



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)

2016
FIRST QUARTERLY REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

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This report, for which the directors (“Directors”) of China Technology Solar Power Holdings Limited (“Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

QUARTERLY RESULTS HIGHLIGHTS

The loss attributable to owners of the Company for the three months ended 30 June 2016 was approximately HK\$4.6 million (2015: approximately HK\$7.9 million).

The revenue of the Group for the three months ended 30 June 2016 was approximately HK\$6.0 million, representing an increase of approximately 380.2 per cent. as compared with approximately HK\$1.2 million recorded for the three months ended 30 June 2015.

Gross profit margin of the Group was approximately 26.9 per cent. for the three months ended 30 June 2016, as compared to approximately 21.3 per cent. for the three months ended 30 June 2015.

Basic loss per share for the three months ended 30 June 2016 was approximately HK0.32 cents (2015: approximately HK0.64 cents).

The Directors do not recommend the payment of a dividend for the three months ended 30 June 2016 (2015: Nil).

I am pleased to present the unaudited consolidated results of China Technology Solar Power Holdings Limited (“**Company**”, together with its subsidiaries, the “**Group**”), for the three months ended 30 June 2016.

BUSINESS REVIEW

The Group was principally engaged in (i) new energy power system integration business; (ii) sales of solar power related products; (iii) sales of self-service automatic teller machine (“**ATM**”) systems and printing systems, and (iv) provision of hardware and software technical support services in the People’s Republic of China (“**PRC**” or “**China**”) during the three months ended 30 June 2016.

The Group’s revenue amounted to approximately HK\$6.0 million for the three months ended 30 June 2016, representing an increase of approximately 380.2 per cent. as compared with approximately HK\$1.2 million recorded for the three months ended 30 June 2015.

The Group’s gross profit margin was approximately 26.9 per cent. for the three months ended 30 June 2016, as compared to approximately 21.3 per cent. for the three months ended 30 June 2015.

Selling expenses incurred by the Group for the three months ended 30 June 2016 amounted to approximately HK\$0.8 million (2015: approximately HK\$1.0 million), representing a decrease of approximately 21.6 per cent. as a result of the Group’s policy on cost control.

Administrative expenses incurred by the Group for the three months ended 30 June 2016 amounted to approximately HK\$3.9 million (2015: approximately HK\$5.9 million), representing a decrease of approximately 33.5 per cent. as there was an amortization of intangible assets of approximately HK\$2.7 million in the same period last year. The Group did not record an amortization on such assets during the period under review. The intangible assets represent new energy power system integration services contracts and sales of solar power related products contracts signed by the subsidiaries acquired or being acquired and valued by an independent professional valuer.

The Group recorded a loss attributable to owners of the Company amounting to approximately HK\$4.6 million for the three months ended 30 June 2016 (2015: approximately HK\$7.9 million).

Basic loss per share was approximately HK0.32 cents for the three months ended 30 June 2016, as compared with the basic loss per share of approximately HK0.64 cents for the three months ended 30 June 2015.

NEW ENERGY POWER SYSTEM INTEGRATION BUSINESS

There was no revenue generated from the new energy power system integration operation during the three months ended 30 June 2016 (2015: HK\$1.0 million).

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

The Group continued to expand its new energy power system integration services and technology consultancy services through securing more contracts for provision of such services to biomass energy, thermal power and solar energy generation companies and projects in the PRC. 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. As part of the 300MW Project, the Group has entered into cooperation agreements with an energy company in Xi'an ("**Xi'an Energy Company**"), and together with such energy company, jointly contracted with the wholly-owned subsidiaries of the Investment Company for the construction of solar photovoltaic power stations in Gansu province and Ningxia Hui Autonomous Region. Phases 1, 2 and 3 of the 300MW Project have been completed as at 30 June 2016 and the Group has obtained the system testing and satisfaction report from the Investment Company in respect of the 50MW power station in Gansu and the 50MW and 30MW power stations in Ningxia. The Group expects the construction of phase 4 of the 300MW Project to commence in October 2016. The Group expects to finance such investment by internal generated cash flows and borrowings.

In March 2015, the Group entered into a memorandum of understanding with another investment company for projects relating to construction of large-scale grid-connected solar photovoltaic power station, which are expected to have an aggregate designed capacity of 500MW by the end of 2020. As at the date of this report, the Group had not commenced to provide these services.

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 new energy power system integration services for biomass energy, thermal power and solar energy generation companies and projects. As the contracting parties in the two agreements were in the process of obtaining the necessary licenses from the respective government authorities during the three months ended 30 June 2016 and as at the date of this report, the Group had not commenced such new energy power system integration services and did not have income generated from the two agreements during the period under review (2015: 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 new energy power 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 had not commenced to provide these services.

SALES OF SOLAR POWER RELATED PRODUCTS

Following the completion of the acquisition of Million Keen Limited (“**Million Keen**”), which is principally engaged in the research and development, sales and provision of other relevant technology consultation services of photovoltaic mounting brackets, solar trackers, the guardrail of the solar power stations and solar power related products on 22 May 2015, the Group has started the new business of sales of solar power related products.

The revenue generated from the sales of solar power related products was approximately HK\$5.8 million for the three months ended 30 June 2016 (2015: Nil), accounted for approximately 96.7 per cent. (2015: Nil) of the Group’s revenue.

SALES OF SELF-SERVICE ATM SYSTEMS AND PRINTING SYSTEMS

During the three months ended 30 June 2016, sales of self-service ATM systems and printing systems (including the provision of hardware and software technical support services) accounted for approximately 3.3 per cent. (2015: 16.1 per cent.) of the Group’s revenue.

The revenue generated from the sales of self-service ATM systems and printing systems (including the provision of hardware and software technical support services) recorded approximately HK\$0.2 million in the three months ended 30 June 2016, representing a decrease of approximately 1.0 per cent., as compared with the three months ended 30 June 2015 mainly as a result of the fierce competition in the PRC.

By having ATM service centers established in major cities in China including Shanghai, Changshu, Beijing, Shenyang, and Yingkou, the Group has ATM service centers covering a total of five strategic cities and locations currently.

PROVISION OF HARDWARE AND SOFTWARE TECHNICAL SUPPORT SERVICES

The provision of hardware and software technical support services accounted for approximately 3.1 per cent. (2015: approximately 12.8 per cent.) of the Group’s total revenue for the three months ended 30 June 2016. Revenue derived from the provision of hardware and software technical support services during the three months ended 30 June 2016 increased by approximately 16.4 per cent..

LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

As at 30 June 2016, the Group had cash and bank balances amounting to a total of approximately HK\$79.7 million (31 March 2016: approximately HK\$7.6 million). The Group had no outstanding bank overdraft as at 30 June 2016 (31 March 2016: HK\$Nil).

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

BUSINESS PROSPECTS

The Group will continue to look for other solar energy generation projects, new energy power system integration services and technology service projects.

The Group has been identifying and exploring other business opportunities so as to diversify the Group's business into the downstream of solar energy business with growth potential and to broaden its sources of income that can bring return to the Group and its shareholders.

As mentioned above, following the acquisition of Million Keen, the Group tapped into the sales of solar power related products, which will enhance the competitive advantages of the Group as well as to seize the market opportunities in the solar energy industry.

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

Chiu Tung Ping

Chairman and executive Director

China Technology Solar Power Holdings Limited

Hong Kong, 8 August 2016

RESULTS

The board of Directors (“Board”) announces the unaudited consolidated results of the Group for the three months ended 30 June 2016 together with comparative unaudited consolidated results of the Group for the corresponding period in 2015 as follows:

	Notes	From 1 April 2016 to 30 June 2016 (unaudited) HK\$'000	From 1 April 2015 to 30 June 2015 (unaudited) HK\$'000
Revenue	2	5,964	1,242
Cost of sales		(4,359)	(977)
Gross profit		1,605	265
Other revenue	2	85	105
Selling expenses		(771)	(984)
Change in fair value of financial assets at fair value through profit or loss	3	399	117
Administrative expenses		(3,893)	(5,854)
Finance costs	4	(1,585)	(1,548)
Loss before taxation	3	(4,160)	(7,899)
Income tax	5	(1)	(78)
Loss for the period		(4,161)	(7,977)
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		(3,756)	441
Total comprehensive expense for the period		(7,917)	(7,536)
(Loss) profit for the period attributable to:			
Owners of the Company		(4,595)	(7,938)
Non-controlling interests		434	(39)
		(4,161)	(7,977)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(8,357)	(7,497)
Non-controlling interests		440	(39)
		(7,917)	(7,536)
Dividend		–	–
		HK cent	HK cent
Loss per share			
– Basic	6	(0.32 cents)	(0.64 cents)
– Diluted	6	N/A	N/A

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”), Hong Kong Accounting Standards (“HKAS”) and Interpretations 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 2016, 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 April 2016. The adoption of the new HKFRSs and HKAS has no material impact on the Group’s results and financial position for the current or prior periods.

The consolidated results of the Group for the three months ended 30 June 2016 are unaudited but have been reviewed by the audit committee of the Board (“**Audit Committee**”).

2. REVENUE AND OTHER REVENUE

During the three months ended 30 June 2016, the Group was principally engaged in (i) new energy power system integration business; (ii) sales of solar power related products; (iii) sales of self-service ATM systems and printing systems; and (iv) provision of hardware and software technical support services in the PRC.

Revenues recognised during the period are as follows:–

	From 1 April 2016 to 30 June 2016 HK\$'000	From 1 April 2015 to 30 June 2015 HK\$'000
Revenue		
New energy power system integration business	–	1,042
Sales of solar power related products	5,766	–
Sales of self-service ATM systems and printing systems	13	41
Provision of hardware and software technical support services	185	159
	5,964	1,242
Other revenue		
Bank interest income	30	45
Gain on trading in financial instrument	–	14
Others	55	46
	85	105
Total revenue	6,049	1,347

3. LOSS BEFORE TAXATION

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

	1 April 2016 to 30 June 2016 HK\$'000	1 April 2015 to 30 June 2015 HK\$'000
Amortization on intangible assets	–	2,686
Cost of inventories	4,359	977
Depreciation	174	7
Change in fair value of financial assets at fair value through profit or loss	(399)	(117)

4. FINANCE COSTS

	1 April 2016 to 30 June 2016 HK\$'000	1 April 2015 to 30 June 2015 HK\$'000
Imputed finance costs on convertible bonds	833	953
Interest on other loan	595	595
Interest on discounted bills	157	–
	1,585	1,548

5. INCOME TAX

The Company was incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands are exempted from payment of the British Virgin Islands income taxes.

The Company's subsidiaries established in the PRC are subject to Enterprise Income Tax rate of 25% (2015: 25%). Pursuant to the relevant laws and regulations in the PRC, the Group's certain subsidiaries are entitled to tax preference from PRC Enterprise Income tax.

There was no provision for Hong Kong Profits tax as the Group had no assessable profit for the three months ended 30 June 2016 (2015: Nil).

	1 April 2016 to 30 June 2016 HK\$'000	1 April 2015 to 30 June 2015 HK\$'000
Current income tax:		
– Hong Kong Profits tax	–	–
– PRC Enterprise Income Tax	1	78
Income Tax	1	78

6. LOSS PER SHARE

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

	From 1 April 2016 to 30 June 2016 HK\$'000	From 1 April 2015 to 30 June 2015 HK\$'000
Loss		
Loss for the period attributable to the owners of the Company	(4,595)	(7,938)
	From 1 April 2016 to 30 June 2016	From 1 April 2015 to 30 June 2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,430,012,850	1,231,201,661
Effect of dilutive potential ordinary shares: Warrants issued by the Company	–	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	1,430,012,850	1,231,201,661

Outstanding convertible bonds of the Company is anti-dilutive since their exercise or conversion would result in a decrease in basic loss per share for the three months ended 30 June 2016.

QUARTERLY DIVIDEND

The Board does not recommend the payment of quarterly dividend for the three months ended 30 June 2016 (2015: Nil).

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								Total
	Share capital	Share premium	Reserve arising from reorganisation	Exchange reserve	Convertible bond reserve	(Deficit) Retained profits	Total	Non-controlling interests	
	HK\$'000	HK\$'000	(Note (a)) HK\$'000	(Note (b)) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2015	118,365	178,940	(24,317)	11,514	39,097	(17,535)	306,064	-	306,064
Acquisition of a subsidiary	-	-	-	-	-	-	-	2,485	2,485
Loss for the period	-	-	-	-	-	(7,938)	(7,938)	(39)	(7,977)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	441	-	-	441	-	441
Total comprehensive income (expense) for the period	-	-	-	441	-	(7,938)	(7,497)	(39)	(7,536)
Issue of shares in acquisition of a subsidiary (Note (c))	10,818	21,096	-	-	-	-	31,914	-	31,914
Transaction costs on issue of shares	-	(415)	-	-	-	-	(415)	-	(415)
	10,818	20,681	-	-	-	-	31,499	-	31,499
At 30 June 2015	129,183	199,621	(24,317)	11,955	39,097	(25,473)	330,066	2,446	332,512
At 1 April 2016	143,001	215,968	(24,317)	5,176	27,997	28,955	396,780	7,883	404,663
(Loss) profit for the period	-	-	-	-	-	(4,595)	(4,595)	434	(4,161)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	(3,762)	-	-	(3,762)	6	(3,756)
Total comprehensive (expense) income for the period	-	-	-	(3,762)	-	(4,595)	(8,357)	440	(7,917)
At 30 June 2016	143,001	215,968	(24,317)	1,414	27,997	24,360	388,423	8,323	396,746

Notes:

- (a) The reserve arising from reorganisation 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.
- (b) 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.
- (c) On 22 May 2015, 108,181,818 consideration shares were issued by the Company to Creation Moral Limited ("Creation Moral") for the initial payment for the acquisition of Million Keen in accordance with the terms and conditions of the sale and purchase agreement entered into between a wholly-owned subsidiary of the Company and Creation Moral ("Million Keen SP Agreement"). On 1 February 2016, 108,181,818 consideration shares were further issued by the Company to Creation Moral for the remaining balance of the consideration pursuant to the Million Keen SP Agreement. Please refer to the announcements of the Company dated 5 May 2015, 22 May 2015 and 1 February 2016 for details of the acquisition.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, 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/ Chief executive	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)	217,766,038 ordinary shares (L) (Note 4)	15.23%
Ms. Yuen Hing Lan (Executive Director)	Interests of spouse (Note 3)	217,766,038 ordinary shares (L) (Note 4)	15.23%
Mr. Hou Hsiao Bing (Executive Director)	Beneficial owner	131,150,000 ordinary shares (L)	9.17%

Notes:

- The letter "L" represents the Directors' long positions in the interests in the shares or underlying shares of the Company.
- As at 30 June 2016, the issued share capital of the Company was 1,430,012,850 shares of HK\$0.1 each.
- 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.
- Included in these shares were 207,766,038 shares of the Company held by Good Million Investments Limited and 10,000,000 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.

(C) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE DEBENTURES OF THE COMPANY

Name of Director	Capacity in which the debentures are held	Amount of debentures
Mr. Chiu Tung Ping <i>(Executive Director)</i>	Interest in a controlled corporation (note)	HK\$5,000,000
Ms. Yuen Hing Lan <i>(Executive Director)</i>	Interest of spouse (note)	HK\$5,000,000

Note: 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 debentures of the Company held by Good Million Investments Limited.

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

As at 30 June 2016, 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 June 2016 (Note 2)
Good Million Investments Limited	217,766,038 (L) (Note 3)	Beneficial owner (Note 4)	15.23%
Mr. Qin Zhongde	88,000,000 (L) (Note 5)	Beneficial owner (Note 6)	6.15%
Creation Moral	216,363,636 (L)	Beneficial owner (Note 7)	15.13%
Ms. Sun Aihui	216,363,636 (L)	Interest of controlled corporation (Note 7)	15.13%

Notes:

- The letter "L" represents the long position in the shares or underlying shares of the Company.
- As at 30 June 2016, the issued share capital of the Company was 1,430,012,850 shares of HK\$0.1 each.
- Included in these shares are 207,766,038 shares of the Company held by Good Million Investments Limited and 10,000,000 shares of the Company to be issued to Good Million Investments Limited upon exercise of convertible bonds issued by the Company.
- 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.
- According to the register of bondholders maintained by the Company, as at 30 June 2016, Mr. Qin Zhongde held convertible bonds issued by the Company in the principal amount of HK\$32,000,000, convertible into 64,000,000 shares of the Company.
- Ms. Huang Xiulan is the spouse of Mr. Qin Zhongde. Accordingly, Ms. Huang Xiulan was deemed, by virtue of SFO, to be interested in all the shares in which Mr. Qin Zhongde was interested.
- Ms. Sun Aihui held 100% interest in the entire issued share capital of Creation Moral. Hence, Ms. Sun Aihui was deemed to be interested in the shares of the Company held by Creation Moral.

Save as disclosed above, as at 30 June 2016, 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 (revised in March 2016) which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for Effective 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's audit. It also reviews the effectiveness of both the external and internal audit and of the risk management and internal control systems of the Group. As at the date of this report, the Audit Committee comprised three independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu. The unaudited consolidated results of the Group for the three months ended 30 June 2016 have been reviewed and approved by the Audit Committee.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 June 2016, none of the Directors or his/her close associates had an interest in a business which competes or may compete with the business of the Group.

The Company did not have controlling shareholder as at 30 June 2016 and as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the shares of the Company during the three months ended 30 June 2016.

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 made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the period under review.

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

Hong Kong, 8 August 2016

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

Executive Directors:

Chiu Tung Ping (Chairman)

Yuen Hing Lan

Hou Hsiao Bing

Hu Xin

Independent non-executive Directors:

Ma Xingqin

Meng Xianglin

Dong Guangwu