



**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**

**THIRD QUARTERLY REPORT**

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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.*

## QUARTERLY RESULTS HIGHLIGHTS

The loss attributable to owners of the Company for the nine months ended 31 December 2016 was approximately HK\$15.4 million (the loss attributable to owners of the Company for the nine months ended 31 December 2015 was approximately HK\$7.4 million).

The revenue of the Group for the nine months ended 31 December 2016 was approximately HK\$9.6 million, representing a decrease of approximately 75.5 per cent. as compared to the nine months ended 31 December 2015.

Gross profit margin of the Group was approximately 27.3 per cent. in the nine months ended 31 December 2016, as compared to approximately 30.1 per cent. in the nine months ended 31 December 2015.

Basic loss per share for the nine months ended 31 December 2016 was approximately HK1.08 cents (basic loss per share for the nine months ended 31 December 2015 was approximately HK0.58 cents).

The Directors do not recommend the payment of a quarterly dividend for the nine months ended 31 December 2016 (nine months ended 31 December 2015: Nil).

The board of Directors announces the unaudited consolidated results of the Group for the nine months ended 31 December 2016.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group was principally engaged in (i) sales of solar power related products; (ii) new energy power system integration business; (iii) sales of self-service automatic teller machine (“**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 nine months ended 31 December 2016.

The Group's revenue amounted to approximately HK\$9.6 million for the nine months ended 31 December 2016, representing a decrease of approximately 75.5 per cent., as compared with approximately HK\$39.2 million recorded for the nine months ended 31 December 2015. Such decrease was mainly because (a) the delivery of some solar power related products was further delayed which caused the revenue from the sales of solar power related products to drop to approximately HK\$9.2 million for the nine months ended 31 December 2016 (nine months ended 31 December 2015: approximately HK\$35.4 million); (b) there was further delay in the commencement of large-scale new projects and only small-scale new projects with contract revenue amounting to approximately HK\$59,000 was commenced and completed in the nine months ended 31 December 2016 (nine months ended 31 December 2015: approximately HK\$1.0 million); and (c) the revenue from the sales of self-service ATM systems and printing systems has dropped significantly to approximately HK\$0.2 million for the nine months ended 31 December 2016 (nine months ended 31 December 2015: approximately HK\$2.2 million) as a result of fierce competition.

The Group's gross profit margin was approximately 27.3 per cent. in the nine months ended 31 December 2016, as compared to approximately 30.1 per cent. in the nine months ended 31 December 2015.

Selling expenses incurred by the Group for the nine months ended 31 December 2016 amounted to approximately HK\$2.6 million (nine months ended 31 December 2015: approximately HK\$2.3 million), representing an increase of approximately 9.2 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 nine months ended 31 December 2016 amounted to approximately HK\$10.5 million (nine months ended 31 December 2015: approximately HK\$22.5 million), representing a decrease of approximately 53.5 per cent. as there was an amortization of intangible assets of approximately HK\$11.4 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\$15.4 million for the nine months ended 31 December 2016 (nine months ended 31 December 2015: loss attributable to owners of the Company of approximately HK\$7.4 million), mainly as a result of (i) the significant drop of revenue for the nine months ended 31 December 2016 as discussed above, and, (ii) the absence of recognition of change in fair value of contingent consideration payable of approximately HK\$15.1 million as recorded in the same period last year. The Group did not record a change in fair value of contingent consideration during the period under review.

Basic loss per share was approximately HK1.08 cents for the nine months ended 31 December 2016, as compared with the basic loss per share of approximately HK0.58 cents for the nine months ended 31 December 2015.

## **SALES OF SOLAR POWER RELATED PRODUCTS**

The business of sales of solar power related products includes the research and development, sales and provision of other relevant technology consultation services of photovoltaic mounting brackets, solar trackers, the guardrail of the solar power stations and solar related products.

The revenue generated from the sales of solar power related products was approximately HK\$9.2 million for the nine months ended 31 December 2016 (nine months ended 31 December 2015: approximately HK\$35.4 million), accounted for approximately 95.3 per cent. (nine months ended 31 December 2015: approximately 90.3 per cent.) of the Group's total revenue. The delivery of some solar power related products was further delayed which caused the revenue from the sales of solar power related products to drop by approximately HK\$26.2 million for nine months ended 31 December 2016.

## NEW ENERGY POWER SYSTEM INTEGRATION BUSINESS

The revenue generated from the new energy power system integration business was approximately HK\$59,000 for the nine months ended 31 December 2016 (nine months ended 31 December 2015: approximately 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.

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**"). 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 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. However, there was further delay in the commencement of phase 4 of the 300MW Project and the Group expects that such project may not be able to commence in the near future.

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 nine months ended 31 December 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 (nine months ended 31 December 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 SELF-SERVICE ATM SYSTEMS AND PRINTING SYSTEMS

For the nine months ended 31 December 2016, sales of self-service ATM systems and printing systems (including the provision of hardware and software technical support services) accounted for approximately 4.1 per cent. (nine months ended 31 December 2015: 7.1 per cent.) of the Group's total 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) was approximately HK\$0.4 million for the nine months ended 31 December 2016, representing a decrease of approximately 85.9 per cent., as compared with the nine months ended 31 December 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, Suzhou, 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 1.9 per cent. (nine months ended 31 December 2015: approximately 1.6 per cent.) of the total revenue for the nine months ended 31 December 2016. Income derived from the provision of hardware and software technical support services for the nine months ended 31 December 2016 decreased by approximately 70.6 per cent., as compared with the same period last year.

## TRANSFER OF LAND USE RIGHT AND COOPERATION AGREEMENT

On 19 August 2016, 拉孜百科新能源科技有限公司 (unofficial English translation being Lazi Baike New Energy Technology Limited) ("**Lazi Baike**"), an indirect wholly-owned subsidiary of the Company, and Lazi County People's Government entered into a land use right transfer agreement pursuant to which the Lazi County People's Government agreed to transfer to Lazi Baike the land use right of a parcel of land ("**Tibet Land**") located in the Lazi County of the Tibet Autonomous region of the PRC with an area of approximately 550 mu at the price of RMB22.0 million.

On 19 August 2016, 陝西百科新能源科技發展有限公司 (unofficial English translation being Shaanxi Baike New Energy Technology Development Co., Ltd.) ("**Shaanxi Baike**"), an indirect wholly-owned subsidiary of the Company, and 喀什天慶光電科技有限公司 (unofficial English translation being Kashii Tianqing New Energy Co., Ltd.) ("**Kashii Tianqing**") entered into a cooperation agreement pursuant to which, among other matters, Shaanxi Baike and Kashii Tianqing have agreed to cooperate in the construction of a large-scale grid-connected solar photovoltaic power station ("**Tibet Solar Power Station**") with an expected capacity of 20MW on the Tibet Land and Shaanxi Baike has agreed to transfer 100% interest in Lazi Baike to Kashii Tianqing after completion of the construction of the Tibet Solar Power Station and the power integration.

Upon completion of the cooperation agreement, the Company would have disposed of its entire equity interests in Lazi Baike to Kashii Tianqing.

Further details of the purchase of the Tibet Land and the cooperation agreement are set out in the announcement of the Company dated 19 August 2016.

As at the date of this report, approximately 95% of the construction of the Tibet Solar Power Station has been completed.

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

As at 31 December 2016, the Group had cash and bank balances amounting to a total of approximately HK\$14.5 million (31 March 2016: approximately HK\$47.4 million). The Group had no outstanding bank overdraft as at 31 December 2016 (31 March 2016: Nil).

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

## **QUARTERLY DIVIDEND**

The Directors do not recommend the payment of a quarterly dividend for the period under review (nine months ended 31 December 2015: Nil).

## **BUSINESS PROSPECTS**

The Group will continue to look for other solar energy generation projects, new energy power system integration services and technology service projects. However, there might not be significant revenue to be recorded in the new energy power system integration business in the financial year ending 31 March 2017 as it is expected that there will not be any large scale projects to commence in a short time.

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.

The business of sales of solar power related products will continue to enhance the competitive strength 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.

## PROPOSED TRANSFER OF LISTING

The Company has submitted a formal application (“**Application**”) to the Stock Exchange on 29 July 2016 for the proposed transfer of listing of shares of the Company from GEM to Main Board of the Stock Exchange pursuant to Chapter 9A of the Main Board Listing Rules (“**Proposed Transfer of Listing**”). The Application has lapsed on 28 January 2017. After careful consideration by the Board, it was decided that the Company would not proceed with the Application. The Board considers that the lapse of the Application has no material adverse effect on the existing business and financial position of the Group. The Company will make further announcement to keep the shareholders and potential investors informed should the Company decide to make a new application for the Proposed Transfer of Listing in the future.



## QUARTERLY RESULTS (UNAUDITED)

The board of Directors announces the unaudited consolidated results of the Group for the three months and nine months ended 31 December 2016 together with the comparative unaudited consolidated results of the Group for the corresponding periods in 2015 as follows:

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

	Notes	From 1 October 2016 to 31 December 2016 HK\$'000	From 1 April 2016 to 31 December 2016 HK\$'000	From 1 October 2015 to 31 December 2015 HK\$'000	From 1 April 2015 to 31 December 2015 HK\$'000
Revenue	2	2,265	9,609	21,396	39,204
Cost of sales		(1,635)	(6,989)	(14,235)	(27,402)
Gross profit		630	2,620	7,161	11,802
Other revenue	2	58	291	1,377	1,533
Selling expenses		(707)	(2,550)	(777)	(2,336)
Change in fair value of contingent consideration payable		–	–	(650)	15,145
Change in fair value of financial assets at fair value through profit or loss	3	(320)	(50)	(716)	(852)
Administrative expenses		(3,349)	(10,468)	(8,894)	(22,533)
Finance costs	4	(1,486)	(4,527)	(1,615)	(4,744)
Loss before taxation	3	(5,174)	(14,684)	(4,114)	(1,985)
Income tax	5	(477)	(478)	(688)	(1,127)
<b>Loss for the period</b>		<b>(5,651)</b>	<b>(15,162)</b>	<b>(4,802)</b>	<b>(3,112)</b>
<b>Other comprehensive expense</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of financial statements of foreign operations		(4,585)	(9,407)	(2,223)	(5,963)
<b>Total comprehensive expense for the period</b>		<b>(10,236)</b>	<b>(24,569)</b>	<b>(7,025)</b>	<b>(9,075)</b>
<b>(Loss) Profit attributable to:</b>					
Owners of the Company		(5,448)	(15,411)	(7,722)	(7,381)
Non-controlling interests		(203)	249	2,920	4,269
<b>Loss for the period</b>		<b>(5,651)</b>	<b>(15,162)</b>	<b>(4,802)</b>	<b>(3,112)</b>
<b>Total comprehensive (expense) income for the period attributable to:</b>					
Owners of the Company		(9,745)	(24,270)	(9,635)	(13,052)
Non-controlling interests		(491)	(299)	2,610	3,977
<b>Total comprehensive expense for the period</b>		<b>(10,236)</b>	<b>(24,569)</b>	<b>(7,025)</b>	<b>(9,075)</b>
Dividend		–	–	–	–
<b>Loss per share attributable to owners of the Company during the period</b>		<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>
– Basic	6	(0.38 cents)	(1.08 cents)	(0.60 cents)	(0.58 cents)
– Diluted	6	N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to owners of the Company								
	Share capital	Share premium	Reserve	Exchange reserve	Convertible bonds reserve	(Deficit)	Total	Non-controlling interests	Total
			arising from reorganization			Retained profits			
HK\$'000	HK\$'000	(Note (a)) HK\$'000	(Note (b)) HK\$'000	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	-	-	-	-	-	-	-	2,486	2,486
(Loss) profit for the period	-	-	-	-	-	(7,381)	(7,381)	4,269	(3,112)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	(5,671)	-	-	(5,671)	(292)	(5,963)
Total comprehensive (expense) income for the period	-	-	-	(5,671)	-	(7,381)	(13,052)	3,977	(9,075)
Issue of shares in acquisition of a subsidiary (Note (c))	10,818	21,096	-	-	-	-	31,914	-	31,914
Transaction costs on issue of shares	-	(395)	-	-	-	-	(395)	-	(395)
	10,818	20,701	-	-	-	-	31,519	-	31,519
At 31 December 2015	129,183	199,641	(24,317)	5,843	39,097	(24,916)	324,531	6,463	330,994
At 1 April 2016	<b>143,001</b>	<b>215,968</b>	<b>(24,317)</b>	<b>5,176</b>	<b>27,997</b>	<b>28,955</b>	<b>396,780</b>	<b>7,883</b>	<b>404,663</b>
(Loss) profit for the period	-	-	-	-	-	(15,411)	(15,411)	249	(15,162)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	(8,859)	-	-	(8,859)	(548)	(9,407)
Total comprehensive expense for the period	-	-	-	(8,859)	-	(15,411)	(24,270)	(299)	(24,569)
At 31 December 2016	<b>143,001</b>	<b>215,968</b>	<b>(24,317)</b>	<b>(3,683)</b>	<b>27,997</b>	<b>13,544</b>	<b>372,510</b>	<b>7,584</b>	<b>380,094</b>

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 Limited ("**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.

## NOTES TO THE UNAUDITED CONSOLIDATED RESULTS:–

### 1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) and Hong Kong Accounting Standards (“**HKAS**”) 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 nine months ended 31 December 2016 are unaudited but have been reviewed by the audit committee of the Company (“**Audit Committee**”).

## 2. REVENUE

The Group is principally engaged in (i) sales of solar power related products; (ii) new energy power system integration business; (iii) sales of self-service automatic teller machine (“**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**”).

Revenues recognized during the period are as follows: –

	From 1 October 2016 to 31 December 2016 (unaudited) HK\$'000	From 1 April 2016 to 31 December 2016 (unaudited) HK\$'000	From 1 October 2015 to 31 December 2015 (unaudited) HK\$'000	From 1 April 2015 to 31 December 2015 (unaudited) HK\$'000
Revenue				
Sales of solar power related products	2,175	9,155	18,999	35,384
Power system integration services contract revenue	59	59	–	1,027
Sales of self-service ATM systems and printing systems	31	210	2,114	2,163
Provision of hardware and software technical support services	–	185	283	630
	2,265	9,609	21,396	39,204
Other revenue				
Bank interest income	52	219	4	60
Gain on trading in financial instrument	–	–	8	52
Written off of other payable	–	–	1,335	1,335
Others	6	72	30	86
	58	291	1,377	1,533
Total revenue	2,323	9,900	22,773	40,737

### 3. LOSS BEFORE TAXATION

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

	From 1 October 2016 to 31 December 2016 (unaudited) HK\$'000	From 1 April 2016 to 31 December 2016 (unaudited) HK\$'000	From 1 October 2015 to 31 December 2015 (unaudited) HK\$'000	From 1 April 2015 to 31 December 2015 (unaudited) HK\$'000
Cost of inventories sold	1,635	6,989	12,153	24,364
Depreciation	213	524	109	353
Change in fair value of financial assets at fair value through profit or loss	320	50	716	852
Amortization of intangible assets	–	–	4,347	11,379

### 4. FINANCE COSTS

	From 1 October 2016 to 31 December 2016 (unaudited) HK\$'000	From 1 April 2016 to 31 December 2016 (unaudited) HK\$'000	From 1 October 2015 to 31 December 2015 (unaudited) HK\$'000	From 1 April 2015 to 31 December 2015 (unaudited) HK\$'000
Imputed finance costs on convertible bonds	890	2,584	1,018	2,956
Interests on other loans	596	1,786	597	1,788
Interest in discounted bills	–	157	–	–
	1,486	4,527	1,615	4,744

## 5. INCOME TAX

The Company is 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 is incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, is exempted from payment of the British Virgin Islands income tax.

The Company's subsidiaries established in the PRC are subject to Enterprise Income Tax rate of 25% (nine months ended 31 December 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 nine months ended 31 December 2016 (nine months ended 31 December 2015: Nil).

The amount of tax charged to the consolidated statement of profit or loss and other comprehensive income represents:

	<b>From 1 October 2016 to 31 December 2016 (unaudited) HK\$'000</b>	<b>From 1 April 2016 to 31 December 2016 (unaudited) HK\$'000</b>	From 1 October 2015 to 31 December 2015 (unaudited) HK\$'000	From 1 April 2015 to 31 December 2015 (unaudited) HK\$'000
Current income tax:				
– Hong Kong Profits tax	–	–	–	–
– PRC Enterprise Income Tax	477	478	688	1,127
<b>Income Tax</b>	<b>477</b>	<b>478</b>	<b>688</b>	<b>1,127</b>

## 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 October 2016 to 31 December 2016 (unaudited) HK\$'000	From 1 April 2016 to 31 December 2016 (unaudited) HK\$'000	From 1 October 2015 to 31 December 2015 (unaudited) HK\$'000	From 1 April 2015 to 31 December 2015 (unaudited) HK\$'000
<b>Loss</b>				
Loss attributable to the owners of the Company	(5,448)	(15,411)	(7,722)	(7,381)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic loss per share	1,430,012,850	1,430,012,850	1,291,831,032	1,271,768,222
Weighted average number of ordinary shares for the purpose of diluted loss per share	1,430,012,850	1,430,012,850	1,291,831,032	1,271,768,222

Outstanding convertible bonds of the Company were anti-dilutive since their exercise or conversion would result in a decrease in basic loss per share for the nine months ended 31 December 2016.



## 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 31 December 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 31 December 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**

<b>Name of Director</b>	<b>Name of associated corporations</b>	<b>Number of shares interested</b>	<b>Nature of interest</b>	<b>Approximate percentage holding of the non-voting deferred shares</b>
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**

<b>Name of Director</b>	<b>Capacity in which the debentures are held</b>	<b>Amount of debentures</b>
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 31 December 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 of 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 31 December 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 Limited	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 31 December 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 31 December 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 Limited. Hence, Ms. Sun Aihui was deemed to be interested in the shares of the Company held by Creation Moral Limited.

Save as disclosed above, as at 31 December 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 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 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 Audit Committee’s terms of reference. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. As at 31 December 2016, the Audit Committee comprised three independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu, with Ms. Ma Xingqin as the Chairman. The unaudited consolidated results of the Group for the nine months ended 31 December 2016 have been reviewed and approved by the Audit Committee.

## DIRECTORS’ INTEREST IN COMPETING BUSINESS

As at 31 December 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 31 December 2016 and as at the date of this report.

## 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 nine months ended 31 December 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 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.

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

Hong Kong, 8 February 2017

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

*Executive Directors:*

*Chiu Tung Ping (Chairman)*

*Yuen Hing Lan*

*Hou Hsiao Bing*

*Hu Xin*

*Independent non-executive Directors:*

*Ma Xingqin*

*Meng Xianglin*

*Dong Guangwu*