



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)

2014
INTERIM REPORT

* For identification purpose only

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*This report, for which the directors (“**Directors**”) of China Technology Solar Power Holdings Limited (“**Company**” together with its subsidiaries, the “**Group**”), collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“**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 loss attributable to equity holders of the Company for the six months ended 30 September 2014 was approximately HK\$9.8 million (the loss attributable to equity holders of the Company for the six months ended 30 September 2013 was approximately HK\$7.9 million).

The revenue of the Group for the six months ended 30 September 2014 was approximately HK\$2.0 million, representing a decrease of approximately 79.0 per cent. as compared with approximately HK\$9.3 million recorded for the six months ended 30 September 2013.

Gross profit margin of the Group was approximately 30.4 per cent. in the six months ended 30 September 2014, as compared to approximately 31.8 per cent. in the six months ended 30 September 2013.

Basic loss per share for the six months ended 30 September 2014 was approximately HK0.90 cents (basic loss per share for the six months ended 30 September 2013 was approximately HK0.85 cents).

The Directors do not recommend the payment of a dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

INTERIM RESULTS (UNAUDITED)

The board of Directors announces the unaudited consolidated results of the Group for the six months ended 30 September 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

	Notes	From 1 July 2014 to 30 September 2014 HK\$'000	From 1 April 2014 to 30 September 2014 HK\$'000	From 1 July 2013 to 30 September 2013 HK\$'000	From 1 April 2013 to 30 September 2013 HK\$'000
Revenue	3	1,387	1,960	4,146	9,343
Cost of sales		(1,024)	(1,365)	(2,935)	(6,372)
Gross profit		363	595	1,211	2,971
Other revenue	3	356	422	75	80
Selling expenses		(901)	(1,428)	(527)	(1,176)
Change in fair value of contingent consideration payable	19	914	914	-	-
Change in fair value of financial assets at fair value through profit or loss	5	(247)	(1,928)	464	447
Administrative expenses		(2,995)	(5,670)	(3,892)	(7,304)
Finance costs	6	(1,384)	(2,717)	(1,500)	(2,887)
Loss before taxation	5	(3,894)	(9,812)	(4,169)	(7,869)
Income tax expenses	7	-	-	-	-
Loss for the period		(3,894)	(9,812)	(4,169)	(7,869)
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of financial statements of foreign operations		132	60	281	1,018
Total comprehensive expenses for the period		(3,762)	(9,752)	(3,888)	(6,851)
Loss for the period attributable to:					
Equity holders of the Company		(3,894)	(9,812)	(4,169)	(7,869)
Total comprehensive expenses attributable to:					
Equity holders of the Company		(3,762)	(9,752)	(3,888)	(6,851)
Dividend		-	-	-	-
Loss per share					
- Basic	8	(0.36 cents)	(0.90 cents)	(0.45 cents)	(0.85 cents)
- Diluted	8	(0.67 cents)	(1.63 cents)	(2.17 cents)	(6.31 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	1,499	1,312
Available-for-sale financial assets	10	–	–
Goodwill	11	260,079	235,999
Intangible assets	12	2,474	–
		264,052	237,311
Current assets			
Inventories	13	7,856	1,573
Accounts receivables	14	57,777	52,124
Other receivables, deposits and prepayments	15	37,521	47,360
Held-to-maturity financial assets		–	5,044
Financial assets at fair value through profit or loss	16	3,123	5,051
Bank balances and cash	17	4,209	5,546
		110,486	116,698
Current liabilities			
Accounts payables	18	32,177	32,280
Contingent consideration payable	19	14,171	–
Other payables and accruals	20	13,697	15,677
Other loan	21	17,890	16,140
Receipt in advance		52	47
Tax payable		851	811
		78,838	64,955
Net current assets		31,648	51,743
Total assets less current liabilities		295,700	289,054
Non-current liabilities			
Convertible bonds	22	30,748	29,051
Deferred tax liabilities		9,161	9,161
		39,909	38,212
Net assets		255,791	250,842
Capital and reserves			
Share capital	23	109,222	100,079
Reserves		146,569	150,763
		255,791	250,842

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to equity holders of the Company							
	Share capital	Share premium	Warrant reserve	Reserve arising from reorganization	Exchange reserve	Convertible bonds reserve	Deficit	Total
	HK\$'000	HK\$'000	(Note (a)) HK\$'000	(Note (b)) HK\$'000	(Note (c)) HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013	92,659	142,148	9,680	(24,317)	10,402	61,071	(66,953)	224,690
Loss for the period	-	-	-	-	-	-	(7,869)	(7,869)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	1,018	-	-	1,018
Total comprehensive income (expenses) for the period	-	-	-	-	1,018	-	(7,869)	(6,851)
At 30 September 2013	92,659	142,148	9,680	(24,317)	11,420	61,071	(74,822)	217,839
At 1 April 2014	100,079	171,828	9,680	(24,317)	11,363	39,097	(56,888)	250,842
Loss for the period	-	-	-	-	-	-	(9,812)	(9,812)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	60	-	-	60
Total comprehensive income (expenses) for the period	-	-	-	-	60	-	(9,812)	(9,752)
Issue of shares for acquisition of subsidiaries (Note (d))	9,143	5,943	-	-	-	-	-	15,086
Transaction costs on issue of shares	-	(385)	-	-	-	-	-	(385)
	9,143	5,558	-	-	-	-	-	14,701
At 30 September 2014	109,222	177,386	9,680	(24,317)	11,423	39,097	(66,700)	255,791

Notes:

- (a) During the year ended 31 March 2010, the Company issued 100,000,000 warrant at HK\$0.10 each for cash. Net proceeds from the issuance of warrant of approximately HK\$9,680,000 was recognized as warrant reserve.
- (b) The reserve arising from reorganization of approximately HK\$24,317,000 represents the difference between the nominal value of the share capital of subsidiaries acquired and the cost of investments in these subsidiaries incurred by the Company in exchange thereof, and has been debited to the reserve of the Group.
- (c) The exchange reserve comprises:
 - (i) The foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the functional currency of the Company.
 - (ii) The exchange differences on monetary items which form part of the Group's net investment in the foreign subsidiaries.
- (d) On 10 April 2014, 91,428,571 consideration shares for the initial payment for the acquisition of China Western Energy Holdings Limited were allotted and issued by the Company to Soar Ocean Holdings Limited in accordance with the terms and conditions of the Sale and Purchase Agreement.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Notes	Six months ended 30 September	
		2014 HK\$'000	2013 HK\$'000
OPERATING ACTIVITIES			
Loss before taxation		(9,812)	(7,869)
Adjustment for:			
Depreciation		193	147
Interest income		(10)	(17)
Finance costs		2,717	2,887
Change in fair value of contingent consideration payable		(914)	–
Change in fair value of financial assets at fair value through profit or loss		1,928	(447)
Operating cash flows before movements in working capital		(5,898)	(5,299)
(Decrease) Increase in inventories		(6,283)	2,918
Decrease in accounts receivable		2,214	9,815
Decrease (Increase) in other receivables, deposits and prepayments		9,852	(2,796)
Decrease in accounts payable		(4,251)	(1,630)
(Decrease) Increase in other payables and accruals		(3,584)	2,452
Increase (Decrease) in receipt in advance		5	(324)
Cash (used in) from operations		(7,945)	5,136
Interest paid		(1,020)	(537)
Overseas taxation paid		–	(126)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(8,965)	4,473
INVESTING ACTIVITIES			
Net cash inflows on acquisition of subsidiaries	25	1,529	–
Interest received		10	17
Purchase of property, plant and equipment		(380)	(787)
Sales proceeds of disposal of held-to-maturity financial assets		5,044	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		6,203	(770)
FINANCING ACTIVITIES			
Net raising of other loan		1,750	2,400
Transaction costs on issue of equity shares for acquisition of subsidiaries		(385)	–
NET CASH FROM FINANCING ACTIVITIES		1,365	2,400
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,397)	6,103
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		5,546	7,615
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		60	1,018
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		4,209	14,736
Represented by:			
Bank balances and cash		4,209	14,736
		4,209	14,736

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION:–

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The amounts included in the unaudited condensed consolidated interim financial information for the six months ended 30 September 2014 have been computed based on the recognition and measurement requirements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and accounting principles generally accepted in Hong Kong. The financial information also complies with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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

The accounting policies used in the preparation of the unaudited condensed consolidated interim financial information for the six months ended 30 September 2014 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 March 2014.

The condensed consolidated interim financial information for the six months ended 30 September 2014 were unaudited but have been reviewed by the audit committee of the Company (“**Audit Committee**”).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

The Group has applied all the standards, amendments and interpretations issued by HKICPA, which are effective for the Group’s financial year beginning 1 April 2014. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and presentation of the Group’s unaudited consolidated financial statements.

3. 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) 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 2014 to 30 September 2014 (unaudited) HK\$'000	From 1 April 2014 to 30 September 2014 (unaudited) HK\$'000	From 1 July 2013 to 30 September 2013 (unaudited) HK\$'000	From 1 April 2013 to 30 September 2013 (unaudited) HK\$'000
Revenue				
Sales of goods	1,343	1,885	2,642	6,306
Rendering of services	44	75	1,504	3,037
	1,387	1,960	4,146	9,343
Other revenue				
Government subsidies for business development	24	24	37	37
Bank interest income	7	10	12	17
Gain on trading in financial instrument	5	58	–	–
Others	320	330	26	26
	356	422	75	80
Total revenue	1,743	2,382	4,221	9,423

4. SEGMENT INFORMATION

The Group is organized on the basis of the type of goods or services delivered or provided. 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 delivered or services provided.

The Group has internal reports about the sales of self-service ATM systems and printing systems, the provision of hardware and software technical support services and power system integration business in the PRC that are regularly reviewed by the executive Directors of the Company, and accordingly, they are considered as three separate operating segments.

According to HKFRS 8, the Group's operating segments are as follows:

- (a) Sales of self-service ATM systems and printing system;
- (b) Provision of hardware and software technical support services; and
- (c) Power system integration business.

SEGMENT REVENUE AND RESULTS

The following table presents revenue and results for the Group's business segments:

Six months ended 30 September 2014

	Power system integration business	Sales of goods	Rendering of services	Consolidated
	From 1 April 2014 to 30 September 2014 (unaudited) HK\$'000			
Revenue from external customers	-	1,885	75	1,960
Segment result	-	(423)	(1,073)	(1,496)
Other revenue				332
Change in fair value of contingent consideration payable				914
Change in fair value of financial assets at fair value through profit or loss				(1,928)
Unallocated cost				(4,917)
Loss from operations				(7,095)
Finance costs				(2,717)
Loss before taxation				(9,812)
Income tax expenses				-
Loss for the period				(9,812)

Six months ended 30 September 2013

	Power system integration business	Sales of goods	Rendering of services	Consolidated
	From 1 April 2013 to 30 September 2013 (unaudited) HK\$'000			
Revenue from external customers	-	6,306	3,037	9,343
Segment result	-	(827)	192	(635)
Other revenue				80
Change in fair value of financial assets at fair value through profit or loss				447
Unallocated cost				(4,874)
Loss from operations				(4,982)
Finance costs				(2,887)
Loss before taxation				(7,869)
Income tax expenses				-
Loss for the period				(7,869)

SEGMENT ASSETS AND LIABILITIES

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

As at 30 September 2014

	Power system integration business As at 30 September 2014 (unaudited) HK\$'000	Sales of goods As at 30 September 2014 (unaudited) HK\$'000	Rendering of services As at 30 September 2014 (unaudited) HK\$'000	Consolidated As at 30 September 2014 (unaudited) HK\$'000
Segment assets	336,072	30,265	3,904	370,241
Property, plant and equipment (for corporate)				658
Other receivables, deposits and prepayments (for corporate)				220
Financial assets at fair value through profit or loss (for corporate)				3,123
Bank balances and cash (for corporate)				296
Consolidated assets				374,538
Segment liabilities	32,223	2,066	747	35,036
Other payables and accruals (for corporate)				13,168
Contingent consideration payable (for corporate)				14,171
Other loan (for corporate)				17,890
Convertible bonds (for corporate)				30,748
Deferred tax liabilities (for corporate)				7,734
Consolidated liabilities				118,747

As at 31 March 2014

	Power system integration business As at 31 March 2014 (audited) HK\$'000	Sales of goods As at 31 March 2014 (audited) HK\$'000	Rendering of services As at 31 March 2014 (audited) HK\$'000	Consolidated As at 31 March 2014 (audited) HK\$'000
Segment assets	306,829	35,937	4,470	347,236
Property, plant and equipment (for corporate)				763
Other receivables, deposits and prepayments (for corporate)				286
Financial assets at fair value through profit or loss (for corporate)				5,051
Bank balances and cash (for corporate)				673
Consolidated assets				354,009
Segment liabilities	33,035	1,891	1,045	35,971
Other payables and accruals (for corporate)				14,271
Other loan (for corporate)				16,140
Convertible bonds (for corporate)				29,051
Deferred tax liabilities (for corporate)				7,734
Consolidated liabilities				103,167

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

- all assets are allocated to reportable-segments, other than goodwill and corporate assets of the management companies and investment holdings companies and
- all liabilities are allocated to operating segments, other than corporate liabilities of the management companies and investment holdings companies such as other payables and accruals, convertible bonds for corporate.

OTHER SEGMENTS INFORMATION

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

Six months ended 30 September 2014

	Power system integration business	Sales of goods	Rendering of services	Consolidated
	From 1 April 2014 to 30 September 2014 (unaudited) HK\$'000			
Additions to property, plant and equipment	380	–	–	380
Depreciation of property, plant and equipment	10	32	47	89

Six months ended 30 September 2013

	Power system integration business	Sales of goods	Rendering of services	Consolidated
	From 1 April 2013 to 30 September 2013 (unaudited) HK\$'000			
Additions to property, plant and equipment	–	–	–	–
Depreciation of property, plant and equipment	2	32	47	81

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.

Information about major customers

Revenues from customers of the corresponding periods contributing over 10% of the total revenue of the Group are as follows:

	From 1 April 2014 to 30 September 2014 (unaudited) HK\$'000	From 1 April 2013 to 30 September 2013 (unaudited) HK\$'000
Customer A – Sales of goods	1,350	–
Customer B – Sales of goods	366	–
Customer C – Sales of goods	–	1,503
Customer C – Rendering of service	–	293
Customer D – Sales of goods	–	1,357

5. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging (crediting):-

	From 1 July 2014 to 30 September 2014 (unaudited) HK\$'000	From 1 April 2014 to 30 September 2014 (unaudited) HK\$'000	From 1 July 2013 to 30 September 2013 (unaudited) HK\$'000	From 1 April 2013 to 30 September 2013 (unaudited) HK\$'000
Cost of inventories sold	1,024	1,365	1,964	4,496
Depreciation	99	193	101	147
Change in fair value of financial assets at fair value through profit or loss	247	1,928	(464)	(447)

6. FINANCE COSTS

	From 1 July 2014 to 30 September 2014 (unaudited) HK\$'000	From 1 April 2014 to 30 September 2014 (unaudited) HK\$'000	From 1 July 2013 to 30 September 2013 (unaudited) HK\$'000	From 1 April 2013 to 30 September 2013 (unaudited) HK\$'000
Imputed finance costs on convertible bonds	862	1,697	1,194	2,350
Interests on other loans	522	1,020	306	537
	1,384	2,717	1,500	2,887

7. 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 2014 (six months ended 30 September 2013: 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 subsidiaries of the Group operate. During the six months ended 30 September 2014, no profits taxes have been provided as these subsidiaries have not generated any assessable profits in the PRC (six months ended 30 September 2013: Nil).

8. LOSS PER SHARE

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

	From 1 July 2014 to 30 September 2014 (unaudited) HK\$'000	From 1 April 2014 to 30 September 2014 (unaudited) HK\$'000	From 1 July 2013 to 30 September 2013 (unaudited) HK\$'000	From 1 April 2013 to 30 September 2013 (unaudited) HK\$'000
Loss				
Loss for the purpose of basic and diluted loss per share	(3,894)	(9,812)	(4,169)	(7,869)
	From 1 July 2014 to 30 September 2014	From 1 April 2014 to 30 September 2014	From 1 July 2013 to 30 September 2013	From 1 April 2013 to 30 September 2013
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	1,092,220,643	1,087,224,546	926,592,072	926,592,072
Effect of dilutive potential ordinary shares: Warrants issued by the Company	(509,343,263)	(486,319,218)	(734,879,406)	(801,803,607)
Weighted average number of ordinary shares for the purpose of diluted loss per share	582,877,380	600,905,328	191,712,666	124,788,465

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had acquired property, plant and equipment amounting to approximately HK\$380,000 (six months ended 30 September 2013: HK\$787,000).

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are comprised of:

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Unlisted investment, at cost (Note)	190	190
Less: Impairment loss	(190)	(190)
At the end of the period	–	–
Analysed for:		
Non-current assets	–	–
Current assets	–	–
	–	–

Note: This is investment in an unlisted private entity incorporated in the PRC. Its fair value information is not disclosed because the related fair value cannot be measured reliably.

11. GOODWILL

	Power system integration business HK\$'000
COST	
At 1 April 2014	235,999
Acquisition of subsidiaries (Note 25)	24,080
At 30 September 2014	260,079
IMPAIRMENT	
At 1 April 2014	–
Impairment loss recognized for the period	–
At 30 September 2014	–
CARRYING VALUES	
At 30 September 2014	260,079
At 31 March 2014	235,999

The Group tests goodwill annually for impairment in the financial year in which the acquisition takes place, or more frequently if there is indications that goodwill might be impaired.

During the six months ended 30 September 2014, the Group did not recognize any impairment loss (31 March 2014: Nil) in relation to goodwill arising from the acquisition of subsidiaries.

12. INTANGIBLE ASSETS

	HK\$'000
COST	
At 1 April 2014	–
Acquisition of subsidiaries (Note 25)	2,474
At 30 September 2014	2,474
IMPAIRMENT	
At 1 April 2014	–
Impairment loss recognized for the period	–
At 30 September 2014	–
CARRYING VALUES	
At 30 September 2014	2,474
At 31 March 2014	–

Note: Intangible assets represents system integration service contract signed by a subsidiary of China Western Energy and valued by an independent professional valuer.

13. INVENTORIES

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Merchandise for re-sale	11,409	5,126
Spare parts	2,113	2,113
	13,522	7,239
Less: Provision for slow moving and obsolete inventories	(5,666)	(5,666)
	7,856	1,573

14. ACCOUNTS RECEIVABLES

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Accounts receivables	62,553	56,900
Less: Allowance for doubtful debts	(4,776)	(4,776)
	57,777	52,124

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 2014, the ageing analysis of the Group's accounts receivables was as follows:

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Current to 60 days	1,584	48,759
61 – 90 days	7	40
Over 90 days	60,962	8,101
	62,553	56,900
Less: Allowance for doubtful debts	(4,776)	(4,776)
	57,777	52,124

Ageing of overdue trade receivables but not impaired

The Group has credit policies in place to review the credit worthiness of all existing and potential customers. Credit terms range between 30 and 90 days. As at 30 September 2014, trade receivables of approximately HK\$56,186,000 (31 March 2014: approximately HK\$3,325,000) were overdue but not impaired. Management assessed the credit quality of this HK\$56,186,000 by reference to the repayment history and current financial position of the customers. Management believes that no provision for impairment is necessary and these balances are expected to be fully recovered. The Group does not hold any collateral over these balances. The ageing of these overdue trade receivables but not impaired is as follows:

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
91 to 120 days	84	612
121 – 150 days	1,277	298
Over 150 days	54,825	2,415
	56,186	3,325

Movement in the allowance for doubtful debts:

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Balance at the beginning of the period	4,776	4,774
Exchange adjustment	–	2
Balance at end of the period	4,776	4,776

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments included the following:

- (a) Deposit of approximately HK\$16,395,000 (31 March 2014: approximately HK\$26,470,000) for purchase of trading goods.
- (b) Loan receivable of approximately HK\$17,332,000 (31 March 2014: approximately HK\$17,843,000). The loan is unsecured, interest free and repayable within one year.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Listed securities held for trading:		
Market value of equity securities listed in New York		
Cost	24,250	24,250
Impairment loss	(21,127)	(19,199)
	3,123	5,051

17. BANK BALANCES AND CASH

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Cash at bank and on hand	4,209	5,546
Bank balances and cash in the consolidated statement of financial position and in the consolidated statement of cash flows	4,209	5,546
Cash and bank deposits denominated in:		
Hong Kong dollars	480	539
Chinese Renminbi	3,471	2,634
United States dollars	258	2,373
	4,209	5,546

Included in the balance was approximately HK\$3,471,000 (31 March 2014: HK\$2,474,000), representing bank deposits denominated in Renminbi 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.

18. ACCOUNTS PAYABLES

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Accounts payables	32,177	32,280

As at 30 September 2014, the ageing analysis of the accounts payables was as follows:–

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Current to 60 days	–	3,873
61 – 90 days	–	28,394
Over 90 days	32,177	13
	32,177	32,280

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

19. CONTINGENT CONSIDERATION PAYABLE

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Fair value of consideration shares issued on 10 April 2014	15,085	–
Less: Change in fair value of contingent consideration payable	(914)	–
Contingent consideration payable at 30 September 2014	14,171	–

On 1 April 2014, City Max International Limited, a wholly-owned subsidiary of the Company, ("City Max") as the purchaser and Soar Ocean Holdings Limited ("Soar Ocean") as the vendor entered into the sale and purchase agreement ("Sale and Purchase Agreement") pursuant to which City Max has conditionally agreed to acquire and Soar Ocean has conditionally agreed to dispose of the entire issued share capital of China Western Energy Holdings Limited ("China Western Energy"), a company incorporated in the British Virgin Islands with limited liability, at the consideration of not less than HK\$16,000,000 and not more than HK\$32,000,000, the final amount of which will be determined based on the audited net profit after tax of China Western Energy and its subsidiary for the year ending 31 December 2014 multiplied by a price-earnings ratio of 5.33. The total consideration ("Consideration") will in any event not exceed HK\$32,000,000.

As all the conditions precedent under the Sale and Purchase Agreement were fulfilled on 8 April 2014, completion took place on 10 April 2014 and 91,428,571 Consideration Shares for the initial payment have been allotted and issued in accordance with the terms and conditions of the Sale and Purchase Agreement at the issue price of HK\$0.175 per Consideration Share by the Company to Soar Ocean.

The contingent consideration payable is recognised at its fair value as a liability on initial recognition and is subsequently remeasured at fair value with changes in fair value recognised in profit or loss.

20. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals, there are amounts due to executive directors, Mr. Hou Hsiao Wen and Mr. Hou Hsiao Bing, the amounts are approximately HK\$3,338,000 (31 March 2014: HK\$3,365,000), and approximately HK\$21,000 (31 March 2014: HK\$1,882,000) respectively. The amounts are unsecured, interest free and have no fixed repayment terms.

There is amount due to Dynatek Limited amounting to HK\$900,000 (31 March 2014: HK\$720,000). The amount is unsecured, interest free and have no fixed repayment terms.

Mr. Hou Hsiao Bing is the common director of the Company and Dynatek Limited.

21. OTHER LOAN

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Other loan (note)	17,890	16,140

note: Other loan amounting to approximately HK\$17,890,000 (31 March 2014: HK\$16,140,000) is interest-bearing at 12% per annum, unsecured and repayable on demand.

Borrowings are repayable as follows:

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
On demand or within one year	17,890	16,140
Less: Amount shown under non-current liabilities	–	–
Amount shown under current liabilities	17,890	16,140

22. CONVERTIBLE BONDS

On 1 June 2011 (“Issue Date”), the Company issued the ten-year zero coupon convertible bonds at par with a nominal value of HK\$163,100,000 to the vendor, in acquiring of the entire issued share capital of CTSP (BVI) and its subsidiaries. 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\$113,000,000 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 amount should be subject to change in restrict to a profit guarantee made by the vendor to the Company. Refer 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 the profit guarantee is equivalent to or less than HK\$15,000,000 or a loss.

The Tranche II CB shall be held under escrow pursuant to an escrow agent agreement to be executed by the Company and the vendor for the purpose of effectuating the downward adjustment of consideration in the event that the target profit could not be achieved.

On 2 September 2012, City Max International Limited, the Company, Good Million Investments Limited, Mr. Chiu Tung Ping and Ms. Yuen Hing Lan entered into the second supplemental agreement (“Second Supplemental Agreement”) to amend certain terms of the Agreement (as supplemented and amended by the Supplemental Agreement). Under the Second Supplemental Agreement, it was proposed that the Target Profit Period would be deferred to cover the period of 12 months ending on 31 March 2013. The Second Supplemental Agreement was terminated by the parties by a termination agreement dated 24 September 2012, details of which were set out in the announcement of the Company dated 24 September 2012.

Based on the audited consolidated financial statements of CTSP (BVI) and its subsidiaries (“Target Group”) for the 12 months ended 30 September 2012, the Target Group recorded a loss of HK\$77,094. On such basis, the amended target profit of HK\$40,000,000 under the Agreement (as supplemented by the Supplemental Agreement) was not achieved and the principal amount of the Tranche II CB in the principal amount of HK\$50,000,000 was adjusted to HK\$0.

For the year ended 31 March 2012, Tranche I CB with a nominal value of HK\$12,000,000 were converted by the bondholders into 24,000,000 ordinary shares at a conversion price of HK\$0.5 per ordinary share.

For the year ended 31 March 2014, Tranche 1 CB with a nominal value of HK\$37,100,000 were converted by the bondholders into 74,200,000 ordinary shares at a conversion price of HK\$0.5 per ordinary share.

The 2011 CB contain liability and equity components. The equity component is presented under the equity heading of “convertible bonds reserve”.

The fair value of the liability component of the convertible bonds at the issue date was valued by an independent 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.

For the six months ended 30 September 2014

	Tranche I HK\$'000	Tranche II HK\$'000	Total HK\$'000
Equity component of convertible bonds as at 31 March 2014, 1 April 2014 and 30 September 2014	39,097	–	39,097
Liability component as at 31 March 2014	29,051	–	29,051
Imputed finance costs (Note 6)	1,697	–	1,697
Liability component at 30 September 2014	30,748	–	30,748

For the six months ended 30 September 2013

	Tranche I HK\$'000	Tranche II HK\$'000	Total HK\$'000
Equity component of convertible bonds as at 31 March 2013, 1 April 2013 and 30 September 2013	61,071	–	61,071
Liability component as at 31 March 2013 and 1 April 2013	34,477	–	34,477
Imputed finance costs (Note 6)	2,350	–	2,350
Liability component at 30 September 2013	36,827	–	36,827

23. SHARE CAPITAL

	Authorized	
	Number of shares	HK\$'000
At 31 March 2014, 1 April 2014 and 30 September 2014	2,500,000,000	250,000

	Issued and fully paid	
	Number of shares	HK\$'000
At 1 April 2014	1,000,792,072	100,079
Issue of shares for acquisition of subsidiaries	91,428,571	9,143
30 September 2014	1,092,220,643	109,222

On 10 April 2014, 91,428,571 Consideration Shares for the initial payments for the acquisition of China Western Energy Holdings Limited have been allotted and issued to Soar Ocean in accordance with the terms and conditions of the Sales and Purchase Agreement.

24. COMMITMENTS UNDER OPERATING LEASES – LAND AND BUILDINGS

At 30 September 2014, the Group had future aggregate minimum lease payments under operating leases as follows:

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Not later than one year	345	455
Later than one year and not later than five years	121	265
	466	720

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases and rentals are negotiated and fixed for an average of two years.

25. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Acquisition of subsidiaries

On 1 April 2014, the Group entered into the Sale and Purchase Agreement to acquire the entire issued share capital in China Western Energy Holdings Limited ("**China Western Energy**"), a company incorporated in the British Virgin Islands with limited liability, at the consideration of not less than HK\$16,000,000 and not more than HK\$32,000,000, the final amount of which will be determined based on the audited net profit after tax of China Western Energy and its subsidiary ("**China Western Energy Group**") for the year ending 31 December 2014 multiplied by a price-earnings ratio of 5.33. The total consideration ("**Consideration**") will in any event not exceed HK\$32,000,000. The acquisition was completed on 10 April 2014.

The Acquisition has been accounted for using the purchase method.

Assets and liabilities recognized at the date of acquisition:

The assets and liabilities of China Western Energy Group recognized at the date of acquisition, and goodwill arising, are as follows:

	HK\$'000	Fair value adjustment HK\$'000	Total HK\$'000
Accounts receivable	7,867	–	7,867
Other receivables	13	–	13
Cash and cash equivalents	1,529	–	1,529
Trade payables	(4,148)	–	(4,148)
Other payables and accruals	(1,644)	–	(1,644)
Intangible assets (Note 12 and Note*)	–	2,474	2,474
	3,617	2,474	6,091
Goodwill arising on acquisition (Note 11)			24,080
Total consideration			30,171

Note*: Intangible assets represents system integration service contract signed by a subsidiary of China Western Energy and valued by an independent professional valuer.

Net cash inflow arising on acquisition of China Western Energy Group

	HK\$'000
Consideration paid in cash	–
Less: Cash and cash equivalents acquired	1,529
Net cash inflows on acquisition of subsidiaries	1,529

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in (i) sales of self-service automatic teller machine (“ATM”) systems and printing systems, (ii) provision of hardware and software technical support services, and (iii) power system integration business in the People’s Republic of China (“PRC” or “China”) during the six months ended 30 September 2014.

The Group’s revenue amounted to approximately HK\$2.0 million for the six months ended 30 September 2014, representing a decrease of approximately 79.0 per cent., as compared with approximately HK\$9.3 million recorded for the six months ended 30 September 2013 mainly as a result of the fierce competition in the PRC market for the implementation of self-service ATM systems and printing systems.

The Group’s gross profit margin was approximately 30.4 per cent. in the six months ended 30 September 2014, compared to approximately 31.8 per cent. in the six months ended 30 September 2013, mainly as a result of the fierce competition in the PRC market.

Selling expenses incurred by the Group for the six months ended 30 September 2014 amounted to approximately HK\$1.4 million (six months ended 30 September 2013: approximately HK\$1.2 million), representing an increase of approximately 21.4 per cent. mainly because the Group had allocated extra resources to explore new business opportunities during the period under review.

Administrative expenses incurred by the Group for the six months ended 30 September 2014 amounted to approximately HK\$5.7 million (six months ended 30 September 2013: approximately HK\$7.3 million), representing a decrease of approximately 22.4 per cent. mainly as a result of the Group’s policy on cost control.

The Group recorded a loss attributable to equity holders of the Company amounting to approximately HK\$9.8 million for the six months ended 30 September 2014 (six months ended 30 September 2013: loss attributable to equity holders of the Company of approximately HK\$7.9 million), mainly as a result of (i) the decrease in gross profit of approximately HK\$2.4 million by reason of the fierce competition in the PRC for the implementation of self-service ATM systems and printing systems and (ii) the increase in loss arising from the change in fair value of financial assets at fair value through profit or loss during the six months ended 30 September 2014.

Basic loss per share was approximately HK0.90 cents for the six months ended 30 September 2014, as compared with the basic loss per share of approximately HK0.85 cents for the six months ended 30 September 2013.

IMPLEMENTATION OF SELF-SERVICE ATM SYSTEMS AND PRINTING SYSTEMS

During the six months ended 30 September 2014, implementation of self-service ATM systems and printing systems (including the provision of technical consultancy and support services) accounted for 100.0 per cent. (six months ended 30 September 2013: 100.0 per cent.) of the Group’s total 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) recorded approximately HK\$2.0 million in the six months ended 30 September 2014, representing a decrease of approximately 79.0 per cent., as compared with the six months ended 30 September 2013 mainly as a result of the fierce competition in the PRC.

PROVISION OF TECHNICAL CONSULTANCY AND SUPPORT SERVICES

The provision of technical consultancy and support services, which were already included in the implementation of self-service ATM systems and printing systems, accounted for approximately 3.8 per cent. (six months ended 30 September 2013: approximately 32.5 per cent.) of the total revenue from the sales of goods and rendering of services for the six months ended 30 September 2014. Actual income derived from the provision of technical consultancy and support services during the six months ended 30 September 2014 decreased by approximately 97.5 per cent., as compared with the same period last year mainly as a result of the fierce competition in the PRC.

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

By having ATM service centers established in major cities in China including Shanghai, Yangquan, Changshu, Yingkou, Datong, Xuzhou, Huzhou and Lvliang, the Group has ATM service centers covering a total of 8 strategic cities and locations currently.

POWER SYSTEM INTEGRATION OPERATION

System integration refers to the optimization of technologies in the civil engineering system, electrical system and other ancillary system, database technologies, surveillance and software management. The Group shall source equipment and products from different vendors based on the scale and capacity of the respective power stations and subsequently carry out integration of the separated equipment, functions and information into a connected, unified and coordinated system. System integration enables the utilization of resources at their best to enhance optimization of performance of the entire system and achieve centralized, high efficiency, balanced performance, substitutable and available for maintenance, as well as low cost management. The Group also offers subsequent system management services to the power stations.

As mentioned in the circular of the Company dated 16 May 2011, the Group has secured and signed two agreements for the provision of one-off service on system integration services for biomass energy, thermal power and solar energy generation companies and projects. As the contracting parties in the two agreements were in the process of obtaining the necessary licenses from the respective government authorities during the six months ended 30 September 2014 and as at the date of this report, the Group had not commenced such system integration services and did not have income generated from the power system integration business during the six months ended 30 September 2014 (six months ended 30 September 2013: Nil) and as at the date of this report.

As also mentioned in the circular of the Company dated 16 May 2011, the Group has also entered into two memorandums of understanding for the provision of system integration services. As at the date of this report, the Group had not entered into formal agreements with the other contracting parties and the Group has not commenced to provide these services.

In September 2013, the Group entered into a memorandum of understanding with an investment company ("**Investment Company**") for projects relating to construction of large-scale grid-connected solar photovoltaic power station and distributed power generation on rooftop, which are expected to have an aggregate designed capacity of 300MW ("**300MW Project**"), by the end of 2016. In October 2013, the Group entered into a co-operation agreement with an energy company in Xi'an ("**Xi'an Energy Company**"), and together with the Xi'an Energy Company, jointly contracted with a wholly-owned subsidiary of the Investment Company in Jinchang City in Gansu province for the construction of a solar photovoltaic power station with an expected capacity of 50MW ("**50MW Gansu Power Station**") which is phase 1 of the 300MW Project. The Group has completed the construction work of the 50MW Gansu Power Station and obtained the system testing and satisfaction report from the Investment Company during the year ended 31 March 2014.

In July 2014, the Group entered into a co-operation agreement with the Xi'an Energy Company, and together with the Xi'an Energy Company, jointly contracted with a wholly-owned subsidiary of the Investment Company in Ningxia Hui Autonomous Region for the construction of certain phases of the power station project, which include a solar photovoltaic power station with an expected capacity of 50MW which is phase 3 of the 300MW Project and shall be completed by the end of 30 August 2015. Such project has commenced construction as at the date of this report.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

ACQUISITION OF CHINA WESTERN ENERGY HOLDINGS LIMITED

On 1 April 2014 (after trading hours), City Max International Limited, a wholly-owned subsidiary of the Company, ("**City Max**") as the purchaser and Soar Ocean Holdings Limited ("**Soar Ocean**") as the vendor entered into the sale and purchase agreement ("**Sale and Purchase Agreement**") pursuant to which City Max has conditionally agreed to acquire and Soar Ocean has conditionally agreed to dispose of the entire issued share capital of China Western Energy Holdings Limited ("**China Western Energy**"), a company incorporated in the British Virgin Islands with limited liability, at the consideration of not less than HK\$16,000,000 and not more than HK\$32,000,000, the final amount of which will be determined based on the audited net profit after tax of China Western Energy and its subsidiary for the year ending 31 December 2014 multiplied by a price-earnings ratio of 5.33. The total consideration ("**Consideration**") will in any event not exceed HK\$32,000,000.

Pursuant to the Sale and Purchase Agreement, the Consideration shall be satisfied by the issue of new shares of the Company ("**Consideration Shares**") at the issue price of HK\$0.175 per Consideration Share to Soar Ocean. The Consideration Shares will be allotted and issued under the general mandate granted to the Directors to allot and issue up to 185,318,414 new shares by the shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 September 2013.

As all the conditions precedent under the Sale and Purchase Agreement were fulfilled on 8 April 2014, completion took place on 10 April 2014 and 91,428,571 Consideration Shares for the initial payment have been allotted and issued in accordance with the terms and conditions of the Sale and Purchase Agreement at the issue price of HK\$0.175 per Consideration Share by the Company to Soar Ocean. Further details on the recognition of the goodwill arising from the acquisition and the intangible assets are set out in note 25 to the unaudited condensed consolidated interim financial information.

Please refer to the announcements dated 1 April 2014 and 10 April 2014 for details of the acquisition.

FINANCIAL REVIEW

Liquidity, financial resources and treasury policies

As at 30 September 2014, the Group had cash and bank balances amounting to a total of approximately HK\$4.2 million (31 March 2014: approximately HK\$5.5 million). The Group has no outstanding bank overdraft as at 30 September 2014 (31 March 2014: HK\$Nil).

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

Banking facilities

As at 30 September 2014, the Group did not have any banking facilities.

Current ratio

As at 30 September 2014, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 1.4 (31 March 2014: 1.8).

Gearing ratio

As at 30 September 2014, the gearing ratio of the Group, based on total liabilities over total assets was approximately 31.7 per cent. (31 March 2014: approximately 29.1 per cent.).

Charges on assets

As at 30 September 2014, there was no significant charges on assets of the Group.

Contingent liabilities

As at 30 September 2014, 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 under review.

Employees

As at 30 September 2014, the Group employed 29 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 HK\$4.2 million for the six months ended 30 September 2014 (six months ended 30 September 2013: approximately HK\$5.3 million).

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

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 and a marketing agent for Fuji Xerox for its printing systems in China.

The Group will 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.

The Group will continue to look for other system integration services and technology services projects.

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 the shareholders.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period under review (six months ended 30 September 2013: 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 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(A) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES OR UNDERLYING 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 <i>(Executive Director)</i>	Interests of controlled corporation (Note 3)	217,766,038 ordinary shares (L) (Note 4)	19.94%
Ms. Yuen Hing Lan <i>(Executive Director)</i>	Interests of spouse (Note 3)	217,766,038 ordinary shares (L) (Note 4)	19.94%
Mr. Hou Hsiao Bing <i>(Executive Director)</i>	Beneficial owner	131,150,000 ordinary shares (L)	12.01%
Mr. Hou Hsiao Wen <i>(Executive Director)</i>	Beneficial owner	25,370,000 ordinary shares (L)	2.32%

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 2014, the entire issued share capital of the Company is 1,092,220,643 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.
4. Included in these shares are 177,766,038 shares of the Company held by Good Million Investments Limited and 40,000,000 shares of the Company to be issued to Good Million Investments Limited upon exercise of convertible bonds issued by the Company.

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

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

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

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

As at 30 September 2014, 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 or underlying shares interested (Note 1)	Capacity	Approximate percentage of the Company's issued share capital as at 30 September 2014 (Note 2)
Good Million Investments Limited	217,766,038 (L) (Note 6)	Beneficial owner (Note 3)	19.94%
Mr. Qin Zhongde	88,000,000 (L) (Note 7)	Beneficial owner (Note 4)	8.06%
China Technology Development Group Corporation	57,313,962 (L)	Beneficial owner (Note 5)	5.25%
Soar Ocean Holdings Limited	91,428,571 (L)	Beneficial owner (Note 8)	8.37%
Ye Xin Mei	91,428,571 (L)	Interest of controlled corporation (Note 8)	8.37%

Notes:

- The letter "L" represents the long position in the shares and underlying shares of the Company.
- As at 30 September 2014, the entire issued share capital of the Company is 1,092,220,643 shares of HK\$0.1 each.
- 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.
- 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.
- BHL Solar Technology Company Limited is wholly-owned by China Technology Development Group Corporation.
- Included in these shares are 177,766,038 shares of the Company held by Good Million Investments Limited and 40,000,000 shares of the Company to be issued to Good Million Investments Limited upon exercise of convertible bonds issued by the Company.
- According to the register of bondholders maintained by the Company, Mr. Qin Zhongde is the holder of the convertible bonds issued by the Company in the principal amount of HK\$32,000,000, convertible into 64,000,000 shares of the Company.

8. Ms. Ye Xin Mei held 100% interest in the entire issued share capital of Soar Ocean Holdings Limited. Hence, Ms. Ye Xin Mei was deemed to be interested in the shares of the Company held by Soar Ocean Holdings Limited.

Save as disclosed above, as at 30 September 2014, 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 of the Company ("**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 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 2014, the Audit Committee comprised three independent non-executive Directors, namely Mr. Shi Huizhong, Mr. Meng Xianglin and Mr. Dong Guangwu, with Mr. Shi Huizhong, as the chairman. The unaudited consolidated results of the Group for the six months ended 30 September 2014 have been reviewed and approved by the Audit Committee.

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 followed the requirement of code provision B.1.2. set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 15 to the GEM Listing Rules.

As at 30 September 2014, the composition of the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Shi Huizhong, Mr. Meng Xianglin and Mr. Dong Guangwu with Mr. Shi Huizhong, as the chairman.

CORPORATE GOVERNANCE COMMITTEE

A corporate governance committee of the Board ("**Corporate Governance Committee**") has been established with effect from 28 March 2012.

The Board has appointed Mr. Chiu Tung Ping, Mr. Zhang Shenxin, Ms. Yuen Hing Lan, Mr. Hou Hsiao Bing, Mr. Hou Hsiao Wen and Ms. Hu Xin as members of the Corporate Governance Committee, all being executive Directors, and Mr. Chiu Tung Ping as the chairman of the Corporate Governance Committee. The primary duties of the Corporate Governance Committee are, among other things, to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

NOMINATION COMMITTEE

A nomination committee of the Board (“**Nomination Committee**”) has been established with effect from 28 March 2012, with written terms of reference following the requirements of Code Provision A.5.2 of the CG Code.

As at 30 September 2014, the Nomination Committee comprised three independent non-executive Directors, namely, (i) Mr. Shi Huizhong; (ii) Mr. Meng Xianglin; and (iii) Mr. Dong Guangwu, with Mr. Shi Huizhong as the chairman of the Nomination Committee.

The Nomination Committee is responsible for considering suitable candidates to serve as Directors and approving and terminating the appointment 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

After Mr. Tam Kam Biu, William, (resigned on 11 September 2014 as an independent non-executive Director of the Company) resigned on 7 April 2014 as the executive director of China Bio Cassava Holdings Limited (Stock Code: 8129), a company which is engaged in business related to research and development of information technology and may be in competition with the Group, none of the Directors or its close associates has an interest in a business which compete or may compete with the business of the Group. The Company does not have controlling shareholder.

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 2014.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2014, the Company has complied with all the code provisions set out in the CG Code contained in Appendix 15 of the GEM Listing Rules, except for the deviation 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 as set out in Appendix 15 to the GEM Listing Rules, 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 (“**Chairman**”) and chief executive officer of the Group (“**Chief Executive Officer**”) 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 Directors will continue to review the effectiveness of the current structure and assess whether separation of roles of Chairman and Chief Executive Officer is necessary.

Code provision E.1.2

Under code provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Due to other commitments which must be attended by the Chairman, the Chairman was unable to attend the annual general meeting of the Company held on 21 August 2014 (“**2014 AGM**”). Nevertheless, Mr. Hou Hsiao Bing, an executive Director, presided as the chairman at the 2014 AGM, and answered questions from the shareholders of the Company.

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

Hong Kong, 7 November 2014

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

Executive Directors:

Chiu Tung Ping (Chairman)

Zhang Shenxin (Vice-Chairman)

Yuen Hing Lan

Hou Hsiao Bing

Hou Hsiao Wen

Hu Xin

Independent non-executive Directors:

Shi Huizhong

Meng Xianglin

Dong Guangwu