



**INTERIM  
REPORT  
2011**



**CHINA TECHNOLOGY SOLAR POWER HOLDINGS LIMITED**

**中科光電控股有限公司\***

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8111)

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## INTERIM RESULTS HIGHLIGHTS

- The revenue of the Group during the six months ended 30 September 2011 was approximately HK\$19.2 million, representing an increase of approximately 4.7 per cent., as compared to the same period last year (six months ended 30 September 2010: approximately HK\$18.3 million).
- The loss attributable to equity holders of the Company during the six months ended 30 September 2011 was approximately HK\$33.5 million (six months ended 30 September 2010: approximately HK\$3.9 million).
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

## INTERIM RESULTS (UNAUDITED)

The board (“Board”) of Directors announces the unaudited consolidated interim results of the Group for the six months ended 30 September 2011 (“period”) as follows:–

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	From 1 July, 2011 to 30 September, 2011 HK\$'000	From 1 April, 2011 to 30 September, 2011 HK\$'000	From 1 July, 2010 to 30 September, 2010 HK\$'000	From 1 April, 2010 to 30 September, 2010 HK\$'000
Revenue	2	10,824	19,193	12,639	18,323
Cost of sales		(7,906)	(14,218)	(9,331)	(13,749)
Gross profit		2,918	4,975	3,308	4,574
Other revenue	2	697	849	12	169
Selling expenses		(1,087)	(2,479)	(1,677)	(2,328)
Change in fair value of financial assets at fair value through profit or loss	3	(7,182)	(10,410)	–	–
Administrative expenses		(4,926)	(23,271)	(3,039)	(6,292)
Loss from operations	3	(9,580)	(30,336)	(1,396)	(3,877)
Finance costs	4	(2,081)	(3,143)	–	–
Loss before taxation		(11,661)	(33,479)	(1,396)	(3,877)
Income tax expenses	5	–	(11)	–	(19)
Loss for the period		(11,661)	(33,490)	(1,396)	(3,896)
<b>Other comprehensive income</b>					
Exchange differences on translation of financial statements of overseas subsidiaries		1,313	1,944	478	725
<b>Total comprehensive income for the period</b>		(10,348)	(31,546)	(918)	(3,171)
Loss for the period attributable to: Equity holders of the Company		(11,661)	(33,490)	(1,396)	(3,896)
Total comprehensive income attributable to: Equity holders of the Company		(10,348)	(31,546)	(918)	(3,171)
Dividend		–	–	–	–
		HKcent	HKcent	HKcent	HKcent
Loss per share					
– Basic	6	(1.33 cents)	(4.04 cents)	(0.23 cents)	(0.68 cents)
– Diluted	6	(1.48 cents)	(4.69 cents)	(0.28 cents)	(0.84 cents)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	As at 30 September, 2011 (unaudited) HK\$'000	As at 31 March, 2011 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	7	2,241	1,012
Construction-in-progress		26,587	–
Goodwill	8	260,027	–
Available-for-sale financial assets		–	–
		<b>288,855</b>	1,012
<b>Current assets</b>			
Inventories	9	7,254	11,403
Accounts receivables	10	17,295	9,208
Other receivables, deposits and prepayments	12	4,649	48,454
Financial assets at fair value through profit or loss	13	7,961	18,371
Bank balances and cash	11	24,326	43,235
		<b>61,485</b>	130,671
<b>Current liabilities</b>			
Accounts payables	14	2,000	1,991
Other payables and accruals		25,598	4,489
Other loans	15	7,380	–
Receipt in advance		1,424	493
Convertible bonds	16	67,721	24,540
		<b>104,123</b>	31,513
<b>Net current (liabilities)/assets</b>		<b>(42,638)</b>	99,158
<b>Total assets less current liabilities</b>		<b>246,217</b>	100,170
<b>Non-current liabilities</b>			
Deferred tax liabilities		20,922	1,626
<b>Net assets</b>		<b>225,295</b>	98,544
<b>Capital and reserves</b>			
Share capital	17	89,419	73,719
Reserves		135,876	24,825
<b>Shareholders' funds</b>		<b>225,295</b>	98,544

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Warrant reserve HK\$'000	Reserve arising from reorganization HK\$'000	Exchange reserve HK\$'000	Convertible bonds reserve HK\$'000	Retained profits (Deficit) HK\$'000	
At 1 April 2010	54,379	29,555	9,680	(24,317)	6,614	-	(20,637)	55,274
Issue of shares	10,860	24,435	-	-	-	-	-	35,295
Transaction cost on issue of shares	-	(814)	-	-	-	-	-	(814)
Shares issued on exercise of options	440	1,320	-	-	-	-	-	1,760
Total comprehensive income for the period	-	-	-	-	725	-	(3,896)	(3,171)
At 30 September 2010	65,679	54,496	9,680	(24,317)	7,339	-	(24,533)	88,344
At 1 April 2011	73,719	85,600	9,680	(24,317)	8,464	2,387	(56,989)	98,544
Issue of consideration shares (note d)	13,300	41,230	-	-	-	-	-	54,530
Equity component of convertible bonds (note d)	-	-	-	-	-	119,919	-	119,919
Deferred tax liabilities arising from the convertible bonds	-	-	-	-	-	(19,272)	-	(19,272)
Shares issued on exercise of the conversion rights attached to Tranche 1 convertible bonds	2,400	9,600	-	-	-	(8,880)	-	3,120
Total comprehensive income for the period	-	-	-	-	1,944	-	(33,490)	(31,546)
At 30 September 2011	89,419	136,430	9,680	(24,317)	10,408	94,154	(90,479)	225,295

### Notes:

- During the year ended 31 March 2010, the Company issued 100,000,000 warrant at HK\$0.10 each for cash. Net proceeds from the issuance of warrant of approximately HK\$9,680,000 was recognized as warrant reserve.
- The reserve arising from reorganization of approximately HK\$24,317,000 represents the difference between the nominal value of the share capital of subsidiaries acquired and the cost of investments in these subsidiaries incurred by the Company in exchange thereof, and has been debited to the reserve of the Group.
- On 5 November 2010, the Company issued convertible bonds with a principal amount of HK\$26,000,000. Equity component of the convertible bonds of approximately HK\$2,387,000 was recognized in the convertible bonds reserve account.
- Pursuant to the conditional sale and purchase agreement dated 13 December 2010 entered into between (i) City Max International Limited; (ii) the Company; (iii) Good Million Investments Limited; (iv) Mr. Chiu Tung Ping; and (v) Ms. Yuen Hing Lan in relation to the sale and purchase of the entire issued share capital of China Technology Solar Power Holdings Limited, a company incorporated in the British Virgin Islands with limited liability ("**CTSP (BVI)**"), the Company has issued 133,000,000 consideration shares and convertible bonds in the aggregate principal amount of HK\$163,100,000 to Good Million Investments Limited on 1 June 2011. Details of the acquisition is contained in the circular of the Company dated 16 May 2011. Equity component of the convertible bonds of approximately HK\$119,919,000 was recognized in the convertible bonds reserve account.

## CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

		Six months ended 30 September,	
	Notes	2011 HK\$'000	2010 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Loss before taxation		(33,479)	(3,877)
Adjustment for:			
Depreciation	3	601	35
Interest income	2	(706)	(17)
Finance costs	4	3,143	–
Change in fair value of financial assets at fair value through profit or loss	3	10,410	–
Operating cash flows before movements in working capital		(20,031)	(3,859)
Decrease in inventories		4,149	53
Increase in accounts receivable		(8,087)	(1,785)
Decrease in other receivables, deposits and prepayments		45,912	157
Increase in accounts payable		9	69
Increase in other payables and accruals		17,248	366
Increase in receipt in advance		583	93
Cash generated from/(used in) operations		39,783	(4,906)
Overseas taxation paid		(11)	(19)
Net cash generated from/(used in) operating activities		39,772	(4,925)
<b>INVESTING ACTIVITIES</b>			
Interest received	2	706	17
Purchase of property, plant and equipment	7	(1,270)	(8)
Construction-in-progress		(3,253)	–
Purchase of a subsidiary, net of cash acquired	20	(61,789)	–
Net cash (used in)/generated from investing activities		(65,606)	9
<b>FINANCING ACTIVITIES</b>			
New shares issued		–	10,860
Proceeds from issue of new shares		–	24,435
Transaction cost on issue of equity shares		–	(814)
Shares issued on exercise of options		–	1,760
Other loans		4,981	–
Net cash generated from financing activities		4,981	36,241
Net (decrease)/increase in cash and cash equivalents		(20,853)	31,325
Cash and cash equivalents at the beginning of the period		43,235	22,834
Effect of foreign exchange rate changes		1,944	725
Cash and cash equivalents at the end of the period		24,326	54,884
Cash and cash equivalents at the end of the period, represented by Bank balances and cash		24,326	54,884

## NOTES TO THE UNAUDITED CONSOLIDATED RESULTS:–

### 1. Basis of preparation

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

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

The accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2011, except for adoption of new and revised HKFRSs and HKAS issued by the Hong Kong Institute of Certified Public Accountants which are effective to the Group for accounting periods beginning on or after 1 January 2011. The adoption of the new HKFRSs and HKAS has no material impact on the Group’s results and financial position for the current or prior periods.

The consolidated results of the Group for the six months ended 30 September 2011 are unaudited but have been reviewed by the audit committee of the Company (“**Audit Committee**”).

### 2. Revenue and segment information

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

Revenues recognised during the period are as follows: –

	From 1 July, 2011 to 30 September, 2011 (unaudited) HK\$’000	From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$’000	From 1 July, 2010 to 30 September, 2010 (unaudited) HK\$’000	From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$’000
Revenue				
Sale of goods	7,350	14,230	10,190	13,873
Rendering of services	3,474	4,963	2,449	4,450
	<b>10,824</b>	<b>19,193</b>	<b>12,639</b>	<b>18,323</b>
Other revenue				
Government subsidies for business development	1	143	1	152
Interest income	696	706	11	17
	<b>697</b>	<b>849</b>	<b>12</b>	<b>169</b>
Total revenue	<b>11,521</b>	<b>20,042</b>	<b>12,651</b>	<b>18,492</b>



### Business segments

The Group is organized into three main business segments:

- i. Sales of goods – sales of self-service ATM systems and printing systems
- ii. Rendering of services – provision of hardware and software technical support services
- iii. Solar energy generation and power system integration business

Revenue recognised during the period are as follows:

	Sales of goods From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$'000	Rendering of services From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$'000	Solar energy generation and power system integration business From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$'000	Total From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$'000
Revenue	14,230	4,963	–	19,193
Segment results	922	(1,271)	(5,746)	(6,095)
Other revenue				849
Unallocated costs				(28,233)
Loss before taxation				(33,479)
Income tax expenses				(11)
Loss for the period				(33,490)

The followings is an analysis of the Group's assets and liabilities by reportable segments as at 30 September 2011:

	Sales of goods As at 30 September, 2011 (unaudited) HK\$'000	Rendering of services As at 30 September, 2011 (unaudited) HK\$'000	Solar energy generation and power system integration business As at 30 September, 2011 (unaudited) HK\$'000	Total As at 30 September, 2011 (unaudited) HK\$'000
<b>SEGMENT ASSETS</b>				
Segment assets	38,078	9,403	293,700	341,181
Property, plant and equipment (for corporate)				790
Other receivables and prepayments (for corporate)				188
Financial assets at fair value through profit or loss (for corporate)				7,961
Bank balances and cash (for corporate)				220
Consolidated assets				350,340
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	3,144	2,000	14,207	19,351
Other payables and accruals (for corporate)				37,973
Convertible bonds (for corporate)				67,721
Consolidated liabilities				125,045

Revenues recognised during the six months ended 30 September 2010 are as follows:

	Sales of goods From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000	Rendering of services From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000	Solar energy generation and power system integration business From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000	Total From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000
Revenue	13,873	4,450	–	18,323
Segment results	550	(512)	–	38
Other revenue				169
Unallocated costs				(4,084)
Loss before taxation				(3,877)
Income tax expenses				(19)
Loss for the period				(3,896)

The followings is an analysis of the Group's assets and liabilities by reportable segment as at 30 September 2010:

	Sales of goods As at 30 September, 2010 (unaudited) HK\$'000	Rendering of services As at 30 September, 2010 (unaudited) HK\$'000	Solar energy generation and power system integration business As at 30 September, 2010 (unaudited) HK\$'000	Total As at 30 September, 2010 (unaudited) HK\$'000
<b>SEGMENT ASSETS</b>				
Segment assets	18,827	14,068	–	32,895
Property, plant and equipment (for corporate)				126
Other receivables and prepayments (for corporate)				9,502
Bank balances and cash (for corporate)				51,645
Consolidated assets				94,168
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	2,147	1,153	–	3,300
Other payables and accruals (for corporate)				2,524
Consolidated liabilities				5,824

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

- all assets are allocated to reportable-segments, other than corporate assets of the Group.
- all liabilities are allocated to reportable segments, other than liabilities not directly related to operation of segments such as other payables and accruals for corporate.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and property, plant and equipment.

#### *Other segments information*

Amounts included in the measure of segment profit or loss or segment assets:

	Sales of goods From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$'000	Rendering of services From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$'000	Solar energy generation and power system integration business From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$'000	Total From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$'000
Additions to property, plant and equipment	305	355	5	665
Depreciation of property, plant and equipment	17	507	26	550

	Sales of goods From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000	Rendering of services From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000	Solar energy generation and power system integration business From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000	Total From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000
Additions to property, plant and equipment	4	–	–	4
Depreciation of property, plant and equipment	20	9	–	29

### Geographical information

No geographical analysis is provided as less than 10% of the consolidated revenue and less than 10% of the operating results of the Group are attributable to markets outside the PRC. Therefore, no geographical information is presented.

### 3. Loss from operations

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

	From 1 July, 2011 to 30 September, 2011 (unaudited) HK\$'000	From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$'000	From 1 July, 2010 to 30 September, 2010 (unaudited) HK\$'000	From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000
Cost of inventories sold	6,389	11,579	8,537	11,630
Depreciation	430	601	17	35
Change in fair value of financial assets at fair value through profit or loss	7,182	10,410	-	-

### 4. Finance costs

	From 1 July, 2011 to 30 September, 2011 (unaudited) HK\$'000	From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$'000	From 1 July, 2010 to 30 September, 2010 (unaudited) HK\$'000	From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000
Imputed finance costs on convertible bonds	2,058	3,120	-	-
Interests on other loans	23	23	-	-
	2,081	3,143	-	-

## 5. Income tax expenses

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the six months ended 30 September, 2011 (six months ended 30 September, 2010: Nil).

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

The amount of income tax expenses charged to the consolidated statement of comprehensive income represents:-

	From 1 July, 2011 to 30 September, 2011 (unaudited) HK\$'000	From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$'000	From 1 July, 2010 to 30 September, 2010 (unaudited) HK\$'000	From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000
Current taxation:				
– Hong Kong profits tax	–	–	–	–
– Overseas taxation	–	11	–	19
Deferred taxation	–	–	–	–
Income tax expenses	–	11	–	19

## 6. Loss per share

	From 1 July, 2011 to 30 September, 2011 (unaudited) HK\$'000	From 1 April, 2011 to 30 September, 2011 (unaudited) HK\$'000	From 1 July, 2010 to 30 September, 2010 (unaudited) HK\$'000	From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000
Loss Loss for the purpose of basic and diluted loss per share	(11,661)	(33,490)	(1,396)	(3,896)

	From 1 July, 2011 to 30 September, 2011 Number of shares	From 1 April, 2011 to 30 September, 2011 Number of shares	From 1 July, 2010 to 30 September, 2010 Number of shares	From 1 April, 2010 to 30 September, 2010 Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	877,496,420	829,530,870	595,922,507	569,999,722
Effect of dilutive potential ordinary shares: Warrants issued by the Company	(89,473,684)	(114,899,713)	(104,545,455)	(104,545,455)
Weighted average number of ordinary shares for the purpose of diluted loss per share	788,022,736	714,631,157	491,377,052	465,454,267

## 7. Property, plant and equipment

During the period, the Group had acquired property, plant and equipment amounting to approximately HK\$1,270,000 (six months ended 30 September, 2010: HK\$8,000).

## 8. Goodwill

Goodwill arising from the acquisition of CTSP (BVI) of approximately HK\$260,027,000 is calculated on the excess of the cost of the business combination of approximately HK\$280,030,000 over the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized of CTSP (BVI) of approximately HK\$20,003,000. After completion of the acquisition of CTSP (BVI), CTSP (BVI) has become a cash generating unit ("CGU") to the Group. The Directors have determined the expected cash flows in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" to arrive the value in use of this CGU to assess the impairment of assets in this CGU including the tangible assets and the goodwill. The Directors considered that there is no impairment loss for the CGU of CTSP (BVI) and the same impairment assessment will be carried out in the future accounting periods.

## 9. Inventories

	As at 30 September, 2011 (unaudited) HK\$'000	As at 31 March, 2011 (audited) HK\$'000
Merchandise for re-sale	7,734	11,066
Spare parts	3,020	3,837
	<b>10,754</b>	14,903
Less: Provision for slow moving and obsolete inventories	<b>(3,500)</b>	(3,500)
	<b>7,254</b>	11,403

## 10. Accounts receivable

	As at 30 September, 2011 (unaudited) HK\$'000	As at 31 March, 2011 (audited) HK\$'000
Accounts receivable	22,066	13,979
Less: Allowance for doubtful debts	<b>(4,771)</b>	(4,771)
	<b>17,295</b>	9,208

The majority of the Group's sales are on open account in accordance with terms specified in the contracts governing relevant transactions. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

At 30 September, 2011, the ageing analysis of the accounts receivable was as follows:

	As at 30 September, 2011 (unaudited) HK\$'000	As at 31 March, 2011 (audited) HK\$'000
Current to 60 days	14,222	3,265
61 – 90 days	1,328	3,399
Over 90 days	6,516	7,315
	<b>22,066</b>	13,979
Less: Allowance for doubtful debts	<b>(4,771)</b>	(4,771)
	<b>17,295</b>	9,208

The directors consider that the carrying amount of the Group's accounts receivable approximates their fair value.

#### 11. Bank balances and cash

	As at 30 September, 2011 (unaudited) HK\$'000	As at 31 March, 2011 (audited) HK\$'000
Cash at bank and on hand	24,326	43,235
Bank balances and cash in the consolidated statement of financial position	<b>24,326</b>	43,235
Cash and bank deposits denominated in:		
Hong Kong dollar	216	34,213
Chinese Renminbi	23,895	8,969
United States dollar	215	53
	<b>24,326</b>	43,235

Included in the balance was approximately HK\$23,895,000 (31 March, 2011: HK\$8,964,000), representing Renminbi deposits placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.



## 12. Other receivables, deposits and prepayments

Other receivables, deposits and prepayments included the following:

- (a) Deposit of approximately HK\$Nil (31 March, 2011: approximately HK\$31,200,000) for the acquisition of an investment.
- (b) Deposit of approximately HK\$Nil (31 March, 2011: approximately HK\$11,635,000) for purchase of trading goods.
- (c) Loan receivable of approximately HK\$190,000 (31 March, 2011: approximately HK\$190,000). The loan is secured, interest free and repayable within one year.

## 13. Financial assets at fair value through profit or loss

	As at 30 September, 2011 (unaudited) HK\$'000	As at 31 March, 2011 (audited) HK\$'000
Listed securities held for trading:		
Market value of equity securities listed in New York		
Cost	24,250	24,250
Impairment loss	(16,289)	(5,879)
	7,961	18,371

## 14. Accounts payable

	As at 30 September, 2011 (unaudited) HK\$'000	As at 31 March, 2011 (audited) HK\$'000
Accounts payable	2,000	1,991

As at 30 September, 2011, the ageing analysis of the accounts payable was as follows:–

	As at 30 September, 2011 (unaudited) HK\$'000	As at 31 March, 2011 (audited) HK\$'000
Current to 60 days	1,987	1,967
61 – 90 days	–	–
Over 90 days	13	24
	2,000	1,991

The directors consider that the carrying amount of the Group's accounts payable approximates their fair value.

## 15. Other loans

The other loans are unsecured, bearing interest at the rate of 1% per annum and repayable by the following due dates:

Principal amount	Due date
RMB2,000,000	31 December 2011
RMB2,000,000	8 June 2012
RMB2,000,000	8 September 2012

## 16. Convertible bonds

On 18 October 2010, the Company and Quam Securities Company Limited (“**Placing Agent**”) entered into a placing agreement pursuant to which the Placing Agent has agreed to procure certain places, on a best effort basis, for the subscription of the convertible bonds (“**2010 CB**”) in the aggregate principal amount of up to HK\$26,000,000, which may be converted into 52,000,000 shares at the initial conversion price of HK\$0.50 per share (“**CB Placing**”).

Completion of the CB Placing took place on 5 November 2010. 2010 CB in the aggregate principal amount of HK\$26,000,000 had been issued to three places and remain outstanding.

Pursuant to the conditional sale and purchase agreement dated 13 December 2010 entered into between (i) City Max International Limited; (ii) the Company; (iii) Good Million Investments Limited; (iv) Mr. Chiu Tung Ping; and (v) Ms. Yuen Hing Lan in relation to the sale and purchase of the entire issued share capital of CTSP (BVI), the Company has issued convertible bonds (“**2011 CB**”) in the aggregate principal amount of HK\$163,100,000 to Good Million Investments Limited on 1 June 2011. Details of the acquisition is contained in the circular of the Company dated 16 May 2011.

On 2 September 2011, 24,000,000 shares of the Company of HK\$0.1 each were issued by the Company as a result of the exercise of the conversion rights attached to Tranche I Bonds (as defined in the circular of the Company dated 16 May 2011) in the principal amount of HK\$12,000,000. The aggregate outstanding principal amount of the 2011 CB is HK\$151,100,000.

The movement of the liability component of the convertible bonds is set out below:

	<b>Six months ended 30 September,</b>	
	<b>2011 (unaudited) HK\$'000</b>	2010 (unaudited) HK\$'000
Carrying amount at the beginning of the period	24,540	–
Nominal value of convertible bonds issued	163,100	–
Equity component	(119,919)	–
Shares converted	(3,120)	–
Liability component at the issuance date	64,601	–
Imputed finance costs	3,120	–
Carrying amount at the end of the period	67,721	–

## 17. Share capital

	<b>Authorized Ordinary shares of HK\$0.1 each</b>	
	No. of shares	HK\$'000
At 31 March, 2011	1,000,000,000	100,000
Increases	1,500,000,000	150,000
<b>At 30 September, 2011</b>	<b>2,500,000,000</b>	<b>250,000</b>
	<b>Issued and fully paid Ordinary shares of HK\$0.1 each</b>	
	No. of shares	(unaudited) HK\$'000
At 1 April, 2011	737,192,072	73,719
Consideration Shares issued on 1 June, 2011	133,000,000	13,300
Conversion Shares issued on 2 September 2011 as a result of the exercise of the conversion rights attached to Tranche I convertible bonds	24,000,000	2,400
<b>At 30 September, 2011</b>	<b>894,192,072</b>	<b>89,419</b>

The shares issued during the six months ended 30 September, 2011 rank pari passu in all respects with other shares in issue.

## 18. Commitments under operating leases – land and building

At 30 September, 2011, the Group had future aggregate minimum lease payments under operating leases as follows:

	<b>As at 30 September, 2011 (unaudited) HK\$'000</b>	As at 31 March, 2011 (audited) HK\$'000
Not later than one year	<b>773</b>	1,421
Later than one year and not later than five years	<b>1,001</b>	914
	<b>1,774</b>	2,335

## 19. Capital commitments

The Group had the following significant capital commitments as at 30 September, 2011:

	As at 30 September, 2011 (unaudited) HK\$'000	As at 31 March, 2011 (audited) HK\$'000
Contracted but not provided for:		
– Purchase of plant and machinery	109,154	–
– Construction of buildings	2,329	–

## 20. Purchase of a subsidiary

The fair value of assets acquired and liabilities assumed:

	(unaudited) HK\$'000
Property, plant and equipment	560
Construction-in-progress	23,334
Other receivable	2,106
Cash and cash equivalents	611
Other loans	(2,399)
Other payables	(3,861)
Receipt in advance	(348)
	20,003
Goodwill arose from acquisition	260,027
	280,030
Representing:	
Cash consideration	62,400
Consideration shares	54,530
Convertible bonds	163,100
	280,030
Analysis of cash flows on purchase of a subsidiary:	
Cash consideration paid	(62,400)
Bank balances and cash in hand acquired	611
Net cash outflow on purchase of a subsidiary	(61,789)

## 21. Litigation

Legal action has been commenced by Oceania City Investment Company Limited, a wholly-owned subsidiary of the Company, against defendants for the refund of initial deposit of USD2 million for the termination of an acquisition of an investment with effective on 28 May 2010 (“HCA 1153 of 2010”). The defendants have raised a legal action against the Company and the directors of the Company for counter claim of USD7 million for misrepresentation, fraud and conspiracy of the Company and the directors during the negotiation of the acquisition of an investment.

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Board announces the unaudited consolidated results of the Group for the six months ended 30 September 2011.

### *Financial performance*

The revenue of the Group during the six months ended 30 September 2011 was approximately HK\$19.2 million, representing an increase of approximately 4.7 per cent., as compared to the same period last year (six months ended 30 September 2010: approximately HK\$18.3 million).

The Group recorded a loss attributable to equity holders of the Company of approximately HK\$33.5 million in the six months ended 30 September 2011, compared with the loss attributable to equity holders of the Company of approximately HK\$3.9 million for the corresponding period last year, mainly as a result of a loss of approximately HK\$10.4 million arising from the change in fair value of financial assets at fair value through profit or loss, the recognition of the one-off professional expenses of approximately HK\$4.8 million arising from the acquisition of CTSP (BVI), the recognition of the one-off expenses of approximately HK\$9.4 million in exploring new business opportunities, and the imputed finance costs on convertible bonds of approximately HK\$3.1 million.

Basic loss per share during the six months ended 30 September 2011 was approximately HK4.04 cents, compared with the basic loss per share of approximately HK0.68 cents for the corresponding period last year.

### *Business review*

The Group continued to specialize in the provision of implementation and upgrading of self-service ATM systems and printing systems, application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in the PRC during the six months ended 30 September 2011.

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

## *Implementation of self-service ATM systems and printing systems*

During the six months ended 30 September 2011, implementation of self-service ATM systems and printing systems (including the provision of technical consultancy and support services) remained the Group's core business and accounted for 100.0 per cent. (six months ended 30 September 2010: 100.0 per cent.) of the Group's revenue from the sales of goods and rendering of services.

The revenue generated from the implementation of self-service ATM systems and printing systems (including the provision of technical consultancy and support services) amounted to approximately HK\$19.2 million, representing an increase of approximately 4.7 per cent., as compared with the corresponding period last year (six months ended 30 September 2010: approximately HK\$18.3 million).

## *Solar energy generation*

During the six months ended 30 September 2011, the Group did not have income generated from solar energy generation business (six months ended 30 September 2010: Nil).

## *Power system integration business*

During the six months ended 30 September 2011, the Group did not have income generated from the power system integration business (six months ended 30 September 2010: Nil).

## *Provision of technical consultancy and support services*

The provision of technical consultancy and support services, which were already included in the above-mentioned implementation of self-service ATM systems and printing systems business, contributed to a stable and recurrent source of income for the Group and accounted for approximately 25.9 per cent. of the total revenue from the sales of goods and rendering of services of the Group for the six months ended 30 September 2011, compared with approximately 24.3 per cent. for the corresponding period last year. Income derived from the provision of technical consultancy and support services during the six months ended 30 September 2011 increased by approximately 11.5 per cent, as compared with the corresponding period last year.

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

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

### ***Gross profit***

The Group's gross profit margin for the six months ended 30 September 2011 was approximately 25.9 per cent., compared with approximately 25.0 per cent. for the corresponding period last year.

### ***Selling expenses***

Selling expenses incurred by the Group for the six months ended 30 September 2011 amounted to approximately HK\$2.5 million (six months ended 30 September 2010: approximately HK\$2.3 million), representing an increase of approximately 6.5 per cent..

### ***Administrative expenses***

Administrative expenses incurred by the Group for the six months ended 30 September 2011 amounted to approximately HK\$23.3 million (six months ended 30 September 2010: approximately HK\$6.3 million), representing an increase of approximately 269.9 per cent. The main reason for such increase was that the Group had incurred one-off professional expenses of approximately HK\$4.8 million arising from the acquisition of CTSP (BVI) and the recognition of the one-off expenses of approximately HK\$9.4 million in exploring new business opportunities.

### ***Liquidity, financial resources and treasury policies***

As at 30 September 2011 the Group had cash and bank balances amounting to a total of approximately HK\$24.3 million (31 March 2011: approximately HK\$43.2 million). The Group has no outstanding bank overdraft as at 30 September 2011 (31 March 2011: HK\$Nil).

The Group financed its operations by internally generated cash flow and proceeds from placing of shares of the Company and convertible bonds. Please refer to the annual report of the Company for the year ended 31 March 2011 for details.



## ***Banking facilities***

As at 30 September 2011, the Group did not have any banking facilities (31 March 2011: Nil).

## ***Gearing ratio***

As at 30 September 2011, the gearing ratio of the Group, based on total liabilities over total assets was approximately 35.7 per cent. (31 March 2011: approximately 25.2 per cent.).

## ***Charges on assets***

As at 30 September 2011, there was no significant charges on assets of the Group.

## ***Contingent liabilities***

As at 30 September 2011, the Group did not have any significant contingent liabilities.

## ***Exposure to foreign exchange risk***

The Group mainly operates in the PRC with transactions settled in Renminbi principally and did not have any significant exposure to foreign exchange risk during the period.

## ***Employees***

As at 30 September 2011, the Group employed 109 and 16 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 HK\$7.6 million for the six months ended 30 September 2011 (six months ended 30 September 2010: approximately HK\$5.6 million).

Share options may be granted to Directors and employees of the Group to subscribe for shares in the Company.

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

During the period under review, the Group has the acquisition of CTSP (BVI) at the consideration of HK\$292,000,000.

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

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

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

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

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

### *Future plans for material investments or capital assets*

As disclosed in the announcement of the Company dated 24 August 2011, the Group had entered into a supply contract for the supply of 8 megawatt polysilicon crystalline silicon solar energy battery components (多晶矽太陽能電池組件) with 賽維 LDK 太陽能高科技(蘇州)有限公司 (unofficial English translation being LDK Solar Hi-Tech (Suzhou) Co., Ltd.) ("**Suzhou LDK**") (a subsidiary of LDK Solar Co., Ltd, a company listed in the New York Stock Exchange, stock code: LDK and is one of the world's largest producers of solar wafers in terms of capacity and a leading high-purity polysilicon and solar module manufacturer) for a total price of RMB66,400,000. The Group and Suzhou LDK have reached consensus that on the footing of the successful execution of the supply contract, both parties will have other favourable technical cooperation and preferential supply terms on future large scale photovoltaic power station development of the Group.

## *Business prospects*

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

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

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

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

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

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the period under review (six months ended 30 September 2010: 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 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

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

Name of Directors	Capacity	Number and class of securities (Note 1)	Percentage shareholding in the same class of securities (Note 2)
Mr. Chiu Tung Ping (Executive Director)	Interests of controlled corporation (Note 3)	317,766,038 ordinary shares (L)	35.54%
Ms. Yuen Hing Lan (Executive Director)	Interests of spouse (Note 3)	317,766,038 ordinary shares (L)	35.54%
Mr. Hou Hsiao Bing (Executive Director)	Beneficial owner	131,150,000 ordinary shares (L)	14.67%
Mr. Hou Hsiao Wen (Executive Director)	Beneficial owner	25,370,000 ordinary shares (L)	2.84%

Notes:

1. The letter "L" represents the Directors' long positions in the interests in the shares and underlying shares of the Company.
2. As at 30 September 2011, the entire issued share capital of the Company is 894,192,072 shares of HK\$0.1 each.
3. Mr. Chiu Tung Ping and Ms. Yuen Hing Lan held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited. Ms. Yuen Hing Lan is the spouse of Mr. Chiu Tung Ping, and hence both Mr. Chiu Tung Ping and Ms. Yuen Hing Lan were deemed to be interested in the shares of the Company held by Good Million Investments Limited.

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

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

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

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

As at 30 September 2011, the following persons or entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Number of ordinary shares interested <i>(Note 1)</i>	Capacity	Approximate percentage of the Company's issued share capital as at 30 September 2011 <i>(Note 2)</i>
Mr. Qin Yun	530,875,000 (L)	Interest of controlled corporation <i>(Note 3)</i>	59.37%
Ms. Hu Jianming	530,875,000 (L)	Interests of spouse <i>(Notes 3 and 4)</i>	59.37%
Max Success Group Ltd	451,243,750 (L)	Beneficial owner <i>(Note 3)</i>	50.46%
Good Million Investments Limited	317,766,038 (L)	Beneficial owner <i>(Note 5)</i>	35.54%
Mr. Qin Zhongde	88,000,000 (L)	Beneficial owner <i>(Note 6)</i>	9.84%
Rus Energy Investment Group Limited	79,631,250 (L)	Beneficial owner <i>(Note 3)</i>	8.91%
China Technology Development Group Corporation	57,313,962 (L)	Beneficial owner <i>(Note 7)</i>	6.41%
Best Jump International Limited	46,000,000 (L)	Beneficial owner <i>(Note 8)</i>	5.14%
Mr. Ho Lawrence Yau Lung	46,000,000 (L)	Interests of controlled corporation <i>(Note 8)</i>	5.14%

Notes:

1. The letter "L" represents the long position in the shares and underlying shares of the Company.
2. As at 30 September 2011, the entire issued share capital of the Company is 894,192,072 shares of HK\$0.1 each.
3. The 451,243,750 shares and 79,631,250 shares in the Company represented the consideration shares that would have been issued to Max Success Group Ltd ("**Max Success**") and Rus Energy Investment Group Limited ("**Rus Energy**"), respectively, by the Company as part payment of consideration pursuant to a sale and purchase agreement in respect of the entire issued share capital of China-Rus Energy Investment Limited dated 18 January 2010 among Max Success and Rus Energy as vendors, Mr. Qin Yun as guarantor and Oceania City Investment Company Limited ("**Oceania**"), a wholly-owned subsidiary of the Company, as purchaser upon and if the said sale and purchase agreement was completed. Since Mr. Qin Yun held 100% and 60%, respectively, interest in the entire issued shares in Max Success and Rus Energy, he is deemed to be interested in all the shares of the Company in which Max Success and Rus Energy would be interested pursuant to the SFO. Oceania subsequently decided to terminate the acquisition and rescind the said sale and purchase agreement with effect from 28 May 2010. Notwithstanding that, none of Max Success, Rus Energy and Mr. Qin Yun has notified the Company of the cessation or any change of their interest in the above shares of the Company.
4. Ms. Hu Jianming is the spouse of Mr. Qin Yun. Accordingly, Ms. Hu Jianming is deemed, by virtue of SFO, to be interested in all the shares in which Mr. Qin Yun is interested.
5. Mr. Chiu Tung Ping and Ms. Yuen Hing Lan, both being executive Directors, held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited.
6. Ms. Huang Xiulan is the spouse of Mr. Qin Zhongde. Accordingly, Ms. Huang Xiulan is deemed, by virtue of SFO, to be interested in all the shares in which Mr. Qin Zhongde is interested.
7. BHL Solar Technology Company Limited is wholly-owned by China Technology Development Group Corporation.
8. Best Jump International Limited is wholly and beneficially owned by Mr. Ho Lawrence Yau Lung. Best Jump International Limited was interested in 46,000,000 underlying shares of the Company which may be issued and allotted upon exercise of the conversion right attaching to the convertible bonds in the principal amount of HK\$23,000,000 at the conversion price of HK\$0.5 per share.

Save as disclosed above, as at 30 September 2011, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

## AUDIT COMMITTEE

The Audit Committee was formed on 13 December 2000. The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. As at 30 September 2011, the Audit Committee comprised three independent non-executive Directors, namely Mr. Tam Kam Biu, William, Mr. Zhou Jing and Mr. Yang Guocai. The unaudited consolidated results of the Group for the six months ended 30 September 2011 have been reviewed and approved by the Audit Committee.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2011.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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



## REMUNERATION COMMITTEE

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

The Remuneration Committee was established with specific written terms of reference which deals with its authorities and duties. The terms of reference has followed the requirement of code provision ("**Code Provision**") B.1.3. of the Code of Corporate Governance Practice ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules.

As at 30 September 2011, the composition of the Remuneration Committee comprised an executive Director, namely Mr. Hou Hsiao Bing as the chairman, and three independent non-executive Directors, namely Mr. Tam Kam Biu, William, Mr. Zhou Jing and Mr. Yang Guocai.

## CODE ON CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 September 2011, the Company has complied with the Code Provisions of the CG Code save and except that under Code Provision E.1.2, the chairman of the Board shall attend the annual general meeting to the Company. Due to other business commitment, Mr. Chiu Tung Ping, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 28 September 2011, and Mr. Hou Hsiao Bing, an executive Director, presided as the chairman at the annual general meeting.

On behalf of the Board

**Chiu Tung Ping**

*Chairman and executive Director*

Hong Kong, 8 November 2011

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

*Executive Directors:*

*Chiu Tung Ping (Chairman)*

*Yuen Hing Lan*

*Hou Hsiao Bing*

*Hou Hsiao Wen*

*Zeng Xiangyi*

*Wang Daling*

*Xu Wei*

*Leung King Pak*

*Ren Huiye*

*Independent non-executive Directors:*

*Tam Kam Biu, William*

*Zhou Jing*

*Yang Guocai*