB'000 (Audited)
Loans from directors (note (a))	10,514	6,271
Loan from a close family member of a shareholder (note (b))	3,022	2,866
<b>Total – current liabilities</b>	<b>13,536</b>	9,137

Notes:

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

	<b>As at 30 September 2021 RMB'000 (Unaudited)</b>	As at 31 March 2021 RMB'000 (Audited)
Mr. Tse Man Kit Keith (note i)	4,647	2,164
Mr. Chiu Tung Ping (note ii)	5,867	4,107
	<b>10,514</b>	6,271

- (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.

## 16. 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.

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.

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 and with a nominal value of HK\$44,000,000 (equivalent to RMB37,179,000) have not been converted by the bondholders. For the year ended 31 March 2021, there was no conversion of ordinary shares. For the period from 1 April 2021 to the Maturity Date, there was no conversion of ordinary shares.

## 16. CONVERTIBLE BONDS (continued)

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

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 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
At 1 April 2021 (audited)	42,999	36,333	–	–	42,999	36,333
Convertible bonds redemption (note a)	(32,000)	(27,016)	–	–	(32,000)	(27,016)
Interest charge	1,001	814	–	–	1,001	814
Transfer to other payables and accruals (note b)	(12,000)	(10,131)	–	–	(12,000)	(10,131)
At 30 September 2021 (unaudited)	–	–	–	–	–	–

note:

- Please refer to the section headed 2021 CONVERTIBLE BONDS ("2021 CB") below.
- As at the Maturity Date, the aggregate outstanding principal amount of the 2011 CB is HK\$44,000,000, which may be converted into 88,000,000 ordinary shares of HK\$0.1 each in the share capital of the Company at a conversion price of HK\$0.5 per share, and mature on 1 June 2021. Based on the register of bondholders of the Company, as at the Maturity Date, the 2011 CB with an outstanding principal amount of HK\$32,000,000 are held by an individual bondholder ("**Bondholder A**") while the 2011 CB with an outstanding principal amount of HK\$12,000,000 ("**Disputed Convertible Bonds**") are held by another individual bondholder ("**Bondholder B**").

As at the Maturity Date, the Company is unable to contact Bondholder B based on the contact information registered in the register of bondholders of the Company. Further, on 28 May 2021, the Company was notified by Bondholder A that there is a potential dispute between Bondholder A and Bondholder B on the ownership of the Disputed Convertible Bonds. The Company will keep its shareholders and potential investors informed of any further material development of the foregoing matters by way of announcement as and when appropriate.

The amount of Disputed Convertible Bonds is transferred from 2011 CB to other payables and accruals on 1 June 2021.

## 16. CONVERTIBLE BONDS (continued)

### 2021 CONVERTIBLE BONDS ("2021 CB") (continued)

On 31 May 2021, the Company and the Mr. Qin Zhongde, an independent third party ("**Subscriber**") entered into a subscription agreement ("**Subscription Agreement**") pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the convertible bonds ("**Convertible Bonds**") in the principal amount of HK\$32,000,000 ("**Subscription**"). Principal terms of the Convertible Bonds are set out in the announcement of the Company dated 31 May 2021 ("**Announcement**").

All conditions of the Subscription Agreement have been fulfilled and completion of the Subscription took place on 17 June 2021 in accordance with the terms and conditions thereof. The Convertible Bonds in the principal amount of HK\$32,000,000 have been issued to the Subscriber.

Please refer to the Section headed EVENTS OCCURRED DURING THE PERIOD UNDER REVIEW subsection headed IV. ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE for further details.

The 2021 CB comprises two components:

- (a) Debt component was initially measured at fair value amounted to approximately HK\$30,766,995 (equivalent to RMB25,358,157). The effective interest rate of the liability component on initial recognition was 3.05% per annum.
- (b) 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
Convertible bonds issued						
on 17 June 2021	30,767	25,359	77	63	30,844	25,422
Interest charge	271	225	–	–	271	225
Exchange loss	–	198	–	–	–	198
Gain arising on changes of fair value	–	–	(76)	(62)	(76)	(62)
As at 30 September 2021	31,038	25,782	1	1	31,039	25,783

## 17. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
<b>Ordinary shares of HK\$0.5 each (note a)</b>		
<b>Authorised</b>		
At 31 March 2021 (audited) and 1 April 2021	5,000,000	500,000
Decrease due to share consolidation on 19 July 2021 (note a)	(4,000,000)	–
At 30 September 2021 (unaudited)	1,000,000	500,000
	Number of shares '000	Share capital HK\$'000
<b>Issued and fully paid</b>		
At 31 March 2021 (audited) and 1 April 2021	2,240,883	224,088
Decrease due to share consolidation on 19 July 2021 (note a)	(1,792,706)	–
At 30 September 2021 (unaudited)	448,177	224,088

Note:

- a. Pursuant to the ordinary resolution passed at the extraordinary general meeting of the China Technology Industry Group Limited (“**Company**”) held on 15 July 2021, the Company implemented a share consolidation with effect from 19 July 2021, on the basis that every five (5) issued and unissued shares of HK\$0.10 each in the share capital of the Company were consolidated into one (1) share of HK\$0.50 each, in the share capital of the Company, ranked pari passu in all respect with each other (“**Share Consolidation**”). Upon completion of the Share Consolidation, the Company’s authorized share capital consists of 1,000,000,000 ordinary shares of HK\$0.50 each, of which 448,176,684 ordinary shares were in issue. For details, please refer to the Company’s announcements dated 3 June 2021, 4 June 2021 and 15 July 2021 and the circular dated 17 June 2021 (“**Circular**”).

	As at 30 September 2021 RMB'000 (Unaudited)	As at 31 March 2021 RMB'000 (Audited)
Presented in the condensed consolidated financial statements	<b>189,876</b>	189,876

# 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 2021-1H.

The Group recorded a profit attributable to owners of the Company of approximately RMB5.5 million for 2021-1H (2020-1H: profit attributable to owners of the Company of approximately RMB57.6 million), which was mainly attributable to (1) the decrease in revenue of the Group during 2021-1H; and (2) impairment losses reversed in respect of accounts receivables in the amount of approximately RMB40.1 million in the same period last year.

The Group's revenue amounted to approximately RMB47.9 million for 2021-1H, representing a decrease of approximately 65.6 per cent as compared with approximately RMB139.5 million recorded for 2020-1H. The decrease in revenue was mainly attributable to the decrease in sales of wind power related products of approximately RMB31.7 million during 2021-1H, where there was substantial revenue generated therefrom during 2020-1H (2020-1H: RMB73.4 million), and the decrease in sales of solar power related products of approximately RMB59.9 million during 2021-1H (2020-1H: RMB66.1 million).

The Group's gross profit margin was approximately 23.7 per cent for 2021-1H, as compared to approximately 20.0 per cent for 2020-1H.

Selling expenses incurred by the Group for 2021-1H amounted to approximately RMB1.0 million (2020-1H: approximately RMB1.4 million), representing a decrease of approximately 23.8 per cent. The decrease was due to the Group's policy on cost control during 2021-1H.

Administrative expenses incurred by the Group for 2021-1H amounted to approximately RMB4.7 million (2020-1H: approximately RMB5.5 million), representing a decrease of approximately 15.3 per cent. The decrease was due to the Group's policy on cost control during 2021-1H.

Basic earnings per share were approximately RMB1.28 cents for 2021-1H, as compared with the basic earnings per share of approximately RMB13.35 cents (restated due to consolidation of shares) for 2020-1H.

There was no impairment loss in respect of accounts receivables during the period under review (2020-1H: impairment losses in respect of accounts receivables reversed amounted to approximately RMB40.1 million due to the bad debts recovered of approximately RMB40.1 million).



## 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 power related products as well as wind power related products.

The Group sources business for the sales of solar power related products by negotiating and securing contracts with the engineering, procurement, and construction contractors of construction projects of solar photovoltaic power station. The Group will supply the solar power related products (mainly mounting) 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.

The revenue generated from the sales of renewable energy products was approximately RMB47.9 million for 2021-1H (2020-1H: RMB139.5 million), accounted for 100.0 per cent of the Group's total revenue during 2021-1H (2020-1H: 100.0 per cent).

## 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.

There was no revenue generated from the new energy power system integration business during 2021-1H (2020-1H: Nil).

\* 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 2021-1H (2020-1H: 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 2021-1H (2020-1H: Nil).

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

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 2021, the Group had cash and bank balances denominated in Hong Kong dollars, Renminbi and United States dollars amounting to a total of approximately RMB2.0 million (31 March 2021: approximately RMB1.9 million). The Group had no outstanding bank overdraft as at 30 September 2021 (31 March 2021: Nil).

As at 30 September 2021, the Group had other loans amounting to (i) HK\$4.6 million (31 March 2021: approximately RMB2.2 million) that was due to an executive Director, Mr. Tse Man Kit Keith; and approximately RMB3.0 million (31 March 2021: approximately RMB2.9 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 RMB5.9 million (31 March 2021: approximately RMB4.1 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 2021.

### ***BANKING FACILITIES***

As at 30 September 2021, the Group did not have any banking facilities (31 March 2021: Nil).

### ***CURRENT RATIO***

As at 30 September 2021, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 2.3 (31 March 2021: 1.7). The current ratio remained stable during 2021-1H.

## GEARING RATIO

As at 30 September 2021, the gearing ratio of the Group, based on total liabilities over total assets, was approximately 55.1 per cent. (31 March 2021: approximately 59.8 per cent.).

	<b>As at 30 September 2021 RMB'000</b>	As at 31 March 2021 RMB'000
Total assets	<b>208,360</b>	218,914
Total liabilities	<b>114,897</b>	130,972
Gearing ratio	<b>55.1 per cent.</b>	59.8 per cent.

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

- (i) the decrease in total assets of the Group by approximately RMB10.6 million was as a result of the decrease in accounts and bills receivables and financial assets at FVTPL by approximately RMB36.1 million and RMB0.2 million respectively, which was partly offset by the increase in inventories and other receivables, deposits and prepayments by approximately RMB13.1 million and RMB13.0 million respectively; and
- (ii) the decrease in total liabilities of the Group by approximately RMB16.1 million which was due to the decrease in other payables and accruals, convertible bonds, tax payable and lease liabilities by approximately RMB14.4 million, RMB10.6 million, RMB2.7 million and RMB0.4 million respectively during 2021-1H, which was partly offset by the increase in accounts payable and other loans by approximately RMB7.7 million and RMB4.4 million respectively.

## CHARGES ON ASSETS

As at 30 September 2021, the Group pledged no asset to secure borrowings granted to the Group (31 March 2021: Nil).

## CONTINGENT LIABILITIES

As at 30 September 2021, the Group did not have any significant contingent liabilities (31 March 2021: Nil).

## 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 2021-1H, 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 2021, the Group employed 19 and 8 staff (2020-1H: 22 and 8 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 RMB3.2 million for 2021-1H (2020-1H: approximately RMB3.4 million) because of the decrease in the number of employees from 30 to 27 during the period under review.

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.

## EVENTS OCCURRED DURING THE PERIOD UNDER REVIEW

### *I. CHANGES OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND COMPOSITION OF BOARD COMMITTEES*

#### *(1) RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS*

On 1 April 2021, each of Mr. Dong Guangwu ("**Mr. Dong**") and Mr. Meng Xianglin ("**Mr. Meng**") has tendered his resignation as an independent non-executive Director of the Company with effect from 1 April 2021. Each of Mr. Dong and Mr. Meng has ceased to be a member of each of the Company's audit committee (the "**Audit Committee**"), nomination committee (the "**Nomination Committee**") and remuneration committee (the "**Remuneration Committee**") with effect from 1 April 2021.

Please refer to the announcement of the Company dated 1 April 2021 for further details.

## **(2) APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

On 1 April 2021, each of Ms. Shan Jinlan (“**Ms. Shan**”) and Mr. Wang Zhuchen (“**Mr. Wang**”) has been appointed as an independent non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee with effect from 1 April 2021.

There is no service contract between the Company and Ms. Shan. Ms. Shan is appointed for a term of one year and is subject to retirement by rotation and re-election in accordance with the articles of association of the Company and the GEM Listing Rules. Ms. Shan will be entitled to a Director’s fee of RMB15,600 per month, which was recommended by the Remuneration Committee and has been determined with reference to the prevailing market conditions, her qualification and level of experience, and her roles and responsibilities in the Group, subject to review by the Board and the Remuneration Committee from time to time. She has not entered into nor proposed to enter into any service contracts which fall within the meanings of Rule 17.90 of the GEM Listing Rules requiring the prior approval of the shareholders of the Company (“**Shareholders**”) at general meetings, with the Company.

Further, there is no service contract between the Company and Mr. Wang. Mr. Wang is appointed for a term of one year and is subject to retirement by rotation and re-election in accordance with the articles of association of the Company and the GEM Listing Rules. Mr. Wang will be entitled to a Director’s fee of RMB9,200 per month, which was recommended by the Remuneration Committee and has been determined with reference to the prevailing market conditions, his qualification and level of experience, and his roles and responsibilities in the Group, subject to review by the Board and the Remuneration Committee from time to time. He has not entered into nor proposed to enter into any service contracts which fall within the meanings of Rule 17.90 of the GEM Listing Rules requiring the prior approval of the Shareholders at general meetings, with the Company.

Please refer to the announcement of the Company dated 1 April 2021 for further details relating to their respective appointment.

Pursuant to code provision A.4.2 of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Further, pursuant to article 112 of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. Accordingly, the office of each of Ms. Shan and Mr. Wang ended at the extraordinary general meeting of the Company held on 15 July 2021 (“**EGM**”), where each of Ms. Shan and Mr. Wang, being eligible, offered themselves for the re-election. At the EGM, each of Ms. Shan and Mr. Wang was re-elected as an independent non-executive Director. Please refer to the circular of the Company dated 17 June 2021 and the announcement of the Company dated 15 July 2021 for further details relating to their respective re-election.

## **II. RESIGNATION OF AUDITOR**

On 10 May 2021, Deloitte Touche Tohmatsu (“**Deloitte**”) has resigned as the auditor of the Group with effect from 10 May 2021, after taking into account factors including the level of audit fee and availability of internal resources, for the financial year ended 31 March 2021.

Deloitte has confirmed in its letter of resignation that there are no matters connected with its resignation that need to be brought to the attention of the Shareholders.

The Board and the Audit Committee have confirmed that there is no disagreement between the Company and Deloitte and there are no matters or circumstances in respect of the resignation of Deloitte as auditor of the Group that need to be brought to the attention of the Shareholders.

Please refer to the announcement of the Company dated 10 May 2021 for further details.

## **III. APPOINTMENT OF AUDITOR**

On 12 May 2021, the Board, with the recommendation of the Audit Committee, has appointed SHINEWING (HK) CPA Limited as the new auditor of the Company with effect from 12 May 2021 to fill the casual vacancy following the resignation of Deloitte and to hold office until conclusion of the next annual general meeting of the Company.

Please refer to the announcement of the Company dated 12 May 2021 for further details.

## **IV. ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

On 31 May 2021, the Company and the Mr. Qin Zhongde, an independent third party (“**Subscriber**”) entered into a subscription agreement (“**Subscription Agreement**”) pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the convertible bonds (“**Convertible Bonds**”) in the principal amount of HK\$32,000,000 (“**Subscription**”). Principal terms of the Convertible Bonds are set out in the announcement of the Company dated 31 May 2021 (“**Announcement**”). Unless otherwise defined, capitalised terms used under this section shall have the same meanings given to them in the Announcement.

### **CONVERSION RIGHTS**

The Subscriber shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into shares of the Company (“**Shares**”) at any time and from time to time during the issue date of the Convertible Bonds to 1 October 2022 (“**Conversion Period**”) in amounts of not less than HK\$1 million and in integral multiples of HK\$1 million in excess thereof on each conversion, save that if at any time, the principal outstanding amount of the Convertible Bonds is less than HK\$1 million, the whole (but not part only) of the principal outstanding amount of the Convertible Bonds may be converted.

The Subscriber shall not have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds into Shares to the extent that immediately after such conversion:

- (a) there will not be sufficient public float of the Shares as required under the GEM Listing Rules; and
- (b) the Subscriber whether on his own or together with parties acting in concert with him would be obliged to make a general offer under the Code on Takeovers and Mergers.

## **CONVERSION PRICE**

The initial Conversion Price of HK\$0.5 per Conversion Share has been determined after arm's length negotiations between the Company and the Subscriber with reference to the then prevailing market price of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As a result of the Share Consolidation (as defined below) and in accordance with the terms and conditions of the Convertible Bonds, the conversion price of the Convertible Bonds was adjusted from HK\$0.5 per Existing Share (as defined below) to HK\$2.5 per Consolidated Share (as defined below) and the maximum number of Consolidated Shares issuable by the Company upon full conversion of the Convertible Bonds is 12,800,000 Consolidated Shares with effect from Monday, 19 July 2021, being the date on which the share consolidation became effective. Please refer to part V of this section for further details.

## **CONDITIONS PRECEDENT**

Completion of the Subscription is conditional upon:

- (i) the Subscriber receiving on or before the date of completion a copy of each of:
  - the articles of association of the Company;
  - the resolution(s) of the Directors authorising the execution of the bond instrument and certificates of the Convertible Bonds to which the Company is a party, the issue of the Convertible Bonds and the entry into and performance of the transactions contemplated hereby and thereby; and
  - the bond instrument and certificates of the Convertible Bonds executed on or before the date of completion by or on behalf of all parties thereto;
- (ii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Conversion Shares (and such listing and permission not having been subsequently revoked by the Stock Exchange prior to the Closing Date); and
- (iii) the statements represented, warranted and undertaken by the Company to the Subscriber as stated in the Subscription Agreement remaining true, accurate and not misleading in each case in all respects.

## **GENERAL MANDATE**

The Conversion Shares will be issued under the General Mandate, subject to the limit up to 448,176,684 Shares (representing 20% of the then issued share capital of the Company). Accordingly, the allotment and issue of the Conversion Shares is not subject to the Shareholders' approval.

As at the date of this report, no Share has been issued by the Company under the General Mandate.

## **APPLICATION FOR LISTING**

An application has been made to the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares. No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange.

## USE OF PROCEEDS

The Company and the Subscriber have agreed that the Existing Convertible Bonds (as defined in the Announcement) shall be redeemed by the Company on the date of completion. As the redemption money payable by the Company to the Subscriber in respect of the Existing Convertible Bonds in the principal amount of HK\$32,000,000 shall be applied towards the payment of and be set off against the subscription money payable by the Subscriber for the Convertible Bonds in the principal amount of HK\$32,000,000, the Company will not receive any net proceeds from the issue of the Convertible Bonds.

## REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Board considers that the redemption of the Existing Convertible Bonds and the issue of the Convertible Bonds allows the Company to postpone its cash outflow required for the repayment of the Existing Convertible Bonds and to retain its financial resources for a longer period for the development of its business. The Board has considered various ways of raising funds in the capital market and considers that the issue of the Convertible Bonds is an appropriate means of raising capital for the Company since such issue will not have an immediate dilution effect on the shareholding of the existing Shareholders. The Board considers that the terms of the Subscription Agreement and the Convertible Bonds are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## EFFECTS OF THE FULL CONVERSION OF THE CONVERTIBLE BONDS

The shareholdings in the Company as at the date of this report and immediately after conversion in full of the Convertible Bonds (assuming that there is no other change in the issued share capital of the Company) at the initial Conversion Price are summarised as follows:

	As at the date of this report		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (for illustration purpose only)	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Huang Bo*	86,825,934	19.37%	86,825,934	18.84%
Li Xiaoyan* (李曉艷)	59,094,406	13.19%	59,094,406	12.82%
The Subscriber	–	–	12,800,000	2.78%
Public Shareholders*	302,256,343	67.44%	302,256,343	65.56%
<b>Total*</b>	<b>448,176,684</b>	<b>100.00%</b>	<b>460,976,684</b>	<b>100.00%</b>

\* fractional number of shares is disregarded for illustration purposes

For further details, please refer to the Announcement and the announcement of the Company dated 17 June 2021.

## COMPLETION

All conditions of the Subscription Agreement have been fulfilled and completion of the Subscription took place on 17 June 2021 in accordance with the terms and conditions thereof. The Convertible Bonds in the principal amount of HK\$32,000,000 have been issued to the Subscriber.

\* For identification purpose only

## **V. PROPOSED SHARE CONSOLIDATION AND PROPOSED CHANGE IN BOARD LOT SIZE**

Reference is made to the announcements of the Company dated 3 June 2021 and 4 June 2021 and the circular of the Company dated 17 June 2021 ("**Circular**"). Unless otherwise defined, capitalised terms under this section shall have the same meanings given to them in the Circular.

On 3 June 2021, the Board proposes to implement the proposed consolidation of every five (5) issued and unissued existing shares of HK\$0.10 each in the share capital of the Company into one (1) ordinary share of HK\$0.50 each in the share capital of the Company ("**Share Consolidation**").

### **EFFECTS OF THE SHARE CONSOLIDATION**

Prior to the Share Consolidation becoming effective, 2,240,883,423 Existing Shares (as defined in the Circular) were allotted and issued. Upon the Share Consolidation becoming effective, 448,176,684\* Consolidated Shares (as defined in the Circular) will be in issue. The Consolidated Shares rank *pari passu* in all respects with each other.

*\* fractional number of shares is disregarded for illustration purposes*

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the shareholdings, proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may be entitled.

### **CONDITIONS OF THE SHARE CONSOLIDATION**

The Share Consolidation is conditional upon the following conditions:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under the laws in Cayman Islands (where applicable) and the GEM Listing Rules to effect the Share Consolidation.



## **LISTING APPLICATION**

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the Hong Kong Securities Clearing Company Limited (“**HKSCC**”), the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the Central Clearing and Settlement System established and operated by HKSCC (“**CCASS**”) with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the general rules of CCASS and the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time (“**CCASS Operational Procedures**”) in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

## **PROPOSED CHANGE IN BOARD LOT SIZE**

The Existing Shares were traded on the Stock Exchange in the board lot size of 5,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 5,000 Existing Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.087 per Existing Share (equivalent to the theoretical closing price of HK\$0.435 per Consolidated Share) as at 3 June 2021, (i) the value of each existing board lot of Existing Shares is HK\$435; (ii) the value of each board lot of 1,000 Consolidated Shares is HK\$435; and (iii) the estimated value per board lot of 10,000 Consolidated Shares is HK\$4,350.

## **ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY**

Pursuant to the terms of the Convertible Bonds, upon the Share Consolidation becoming effective, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount with effect from the close of business in Hong Kong on the day immediately preceding the date on which the Share Consolidation becomes effective, as a result of which 12,800,000 Consolidated Shares will be issued. The Company will make further announcement(s) about the adjustment(s) pursuant to the GEM Listing Rules.

As a result of the Share Consolidation and in accordance with the terms and conditions of the Convertible Bonds, the conversion price of the Convertible Bonds was adjusted from HK\$0.5 per Existing Share to HK\$2.5 per Consolidated Share and the maximum number of Consolidated Shares issuable by the Company upon full conversion of the Convertible Bonds is 12,800,000 Consolidated Shares with effect from Monday, 19 July 2021, being the date on which the Share Consolidation became effective.

Save for the above adjustments, all other terms and conditions of the Convertible Bonds shall remain unchanged.

Save as disclosed above, the Company does not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as at the date of this report.

## **REASON FOR THE SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE**

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019 has further stated that (i) market price of the Shares at a level less than HK\$0.1 will be considered as approaching the extremities of HK\$0.01 as referred to Rule 17.76 of the GEM Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

In view of the recent trading price of the Shares, the Board considers that the Share Consolidation will enable the Company to comply with the trading requirements under the GEM Listing Rules and reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade. With a corresponding upward adjustment in the trading price of the Consolidated Shares, the Board believes that the Share Consolidation will make investing in the Shares more attractive to a broader range of investors, and therefore further broaden the shareholder base of the Company.

In view of the above reasons, the Company considers the proposed Share Consolidation and Change in Board Lot Size is justifiable notwithstanding the potential costs and impact arising from creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

### ***EGM***

The proposed ordinary resolution to ratify and approve the Share Consolidation was duly passed by the Shareholders by way of poll at the EGM held on 15 July 2021.

The Share Consolidation had become effective on Monday, 19 July 2021. Dealings in the Consolidated Shares had commenced at 9:00 a.m. on Monday, 19 July 2021. Please refer to the Circular for the details, including the trading arrangement and the exchange of share certificates and matching services for odd lots of the Consolidated Shares arising in connection with the Share Consolidation. Shareholders should note that upon the Share Consolidation becoming effective, the colour of the share certificates of the Company had been changed from blue to green.

For further details, please refer to the announcements of the Company dated 3 June 2021, 4 June 2021 and 15 July 2021 and the Circular.

## EQUITY-LINKED AGREEMENTS

Set out below are the equity-linked agreements entered into by the Company during 2021-1H or subsisted as at 30 September 2021:

### 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. Further, on 19 July 2021, the Share Consolidation became effective. Upon the Share Consolidation becoming effective, the Directors were allowed to grant options to Eligible Participants to subscribe for a maximum of 34,520,257 ordinary shares of HK\$0.5 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 21,844,000 ordinary shares of HK\$0.5 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 2021-1H, no options had been granted, exercised, cancelled or lapsed under the Share Option Scheme. As at 1 April 2021, 30 September 2021 and the date of this report, there was no outstanding option under the Share Option Scheme.

## **CONVERTIBLE BONDS**

On 1 June 2011, the Company issued the ten-year zero coupon convertible bonds ("**2011 CB**") at par with a nominal value of HK\$163,100,000 to Good Million Investments Limited ("**Vendor**"), in acquiring of the entire issued share capital of China Technology Solar Power Holdings Limited, a company incorporated in the BVI with limited liability ("**CTSP (BVI)**"), and its subsidiaries ("**Target Group**"). The convertible bonds are denominated in Hong Kong dollars. 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 and HK\$50,000,000 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 principal amount would be subject to change in relation to a profit guarantee made by the Vendor to the Company.

Referring 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 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 consolidated net profit after tax of the Target Group is equivalent to or less than HK\$15,000,000 or a loss.

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. On such basis, the amended target profit of HK\$40,000,000 under the sale and purchase agreement (as supplemented by a supplemental agreement mentioned above) was not achieved and the principal amount of the Tranche II CB was adjusted to HK\$0.

On 2 September 2011, 24,000,000 ordinary shares of HK\$0.1 each were issued by the Company as a result of the exercise of the conversion rights attached to Tranche I CB in the principal amount of HK\$12,000,000.

On 26 November 2013, 74,200,000 ordinary shares of HK\$0.10 each were issued by the Company as a result of the exercise of the conversion rights attached to Tranche I CB in the principal amount of HK\$37,100,000.

On 22 March 2016, 30,000,000 ordinary shares of HK\$0.10 each were issued by the Company as a result of the exercise of the conversion rights attached to Tranche I CB in the principal amount of HK\$15,000,000.

On 4 July 2018, 10,000,000 ordinary shares of HK\$0.10 each were issued by the Company as a result of the exercise of the conversion rights attached to Tranche I CB in the principal amount of HK\$5,000,000.

As at 31 March 2021, the aggregate outstanding principal amount of the 2011 CB was HK\$44,000,000, which may be converted into 88,000,000 ordinary shares of HK\$0.1 each in the share capital of the Company at a conversion price of HK\$0.5 per share. During the year ended 31 March 2021, no conversion right was exercised in respect of the 2011 CB.

Pursuant to a subscription agreement (“**Subscription Agreement**”) dated 31 May 2021 entered into between the Company and Mr. Qin Zhongde (the “**Subscriber**”) who held the 2011 CB with an outstanding principal amount of HK\$32,000,000 as at the date of the Subscription Agreement, the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to issue convertible bonds in the principal amount of HK\$32,000,000 (“**2021 CB**”) at an initial conversion price of HK\$0.5 per conversion share. Details of the subscription are contained in the announcement of the Company dated 31 May 2021.

On 1 June 2021, the 2011 CB with the aggregate outstanding principal amount of HK\$44,000,000 matured and as a result, the conversion right of the 2011 CB ended on 1 June 2021.

On 17 June 2021, all conditions of the Subscription Agreement have been fulfilled and completion of the subscription took place in accordance with the terms and conditions thereof. The 2021 CB in the principal amount of HK\$32,000,000 were issued to the Subscriber.

As at the date of this report, the Company is unable to contact the bondholder (“**Bondholder B**”) holding the 2011 CB with an aggregate principal amount of HK\$12,000,000 based on the contact information registered in the register of bondholders of the Company. Further, on 28 May 2021, the Company was notified by the Subscriber that there is a potential dispute between the Subscriber and Bondholder B on the ownership of the 2011 CB with an aggregate principal amount of HK\$12,000,000. The Company will keep the Shareholders and potential investors informed of any further material development of the foregoing matters by way of announcement as and when appropriate.

As a result of the Share Consolidation and in accordance with the terms and conditions of the Convertible Bonds, the conversion price of the Convertible Bonds was adjusted from HK\$0.5 per Existing Share to HK\$2.5 per Consolidated Share and the maximum number of Consolidated Shares issuable by the Company upon full conversion of the Convertible Bonds is 12,800,000 Consolidated Shares with effect from Monday, 19 July 2021, being the date on which the Share Consolidation became effective.

## BUSINESS PROSPECTS

2021 is the beginning year of China’s move towards grid parity and the commencement of “14th Five-Year Plan”. At the virtual conference of the Leaders’ Summit on Climate held in April 2021, the President of the PRC, Xi Jinping, reiterated last year’s commitment to “hit peak emissions” and “carbon neutrality” and said that China will strictly control the growth of coal consumption during the “14th Five-Year Plan” period and decrease coal consumption during the next ten years gradually, which means the demand for new energy in China will rise sharply and the photovoltaic power generation with lower cost will become the focus of development.

In May 2021, the National Energy Administration of the PRC published the “Notice on Matters Relating to the Development and Construction of Wind Power and Photovoltaic Power Generation Projects in 2021\*” (《關於2021年風電、光伏發電開發建設有關事項的通知》), which stated that wind power and photovoltaic power generation is targeted to reach about 11% of the total electricity consumption in China in 2021, to increase year by year thereafter, and to ensure that non-fossil fuel energy consumption accounted for 20% of primary energy consumption in 2025.

In June 2021, the National Energy Administration of the PRC issued the “Notice on Submitting the Pilot Scheme for the Development of Distributed Photovoltaics on the Roof of the Entire Counties (Cities, Districts)\*” (《關於報送整縣(市、區)屋頂分布式光伏開發試點方案的通知》), wherein it set out specific installation targets on governmental departments, public facilities, industrial and commercial buildings and rural houses, based on two key principles, which were “to maximise photovoltaic installation to the extent possible” and “to maximise grid connection to the extent possible”. Distributed photovoltaic installations increased by 7.65 GW in the first half of 2021, representing a growth of 73% as compared to last year, and it is expected that photovoltaic installations for the second half of the year would be further increased. Wang Bohua, the honorary chairman of the China Photovoltaic Industry Association, said that China’s addition photovoltaic capacity in 2021 will reach 55–65 GW.

\* for reference purposes only

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 return to its shareholders.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period under review (2020-1H: 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 2021, 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

<b>Name of Directors/ Chief executive</b>	<b>Number and class of securities</b> (Note 1 and 3)	<b>Capacity</b>	<b>Approximate percentage of the Company's issued share capital as at 30 September 2021</b> (Note 2)
Mr. Tse Man Kit Keith (Executive Director)	2,487,469 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 2021, the issued share capital of the Company was 448,176,684 ordinary shares of HK\$0.5 each.
3. Consolidation of shares on the basis that every five (5) shares were consolidated into one (1) share with effect from 19 July 2021.

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

As at 30 September 2021, 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 and 5)	Capacity	Approximate percentage of the Company's issued share capital as at 30 September 2021 (Note 2)
Mr. Huang Bo (Note 3)	86,825,934 (L)	Beneficial owner	19.37%
Ms. Li Xiaoyan* (李曉豔女士)	59,094,406 (L)	Beneficial owner	13.19%
Mr. Huang Yuan Ming (Note 3)	35,548,238 (L)	Beneficial owner	7.93%
Mr. Hou Hsiao Bing (Note 4)	26,228,000 (L)	Beneficial owner	5.85%

\* for identification purpose only

Notes:

- The letter "L" represents long position in the shares or underlying shares of the Company.
- As at 30 September 2021, the issued share capital of the Company was 448,176,684 ordinary shares of HK\$0.5 each.
- Mr. Huang Yuan Ming is the son of Mr. Huang Bo, a substantial shareholder of the Company.
- Mr. Hou Hsiao Bing retired as an executive Director with effect from 26 August 2019.
- Consolidation of shares on the basis that every five (5) shares were consolidated into one (1) share with effect from 19 July 2021.

## 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 2021, the Audit Committee comprised three independent non-executive Directors, namely Ms. Ma Xingqin, Ms. Shan Jinlan and Mr. Wang Zhuchen, with Ms. Ma Xingqin acting as the chairman. The unaudited consolidated results of the Group for 2021-1H have been reviewed and approved by the Audit Committee.





## REMUNERATION COMMITTEE

The 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 2021, the Remuneration Committee comprised three independent non-executive Directors, namely Ms. Ma Xingqin, Ms. Shan Jinlan and Mr. Wang Zhuchen with Ms. Ma Xingqin acting as the chairman.

## CORPORATE GOVERNANCE COMMITTEE

A corporate governance committee of the Board (“Corporate Governance Committee”) was 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

The Nomination Committee was 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 2021, the Nomination Committee comprised three independent non-executive Directors, namely, Ms. Ma Xingqin, Ms. Shan Jinlan and Mr. Wang Zhuchen, 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 2021, 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 2021 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 2021-1H.



## 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 2021-1H, 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 27 September 2021 ("2021 AGM"). Nevertheless, Mr. Tse Man Kit Keith, an executive Director, had presided as the chairman at the 2021 AGM to answer questions from the shareholders of the Company.

On behalf of the Board

**Chiu Tung Ping**

*Chairman and executive Director*

Hong Kong, 11 November 2021

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*

*Shan Jinlan*

*Wang Zhuchen*