



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)

2017
INTERIM 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” 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 owners of the Company for the six months ended 30 September 2017 was approximately HK\$1.4 million (loss attributable to owners of the Company for the six months ended 30 September 2016 ("2016-1H"): approximately HK\$10.0 million).

The revenue of the Group for the six months ended 30 September 2017 was approximately HK\$32.1 million, representing an increase of approximately 337.4 per cent. as compared with approximately HK\$7.3 million recorded for 2016-1H.

Gross profit margin of the Group was approximately 36.4 per cent. for the six months ended 30 September 2017, as compared to approximately 27.1 per cent. for 2016-1H.

Basic loss per share for the six months ended 30 September 2017 was approximately HK0.10 cents (2016-1H: basic loss per share of approximately HK0.70 cents).

The Directors do not recommend the payment of a dividend for the six months ended 30 September 2017 (2016-1H: Nil).

INTERIM RESULTS (UNAUDITED)

The board of Directors announces the unaudited consolidated results of the Group for the six months ended 30 September 2017 as follows:

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

	Notes	From 1 July 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 July 2016 to 30 September 2016 (unaudited) HK\$'000	From 1 April 2016 to 30 September 2016 (unaudited) HK\$'000
Revenue	3	14,519	32,122	1,380	7,344
Cost of sales		(11,281)	(20,427)	(995)	(5,354)
Gross profit		3,238	11,695	385	1,990
Other revenue	3	103	568	148	233
Selling expenses		(952)	(1,564)	(1,072)	(1,843)
Change in fair value of financial assets at fair value through profit or loss	16	(109)	134	(129)	270
Administrative expenses		(3,129)	(6,445)	(3,226)	(7,119)
Finance costs	6	(1,578)	(3,124)	(1,456)	(3,041)
(Loss) Profit before taxation	5	(2,427)	1,264	(5,350)	(9,510)
Income tax	7	(41)	(861)	–	(1)
(Loss) Profit for the period		(2,468)	403	(5,350)	(9,511)
Other comprehensive income (expense) <i>Items that may be reclassified subsequently to profit or loss:</i> Exchange differences arising on translation of financial statements of foreign operations		2,076	3,336	(1,066)	(4,822)
Total comprehensive (expense) income for the period		(392)	3,739	(6,416)	(14,333)
(Loss) Profit attributable to: – Owners of the Company – Non-controlling interests		(3,620) 1,152	(1,425) 1,828	(5,368) 18	(9,963) 452
(Loss) Profit for the period		(2,468)	403	(5,350)	(9,511)
Total comprehensive (expense) income for the period attributable to: – Owners of the Company – Non-controlling interests		(290) (102)	1,469 2,270	(6,168) (248)	(14,525) 192
		(392)	3,739	(6,416)	(14,333)
Dividend	25	–	–	–	–
Loss per share – Basic (HK cents) – Diluted	8 8	(0.25 cents) N/A	(0.10 cents) N/A	(0.38 cents) N/A	(0.70 cents) N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	294	677
Available-for-sale financial assets	10	–	–
Goodwill	11	45,476	45,476
		45,770	46,153
Current assets			
Inventories	12	4,062	706
Accounts and bills receivables	13	86,415	79,958
Other receivables, deposits and prepayments	14	34,317	23,846
Held-for-trading financial assets	15	–	22,412
Financial assets at fair value through profit or loss	16	1,418	1,284
Bank balances and cash	17	3,292	13,180
		129,504	141,386
Current liabilities			
Accounts payables	18	15,216	25,838
Other payables and accruals	19	27,522	26,323
Other loan	20	22,840	21,340
Taxation		355	10,434
Receipt in advance		48	46
		65,981	83,981
Net current assets		63,523	57,405
Total assets less current liabilities		109,293	103,558
Non-current liabilities			
Convertible bonds	21	37,765	35,831
Deferred tax liabilities		3,329	3,267
		41,094	39,098
Net assets		68,199	64,460
Capital and reserves			
Share capital	22	143,001	143,001
Reserves		(84,839)	(86,308)
Equity attributable to owners of the Company		58,162	56,693
Non-controlling interests		10,037	7,767
Total equity		68,199	64,460

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to owners of the Company								
	Share capital	Share premium	Reserve arising from reorganisation	Exchange reserve	Convertible bond reserve	Retained profits (Deficit)	Total	Non-controlling interests	Total
	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 2016	143,001	215,968	(24,317)	5,176	27,997	28,955	396,780	7,883	404,663
(Loss) Profit for the period	-	-	-	-	-	(9,963)	(9,963)	452	(9,511)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	(4,562)	-	-	(4,562)	(260)	(4,822)
Total comprehensive (expense) income for the period	-	-	-	(4,562)	-	(9,963)	(14,525)	192	(14,333)
At 30 September 2016	143,001	215,968	(24,317)	614	27,997	18,992	382,255	8,075	390,330
At 1 April 2017	143,001	215,968	(24,317)	(1,763)	27,997	(304,193)	56,693	7,767	64,460
(Loss) Profit for the period	-	-	-	-	-	(1,425)	(1,425)	1,828	403
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	2,894	-	-	2,894	442	3,336
Total comprehensive income (expense) for the period	-	-	-	2,894	-	(1,425)	1,469	2,270	3,739
At 30 September 2017	143,001	215,968	(24,317)	1,131	27,997	(305,618)	58,162	10,037	68,199

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.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
OPERATING ACTIVITIES		
Profit (Loss) before taxation	1,264	(9,510)
Adjustment for:		
Gain on disposal of held-for-trading financial assets	(459)	–
Depreciation	405	311
Interest income	(17)	(167)
Finance costs	3,124	3,041
Change in fair value of financial assets at fair value through profit or loss	(134)	(270)
Operating cash flows before movements in working capital	4,183	(6,595)
Increase in inventories	(3,705)	(290)
(Increase) Decrease in accounts and bills receivables	(8,493)	117,881
(Increase) Decrease in other receivables, deposits and prepayments	(10,228)	6,037
Decrease in accounts payable	(10,622)	(45,347)
Increase in other payables and accruals	2,389	1,550
Increase (Decrease) in receipt in advance	2	(814)
Cash (used in) from operations	(26,474)	72,422
Interest paid	–	(1,347)
Overseas taxation paid	(10,940)	(1)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(37,414)	71,074
INVESTING ACTIVITIES		
Sales proceeds on disposal of held-for-trading financial assets	22,695	–
Held-for-trading financial assets	–	(22,412)
Interest received	17	167
Purchase of property, plant and equipment	(22)	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	22,690	(22,245)
FINANCING ACTIVITIES		
Raised of other loan	1,500	–
Repayment of other loan	–	(4,176)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,500	(4,176)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,224)	44,653
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	13,180	7,604
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	3,336	(4,822)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,292	47,435
Represented by:		
Bank balances and cash	3,292	47,435
	3,292	47,435

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 2017 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 GEM Listing Rules.

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 2017 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 March 2017.

The condensed consolidated interim financial information for the six months ended 30 September 2017 were unaudited but have been reviewed by the audit committee of the Company.

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

The Group has applied all the standards, amendments and interpretations issued by HKICPA, which are effective for the Group’s financial year beginning on 1 April 2017. The adoption of these new and revised HKFRSs and HKAS 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 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**”).

Revenue recognised during the periods are as follows:–

	From 1 July 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 July 2016 to 30 September 2016 (unaudited) HK\$'000	From 1 April 2016 to 30 September 2016 (unaudited) HK\$'000
Revenue				
Sales of solar power related products	14,476	25,801	1,214	6,980
New energy power system integration business	42	6,299	–	–
Sales of self-service ATM systems and printing systems	–	–	166	179
Provision of hardware and software technical support services	1	22	–	185
	14,519	32,122	1,380	7,344
Other revenue				
Bank interest income	11	17	137	167
Gain on disposal of held-for-trading financial assets	–	459	–	–
Others	92	92	11	66
	103	568	148	233
Total revenue	14,622	32,690	1,528	7,577

4. SEGMENT INFORMATION

The Group is organised on the basis of the type of goods or services delivered or provided. Information reported to the executive Directors, 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 solar power related products, new energy power system integration business, sales of self-service ATM systems and printing systems and the provision of hardware and software technical support services in the PRC that are regularly reviewed by the executive Directors and accordingly, they are considered as four separate operating segments.

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

- (a) Sales of solar power related products;
- (b) New energy power system integration business;
- (c) Sales of self-service ATM systems and printing systems; and
- (d) Provision of hardware and software technical support services.

SEGMENT REVENUE AND RESULTS

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

Six months ended 30 September 2017

	Sales of solar power related products (unaudited) HK\$'000	New energy power system integration business (unaudited) HK\$'000	Sales of self-service ATM systems and printing systems (unaudited) HK\$'000	Provision of hardware and software technical support services (unaudited) HK\$'000	Total (unaudited) HK\$'000
Revenue from external customers	25,801	6,299	–	22	32,122
Segment results	4,878	4,110	(321)	(681)	7,986
Other revenue					92
Gain on disposal of held-for-trading financial assets					459
Change in fair value of financial assets at fair value through profit or loss					134
Unallocated cost					(4,283)
Profit from operations					4,388
Finance costs					(3,124)
Profit before taxation					1,264
Income tax					(861)
Profit for the period					403

Six months ended 30 September 2016

	Sales of solar power related products (unaudited) HK\$'000	New energy power system integration business (unaudited) HK\$'000	Sales of self-service ATM systems and printing systems (unaudited) HK\$'000	Provision of hardware and software technical support services (unaudited) HK\$'000	Total (unaudited) HK\$'000
Revenue from external customers	6,980	–	179	185	7,344
Segment results	1,130	(1,786)	(739)	(402)	(1,797)
Other revenue					–
Change in fair value of financial assets at fair value through profit or loss					270
Unallocated cost					(4,942)
Loss from operations					(6,469)
Finance costs					(3,041)
Loss before taxation					(9,510)
Income tax					(1)
Loss for the period					(9,511)

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 2017

	Sales of solar power related products (unaudited) HK\$'000	New energy power system integration business (unaudited) HK\$'000	Sales of self-service ATM systems and printing systems (unaudited) HK\$'000	Provision of hardware and software technical support services (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment assets	68,161	90,370	14,365	459	173,355
Property, plant and equipment (for corporate)					116
Other receivables, deposits and prepayments (for corporate)					182
Financial assets at fair value through profit or loss (for corporate)					1,418
Bank balances and cash (for corporate)					203
Total assets					175,274
Segment liabilities	6,033	13,809	4,025	900	24,767
Other payables and accruals (for corporate)					18,955
Other loan (for corporate)					22,840
Convertible bonds (for corporate)					37,765
Deferred tax liabilities (for corporate)					2,748
Total liabilities					107,075

As at 31 March 2017

	Sales of solar power related products (audited) HK\$'000	New energy power system integration business (audited) HK\$'000	Sales of self-service ATM systems and printing systems (audited) HK\$'000	Provision of hardware and software technical support services (audited) HK\$'000	Total (audited) HK\$'000
Segment assets	59,840	87,592	14,605	485	162,522
Property, plant and equipment (for corporate)					194
Other receivables, deposits and prepayments (for corporate)					333
Financial assets at fair value through profit or loss (for corporate)					1,284
Held-for-trading financial assets					22,412
Bank balances and cash (for corporate)					794
Total assets					187,539
Segment liabilities	7,054	35,627	3,742	860	47,283
Other payables and accruals (for corporate)					16,633
Other loan (for corporate)					21,340
Convertible bonds (for corporate)					35,831
Deferred tax liabilities (for corporate)					1,992
Total liabilities					123,079

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

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

OTHER SEGMENTS INFORMATION

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

Six months ended 30 September 2017

	Sales of solar power related products (unaudited) HK\$'000	New energy power system integration business (unaudited) HK\$'000	Sales of self-service ATM systems and printing systems (unaudited) HK\$'000	Provision of hardware and software technical support services (unaudited) HK\$'000	Total (unaudited) HK\$'000
Additions to property, plant and equipment	-	6	-	-	6
Depreciation of property, plant and equipment	-	47	-	-	47

Six months ended 30 September 2016

	Sales of solar power related products (unaudited) HK\$'000	New energy power system integration business (unaudited) HK\$'000	Sales of self-service ATM systems and printing systems (unaudited) HK\$'000	Provision of hardware and software technical support services (unaudited) HK\$'000	Total (unaudited) HK\$'000
Additions to property, plant and equipment	-	-	-	-	-
Depreciation of property, plant and equipment	1	54	174	43	272

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

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

	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2016 to 30 September 2016 (unaudited) HK\$'000
Customer A – Sales of solar power related products	17,808	4,005
Customer B – Sales of solar power related products	7,993	2,346
Customer C – New energy power system integration business	6,299	–

5. (LOSS) PROFIT BEFORE TAXATION

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

	From 1 July 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 July 2016 to 30 September 2016 (unaudited) HK\$'000	From 1 April 2016 to 30 September 2016 (unaudited) HK\$'000
Cost of inventories sold	11,281	20,427	995	5,354
Depreciation	67	405	137	311
Change in fair value of financial assets at fair value through profit or loss	109	(134)	129	(270)

6. FINANCE COSTS

	From 1 July 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 July 2016 to 30 September 2016 (unaudited) HK\$'000	From 1 April 2016 to 30 September 2016 (unaudited) HK\$'000
Imputed finance costs on convertible bonds	983	1,934	861	1,694
Interests on other loans	595	1,190	595	1,190
Interest in discounted bills	–	–	–	157
	1,578	3,124	1,456	3,041

7. 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 taxes.

The Company's subsidiaries established in the PRC are subject to Enterprise Income Tax rate of 25% (2016-1H: 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 in Hong Kong for the six months ended 30 September 2017 (2016-1H: Nil).

	From 1 July 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 July 2016 to 30 September 2016 (unaudited) HK\$'000	From 1 April 2016 to 30 September 2016 (unaudited) HK\$'000
Current income tax:				
– Hong Kong Profits Tax	–	–	–	–
– PRC Enterprise Income Tax	41	861	–	1
Income Tax	41	861	–	1

8. 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 July 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 July 2016 to 30 September 2016 (unaudited) HK\$'000	From 1 April 2016 to 30 September 2016 (unaudited) HK\$'000
Loss				
Loss for the purpose of basic and diluted loss per share	(3,620)	(1,425)	(5,368)	(9,963)
	From 1 July 2017 to 30 September 2017	From 1 April 2017 to 30 September 2017	From 1 July 2016 to 30 September 2016	From 1 April 2016 to 30 September 2016
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	1,430,012,850	1,430,012,850	1,430,012,850	1,430,012,850
Weighted average number of ordinary shares for the purpose of diluted loss per share	1,430,012,850	1,430,012,850	1,430,012,850	1,430,012,850

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 six months ended 30 September 2017.

9. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group had acquired property, plant and equipment amounted to HK\$22,000 (2016-1H: Nil).

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are comprised of:

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (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

	New energy power system integration business HK\$'000	Sales of solar power related products HK\$'000	Total HK\$'000
COST			
At 31 March 2017, 1 April 2017 and 30 September 2017	260,079	51,476	311,555
IMPAIRMENT			
At 31 March 2017 and 1 April 2017	260,079	6,000	266,079
Impairment loss recognised for the period	–	–	–
At 30 September 2017	260,079	6,000	266,079
CARRYING VALUES			
At 30 September 2017	–	45,476	45,476
At 31 March 2017	–	45,476	45,476

The goodwill is allocated to the cash generating units, namely sales of solar power related products and new energy power system integration business.

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

During the six months ended 30 September 2017, the Group did not recognise any impairment loss (2016-1H: Nil) in relation to goodwill arising from acquisition of subsidiaries.

12. INVENTORIES

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Merchandise for re-sale	10,340	6,635
Spare parts	1,873	1,873
	12,213	8,508
Less: Provision for slow moving and obsolete inventories	(8,114)	(8,114)
Exchange adjustment	(37)	312
	4,062	706

13. ACCOUNTS AND BILLS RECEIVABLES

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Accounts receivables	90,625	113,461
Bills receivables	42,368	11,039
Less: Allowance for doubtful debts	(46,578)	(44,542)
	86,415	79,958

The majority of the Group's sales is 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 2017, the ageing analysis of the Group's accounts and bills receivables based on transaction date is as follows:

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Current to 60 days	24,268	5,100
61 – 90 days	–	–
Over 90 days	108,725	119,400
	132,993	124,500
Less: Allowance for doubtful debts	(46,578)	(44,542)
	86,415	79,958

AGEING OF OVERDUE ACCOUNTS 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 2017, accounts receivables of approximately HK\$86,415,000 (31 March 2017: approximately HK\$74,858,000) were overdue but not impaired. Management assessed the credit quality 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 analysis of these overdue but not impaired accounts receivables is as follows:

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
91 to 120 days	1	–
121 – 150 days	11,769	–
Over 150 days	74,645	74,858
	86,415	74,858

Movement in the allowance for doubtful debts:

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Balance at the beginning of the period/year	44,542	8,803
Allowance for doubtful debts	–	37,102
Exchange adjustment	2,036	(1,363)
Balance at the end of the period/year	46,578	44,542

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments included the following:

- (a) deposit of approximately HK\$11,769,000 (31 March 2017: HK\$11,264,000) for purchase of trading goods; and
- (b) prepayment of approximately HK\$4,460,000 (31 March 2017: HK\$8,785,000) for new energy power system integration business for construction contract.

15. HELD-FOR-TRADING FINANCIAL ASSETS

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 (“**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 (“**Disposal**”).

On 22 May 2017, Kashii Tianqing, Shaanxi Baike and 西藏中核新能源有限公司 (unofficial English translation being Xizang Zhonghe New Energy Co., Ltd.) (“**Xizang Zhonghe**”) entered into an assignment agreement pursuant to which Kashii Tianqing agreed to transfer all its rights and obligations under the Cooperation Agreement to Xizang Zhonghe.

The Disposal was completed in May 2017. The Group recorded other revenue of approximately HK\$0.5 million in the six months ended 30 September 2017 as a result of the Disposal.

Further details of the purchase of the Tibet Land and the Cooperation Agreement are set out in the announcements of the Company dated 19 August 2016 and 22 May 2017.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Listed securities held for trading:		
Market value of equity securities listed in New York		
Cost	24,250	24,250
Change in fair value	(22,832)	(22,966)
	1,418	1,284

The fair value of the above listed securities was determined based on the quoted market bid prices of the listed securities available on the relevant stock exchanges.

17. BANK BALANCES AND CASH

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Cash at bank and on hand	3,292	13,180
Bank balances and cash in the consolidated statement of financial position and in the consolidated statement of cash flows	3,292	13,180
Cash and bank deposits denominated in:		
Hong Kong dollars	344	751
Chinese Renminbi	2,711	12,203
United States dollars	237	226
	3,292	13,180

Included in the balances were bank deposits of approximately HK\$2,711,000 (31 March 2017: HK\$11,818,000) 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 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Accounts payables	15,216	25,838

As at 30 September 2017, the ageing analysis of the accounts payables based on transaction date is as follows:–

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Current to 60 days	–	601
61 – 90 days	–	–
Over 90 days	15,216	25,237
	15,216	25,838

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

19. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals, there are amounts due to executive directors, Mr. Hou Hsiao Bing, Ms. Yuen Hing Lan and Mr. Chiu Tung Ping, the amounts are approximately HK\$2,555,000 (31 March 2017: approximately HK\$1,772,000), HK\$650,000 (31 March 2017: approximately HK\$590,000) and approximately HK\$1,239,000 (31 March 2017: approximately HK\$1,059,000) respectively.

There is amount due to Dynatek Limited amounting to HK\$1,200,000 (31 March 2017: HK\$1,020,000). The amount is unsecured, interest free and has no fixed repayment term.

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

20. OTHER LOAN

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Other loan (note (a))	19,840	19,840
Other loan (note (b))	3,000	1,500
	22,840	21,340

- (a) Other loan amounting to HK\$19,840,000 (31 March 2017: HK\$19,840,000) is interest bearing at 12% per annum, unsecured and repayable on demand.
- (b) Other loan amounting to HK\$3,000,000 (31 March 2017: HK\$1,500,000) is due to an executive director, Chiu Tung Ping, the loan is non-interest bearing, unsecured and has no fixed repayment term.

Borrowings are repayable as follows:

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
On demand or within one year	22,840	21,340
Less: Amount shown under non-current liabilities	–	–
Amount shown under current liabilities	22,840	21,340

21. CONVERTIBLE BONDS

2011 CONVERTIBLE BONDS (“2011 CB”)

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 China Technology Solar Power Holdings Limited, a company incorporated in the British Virgin Islands (“**CTSP (BVI)**”), and its subsidiaries (“**Target Group**”). The convertible bonds are denominated in Hong Kong dollars. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date on 1 June 2021 (“**Maturity Date**”) at a conversion price of HK\$0.5 per share. If the bonds have not been converted, they will be redeemed on Maturity Date at par.

The 2011 CB was divided into Tranche I Convertible bonds (“**Tranche I CB**”) and Tranche II Convertible bonds (“**Tranche II CB**”) of HK\$113,100,000 and HK\$50,000,000 respectively. For Tranche I CB, the CB holders are not subject to any restriction for exercising the conversion of Tranche I CB into share. For Tranche II CB, the amount should be subject to change in relation 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.

Based on the audited consolidated financial statements of the Target Group for the 12 months ended 30 September 2012, the Target Group recorded a loss of HK\$77,094. On such basis, the amended target profit of HK\$40,000,000 under the sale and purchase 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.

During the six months ended 30 September 2017, there was no conversion of the Tranche I CB into shares of the Company (2016-1H: Nil).

As at 30 September 2017, the aggregate outstanding principal amount of the 2011 CB was HK\$49,000,000 (31 March 2017: HK\$49,000,000), which may be converted into 98,000,000 ordinary shares of HK\$0.1 each in the share capital of the Company at a conversion price of HK\$0.5 per share.

The 2011 CB contain liability and equity components. The effective interest rate of the liability component is 13.39% per annum. The equity component is presented under the equity heading of “convertible bonds reserve”.

For the six months ended 30 September 2017

	Tranche I HK\$'000
Equity component of convertible bonds as at 31 March 2017, 1 April 2017 and 30 September 2017	27,997
Liability component as at 31 March 2017 and 1 April 2017 Imputed finance costs (Note 6)	35,831 1,934
Liability component at 30 September 2017	37,765

For the six months ended 30 September 2016

	Tranche I HK\$'000
Equity component of convertible bonds as at 31 March 2016, 1 April 2016 and 30 September 2016	27,997
Liability component as at 31 March 2016 and 1 April 2016 Imputed finance costs (Note 6)	32,347 1,694
Liability component at 30 September 2016	34,041

22. SHARE CAPITAL

	Authorised Ordinary shares of HK\$0.1 each	
	Number of shares	HK\$'000
At 31 March 2017, 1 April 2017 and 30 September 2017	2,500,000,000	250,000
	Issued and fully paid Ordinary shares of HK\$0.1 each	
	Number of shares	HK\$'000
At 31 March 2017, 1 April 2017 and 30 September 2017	1,430,012,850	143,001

23. COMMITMENTS UNDER OPERATING LEASES – LAND AND BUILDINGS

As at 30 September 2017, the Group had future aggregate minimum lease payments under operating leases as follows:

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Not later than one year	283	468
Later than one year and not later than five years	20	141
	303	609

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 term of two years.

24. CAPITAL COMMITMENTS

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: – capital injection to subsidiaries	2,782	2,782

25. DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016-1H: Nil).

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 six months ended 30 September 2017.

The Group recorded a loss attributable to owners of the Company of approximately HK\$1.4 million for the six months ended 30 September 2017 (six months ended 30 September 2016 ("2016-1H"): loss attributable to owners of the Company of approximately HK\$10.0 million). The decrease in loss was mainly attributable to the increase in revenue of the Group.

The Group's revenue amounted to approximately HK\$32.1 million for the six months ended 30 September 2017, representing an increase of approximately 337.4 per cent. as compared with approximately HK\$7.3 million recorded for the 2016-1H. Such increase was attributable to the increase in revenue generated from the new energy power system integration business and sales of solar power related products by approximately HK\$6.3 million and HK\$18.8 million respectively during the six months ended 30 September 2017, as compared with the same period last year.

The Group's gross profit margin was approximately 36.4 per cent. for the six months ended 30 September 2017, as compared to approximately 27.1 per cent. for the six months ended 30 September 2016. The increase in the gross profit margin was mainly as a result of the increase in revenue generated from the new energy power system integration business which has a higher gross profit margin of approximately 99.0 per cent. during the six months ended 30 September 2017 (2016-1H: Nil).

Selling expenses incurred by the Group for the six months ended 30 September 2017 amounted to approximately HK\$1.6 million (2016-1H: approximately HK\$1.8 million), representing a decrease of approximately 15.1 per cent. as a result of the Group's policy on cost control.

Administrative expenses incurred by the Group for the six months ended 30 September 2017 amounted to approximately HK\$6.4 million (2016-1H: approximately HK\$7.1 million), representing a decrease of approximately 9.5 per cent. as a result of the Group's policy on cost control.

Basic loss per share was approximately HK0.1 cents for the six months ended 30 September 2017, as compared with the basic loss per share of approximately HK0.7 cents for 2016-1H.

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 Group sources business for the sales of solar power related products by negotiating and securing contracts with the engineering, procurement, and construction (“EPC”) contractors of construction projects of solar photovoltaic power station. The Group will supply the solar power related products (mainly mounting) required under such projects and be responsible for their design optimisation. The Group will access the geological condition of the construction site and propose specific design, requirements and standards for such construction and engage mounting manufacturers to provide the relevant products.

During the six months ended 30 September 2017, the Group was able to secure new contracts with its clients and the Group’s sales of solar power related products have increased remarkably as compared to that of 2016-1H. The revenue generated from the sales of solar power related products was approximately HK\$25.8 million for the six months ended 30 September 2017 (2016-1H: approximately HK\$7.0 million), accounted for approximately 80.3 per cent. (2016-1H: approximately 95.0 per cent.) of the Group’s total revenue.

NEW ENERGY POWER SYSTEM INTEGRATION BUSINESS

The revenue generated from the new energy power system integration business was approximately HK\$6.3 million during the six months ended 30 September 2017 (2016-1H: Nil). Such increase was attributable to the provision of new energy power system integration services and technical consultation services during the construction of the Tibet Solar Power Station pursuant to the cooperation agreement as disclosed in the Company’s announcements dated 19 August 2016 and 22 May 2017 and the paragraphs headed “Transfer of Land Use Right and Cooperation Agreement” in this report.

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.

SALES OF SELF-SERVICE ATM SYSTEMS AND PRINTING SYSTEMS

For the six months ended 30 September 2017, sales of self-service ATM systems and printing systems (including the provision of hardware and software technical support services) accounted for approximately 0.1 per cent. (2016-1H: 5.0 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\$22,000 for the six months ended 30 September 2017 (2016-1H: HK\$0.4 million), representing a decrease of approximately 94.0 per cent.

PROVISION OF HARDWARE AND SOFTWARE TECHNICAL SUPPORT SERVICES

The provision of hardware and software technical support services accounted for approximately 0.1 per cent. (2016-1H: approximately 2.5 per cent.) of the total revenue for the six months ended 30 September 2017. Income derived from the provision of hardware and software technical support services for the six months ended 30 September 2017 decreased by approximately 88.1 per cent., as compared with the same period last year.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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 ("**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 ("**Disposal**").

On 22 May 2017, Kashii Tianqing, Shaanxi Baike and 西藏中核新能源有限公司 (unofficial English translation being Xizang Zhonghe New Energy Co., Ltd.) ("**Xizang Zhonghe**") entered into an assignment agreement pursuant to which Kashii Tianqing agreed to transfer all its rights and obligations under the Cooperation Agreement to Xizang Zhonghe.

The Disposal was completed in May 2017. The Group recorded other revenue of approximately HK\$0.5 million in the six months ended 30 September 2017 as a result of the Disposal.

Further details of the purchase of the Tibet Land and the Cooperation Agreement are set out in the announcements of the Company dated 19 August 2016 and 22 May 2017.

Save as disclosed above, there were no other significant investments or material acquisition or disposal of subsidiaries by the Group during the period under review.

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

As at 30 September 2017, the Group had cash and bank balances denominated in Hong Kong dollars, Renminbi and United States dollars amounting to a total of approximately HK\$3.3 million (31 March 2017: approximately HK\$13.2 million). The Group had no outstanding bank overdraft as at 30 September 2017 (31 March 2017: Nil).

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

During the period under review, the Group did not use any financial instrument for hedging purpose and did not have any outstanding hedging instrument as at 30 September 2017.

BANKING FACILITIES

As at 30 September 2017, the Group did not have any banking facilities.

LISTED SECURITIES HELD FOR TRADING

As at 30 September 2017, the fair value of equity securities listed in New York held by the Company was approximately HK\$1.4 million (31 March 2017: approximately HK\$1.3 million).

CURRENT RATIO

As at 30 September 2017, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 2.0 (31 March 2017: 1.7). The current ratio remained stable during the six months ended 30 September 2017.

GEARING RATIO

As at 30 September 2017, the gearing ratio of the Group, based on total liabilities over total assets was approximately 61.1 per cent. (31 March 2017: approximately 65.6 per cent.).

	As at 30 September 2017 HK\$'000	As at 31 March 2017 HK\$'000
Total assets	175,274	187,539
Total liabilities	107,075	123,079
Gearing ratio	61.1 per cent.	65.6 per cent.

There was an improvement in the gearing ratio during the six months ended 30 September 2017.

CHARGES ON ASSETS

As at 30 September 2017, the Group pledged no asset to secure borrowings granted to the Group (31 March 2017: Nil).

CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any significant contingent liabilities.

EXPOSURE TO FOREIGN EXCHANGE RISK

Most of the transactions, income and expenditure of the Group are denominated in Renminbi. The Group may be exposed to foreign currency risks such as the PRC's government control on foreign currency conversion. During the six months ended 30 September 2017, the Group did not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES

As at 30 September 2017, the Group employed 36 and 6 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 2017 (2016-1H: approximately HK\$4.6 million).

Share options may be granted to Directors and employees of the Group to subscribe for shares in the Company. During the six months ended 30 September 2017, no share option has been granted, exercised, cancelled or lapsed under the share option scheme adopted by the Company. As at 1 April 2017 and 30 September 2017, no share option was outstanding.

Continuing briefing and professional development is provided to the Directors and company secretary of the Company if necessary. Other staff serving in different positions is subject to different classes of training. Other staff would receive trainings that cover internal programs, seminars or other related activities which are mainly related to working knowledge and expertise, and also certain trainings in relation to occupational safety each year.

BUSINESS PROSPECTS

Considering the PRC government's encouragement on distributed photovoltaic power generation, the Group will continue to look for other solar energy generation projects and new energy power system integration services. The Group has been recently negotiating and securing new contracts for the new energy power system integration business. In November 2017, the Group, together with another energy company, entered into a subcontracting contract with a main contractor of a construction project of solar photovoltaic power station to be installed at the rooftop in Henan Province.

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 to 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.

For the sales of self-service ATM systems and printing systems, the Group plans to focus on existing clients, suppliers and manufacturers of the ATM systems and printing systems. For hardware and software technical support services, since the revenue recorded for the provision of these services has been decreasing, the Group did not intend to further invest in this business. Such services will be provided as and when requested by the customers in connection with the sales of self-service ATM systems and printing systems.

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period under review (2016-1H: Nil).

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

As at 30 September 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules are as follows:

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

Name of Directors	Capacity	Number and class of securities (Note 1)	Approximate percentage of the Company's issued share capital as at 30 September 2017 (Note 2)
Mr. Chiu Tung Ping (Executive Director)	Interest in a controlled corporation (Note 3)	217,766,038 ordinary shares (L) (Note 4)	15.23%
Ms. Yuen Hing Lan (Executive Director)	Interest 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 long positions in the shares or underlying shares of the Company.
- As at 30 September 2017, the issued share capital of the Company was 1,430,012,850 ordinary 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 all 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 corporation	Number and class of securities	Capacity	Approximate percentage of the issued share capital of the associated corporation
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 September 2017, the following persons or entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Number of ordinary shares (Note 1)	Capacity	Approximate percentage of the Company's issued share capital as at 30 September 2017 (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 in a controlled corporation (Note 7)	15.13%

Notes:

- The letter "L" represents long position in the shares or underlying shares of the Company.
- As at 30 September 2017, the issued share capital of the Company was 1,430,012,850 ordinary 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, 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.
- 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.
- 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.

Saved as disclosed above, as at 30 September 2017, no person or entity other than a Director or chief executive of the Company had an interest or 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 Board ("**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 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 2017, the Audit Committee comprised three independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu, with Ms. Ma Xingqin acting as the chairman. The unaudited consolidated results of the Group for the six months ended 30 September 2017 have been reviewed and approved by the Audit Committee.

REMUNERATION COMMITTEE

The remuneration committee of the Board ("**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. Such 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 2017, the Remuneration Committee comprised three independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu with Ms. Ma Xingqin acting 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 with written terms of reference following code provision D.3.1 of the CG Code.

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

NOMINATION COMMITTEE

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 2017, the Nomination Committee comprised three independent non-executive Directors, namely, Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu, with Ms. Ma Xingqin acting as the chairman of the Nomination Committee.

The Nomination Committee is responsible for considering suitable candidates to serve as Directors and making recommendations on the appointment and termination of service of Directors. The Nomination Committee selects and nominates candidates based on whether they possess the skills and experience required by the Group's development.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 September 2017, none of the Directors or his/her close associates had an interest in a business which competes or may compete with the business of the Group.

The Company did not have controlling shareholder as at 30 September 2017 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 six months ended 30 September 2017.

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 2017, the Company has complied with all the code provisions set out in the CG Code, except for the deviations from code provisions A.2.1 and E.1.2 as explained below.

CODE PROVISION A.2.1

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman of the Board and chief executive officer should be separate and should not be performed by the same individual.

The Company deviates from this provision because Mr. Chiu Tung Ping has been performing both the roles of chairman of the Board and chief executive officer of the Group starting from 13 July 2012. However, the Board believes that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group. The Directors will continue to review the effectiveness of the current structure and assess whether separation of roles of chairman of the Board and chief executive officer of the Group is necessary.

CODE PROVISION E.1.2

Under code provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Due to other commitments which must be attended by Mr. Chiu Tung Ping, the chairman of the Board, Mr. Chiu was unable to attend the annual general meeting of the Company held on 25 September 2017 ("**2017 AGM**"). Nevertheless, Ms. Hu Xin, an executive Director, had presided as the chairman at the 2017 AGM and was available to answer questions from the shareholders of the Company.

On behalf of the Board

Chiu Tung Ping

Chairman and executive Director

Hong Kong, 10 November 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