



**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**

**THIRD QUARTERLY REPORT**

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

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*This report, for which the directors (“Directors”) of China Technology Solar Power Holdings Limited (“Company” 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 2017 was approximately HK\$4.0 million (the loss attributable to owners of the Company for the nine months ended 31 December 2016 (“**2016-Q3**”) was approximately HK\$15.4 million).

The revenue of the Group for the nine months ended 31 December 2017 was approximately HK\$55.2 million, representing an increase of approximately 474.0 per cent. as compared with approximately HK\$9.6 million recorded for 2016-Q3.

Gross profit margin of the Group was approximately 33.1 per cent. in the nine months ended 31 December 2017, as compared to approximately 27.3 per cent. for 2016-Q3.

Basic loss per share for the nine months ended 31 December 2017 was approximately HK0.28 cents (basic loss per share for 2016-Q3 was approximately HK1.08 cents).

The Directors do not recommend the payment of a quarterly dividend for the nine months ended 31 December 2017 (2016-Q3: Nil).

The board of Directors announces the unaudited consolidated results of the Group for the nine months ended 31 December 2017.

## 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 2017.

The Group recorded a loss attributable to owners of the Company of approximately HK\$4.0 million for the nine months ended 31 December 2017 (2016-Q3: loss attributable to owners of the Company of approximately HK\$15.4 million). The decrease in loss was mainly attributable to the increase in revenue of the Group.

The Group's revenue amounted to approximately HK\$55.2 million for the nine months ended 31 December 2017, representing an increase of approximately 474.0 per cent., as compared with approximately HK\$9.6 million recorded for 2016-Q3. Such increase was attributable to the increase in revenue generated from the sales of solar power related products and new energy power system integration business by approximately HK\$39.6 million and HK\$6.3 million respectively during the nine months ended 31 December 2017, as compared with the same period last year.

The Group's gross profit margin was approximately 33.1 per cent. for the nine months ended 31 December 2017, as compared to approximately 27.3 per cent. for 2016-Q3. 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 nine months ended 31 December 2017 (2016-Q3: Nil).

Selling expenses incurred by the Group for the nine months ended 31 December 2017 amounted to approximately HK\$2.6 million (2016-Q3: approximately HK\$2.6 million), representing an increase of approximately 2.2 per cent..

Administrative expenses incurred by the Group for the nine months ended 31 December 2017 amounted to approximately HK\$10.2 million (2016-Q3: approximately HK\$10.5 million), representing a decrease of approximately 2.2 per cent..

Basic loss per share was approximately HK0.28 cents for the nine months ended 31 December 2017, as compared with the basic loss per share of approximately HK1.08 cents for 2016-Q3.

## **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 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 nine months ended 31 December 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-Q3. The revenue generated from the sales of solar power related products was approximately HK\$48.8 million for the nine months ended 31 December 2017 (2016-Q3: approximately HK\$9.2 million), accounted for approximately 88.4 per cent. (2016-Q3: approximately 95.3 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\$6.4 million during the nine months ended 31 December 2017 (2016-Q3: approximately HK\$59,000). 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 nine months ended 31 December 2017, sales of self-service ATM systems and printing systems (including the provision of hardware and software technical support services) accounted for approximately 0.04 per cent. (2016-Q3: approximately 4.1 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\$22,000 for the nine months ended 31 December 2017 (2016-Q3: approximately HK\$0.4 million), representing a decrease of approximately 94.4 per cent..

## **PROVISION OF HARDWARE AND SOFTWARE TECHNICAL SUPPORT SERVICES**

The provision of hardware and software technical support services accounted for approximately 0.04 per cent. (2016-Q3: approximately 1.9 per cent.) of the Group's total revenue for the nine months ended 31 December 2017. Income derived from the provision of hardware and software technical support services for the nine months ended 31 December 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 nine months ended 31 December 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.

## LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

As at 31 December 2017, the Group had cash and bank balances amounting to a total of approximately HK\$73.7 million (31 March 2017: approximately HK\$13.2 million). The Group had no outstanding bank overdraft as at 31 December 2017 (31 March 2017: 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 (2016-Q3: Nil).

## 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 negotiating and securing new contracts for the new energy power system integration business during the period under review. 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. As at the date of this report, the Group had commenced to provide these services.

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.

## 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 2017 together with the comparative unaudited consolidated results of the Group for the corresponding periods in 2016 as follows:

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

	Notes	From 1 October 2017 to 31 December 2017 HK\$'000	From 1 April 2017 to 31 December 2017 HK\$'000	From 1 October 2016 to 31 December 2016 HK\$'000	From 1 April 2016 to 31 December 2016 HK\$'000
Revenue	2	23,038	55,160	2,265	9,609
Cost of sales		(16,495)	(36,922)	(1,635)	(6,989)
Gross profit		6,543	18,238	630	2,620
Other revenue	2	17	585	58	291
Selling expenses		(1,042)	(2,606)	(707)	(2,550)
Change in fair value of financial assets at fair value through profit or loss	3	1,132	1,266	(320)	(50)
Administrative expenses		(3,790)	(10,235)	(3,349)	(10,468)
Finance costs	4	(1,612)	(4,736)	(1,486)	(4,527)
Profit (Loss) before taxation	3	1,248	2,512	(5,174)	(14,684)
Income tax	5	(1,742)	(2,603)	(477)	(478)
<b>Loss for the period</b>		<b>(494)</b>	<b>(91)</b>	<b>(5,651)</b>	<b>(15,162)</b>
<b>Other comprehensive income (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		1,695	5,031	(4,585)	(9,407)
<b>Total comprehensive income (expense) for the period</b>		<b>1,201</b>	<b>4,940</b>	<b>(10,236)</b>	<b>(24,569)</b>
<b>(Loss) Profit attributable to:</b>					
Owners of the Company		(2,562)	(3,987)	(5,448)	(15,411)
Non-controlling interests		2,068	3,896	(203)	249
<b>Loss for the period</b>		<b>(494)</b>	<b>(91)</b>	<b>(5,651)</b>	<b>(15,162)</b>
<b>Total comprehensive (expense) income for the period attributable to:</b>					
Owners of the Company		(1,072)	397	(9,745)	(24,270)
Non-controlling interests		2,273	4,543	(491)	(299)
<b>Total comprehensive income (expense) for the period</b>		<b>1,201</b>	<b>4,940</b>	<b>(10,236)</b>	<b>(24,569)</b>
Dividend		–	–	–	–
		HK cents	HK cents	HK cents	HK cents
<b>Loss per share attributable to owners of the Company during the period</b>					
– Basic	6	(0.18 cents)	(0.28 cents)	(0.38 cents)	(1.08 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								Total
	Share capital	Share premium	Reserve arising from reorganisation	Exchange reserve	Convertible bonds reserve	Retained profits (deficit)	Total	Non-controlling interests	
	HK\$'000	HK\$'000	(Note (a)) HK\$'000	(Note (b)) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2016	143,001	215,968	(24,317)	5,176	27,997	28,955	396,780	7,883	404,663
(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	143,001	215,968	(24,317)	(3,683)	27,997	13,544	372,510	7,584	380,094
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	-	-	-	-	-	(3,987)	(3,987)	3,896	(91)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	4,384	-	-	4,384	647	5,031
Total comprehensive income (expense) for the period	-	-	-	4,384	-	(3,987)	397	4,543	4,940
At 31 December 2017	143,001	215,968	(24,317)	2,621	27,997	(308,180)	57,090	12,310	69,400

### 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:
- 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.
  - The exchange differences on monetary items which form part of the Group's net investment in the foreign subsidiaries.

## 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 (“HKICPA”), 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 2017, except for adoption of new and revised HKFRSs and HKAS issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 April 2017. 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 2017 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 recognised during the period are as follows: –

	From 1 October 2017 to 31 December 2017 (unaudited) HK\$’000	From 1 April 2017 to 31 December 2017 (unaudited) HK\$’000	From 1 October 2016 to 31 December 2016 (unaudited) HK\$’000	From 1 April 2016 to 31 December 2016 (unaudited) HK\$’000
Revenue				
Sales of solar power related products	22,987	48,788	2,175	9,155
New energy power system integration business	51	6,350	59	59
Sales of self-service ATM systems and printing systems	–	–	31	210
Provision of hardware and software technical support services	–	22	–	185
	23,038	55,160	2,265	9,609
Other revenue				
Bank interest income	4	21	52	219
Gain on disposal of held-for-trading financial assets	–	459	–	–
Others	13	105	6	72
	17	585	58	291
Total revenue	23,055	55,745	2,323	9,900

### 3. PROFIT (LOSS) BEFORE TAXATION

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

	From 1 October 2017 to 31 December 2017 (unaudited) HK\$'000	From 1 April 2017 to 31 December 2017 (unaudited) HK\$'000	From 1 October 2016 to 31 December 2016 (unaudited) HK\$'000	From 1 April 2016 to 31 December 2016 (unaudited) HK\$'000
Cost of inventories sold	16,495	36,922	1,635	6,989
Depreciation	65	470	213	524
Change in fair value of financial assets at fair value through profit or loss	(1,132)	(1,266)	320	50

### 4. FINANCE COSTS

	From 1 October 2017 to 31 December 2017 (unaudited) HK\$'000	From 1 April 2017 to 31 December 2017 (unaudited) HK\$'000	From 1 October 2016 to 31 December 2016 (unaudited) HK\$'000	From 1 April 2016 to 31 December 2016 (unaudited) HK\$'000
Imputed finance costs on convertible bonds	1,016	2,950	890	2,584
Interest on other loans	596	1,786	596	1,786
Interest in discounted bills	–	–	–	157
	1,612	4,736	1,486	4,527

## 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 PRC Enterprise Income Tax rate of 25% (2016-Q3: 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 2017 (2016-Q3: Nil).

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

	From 1 October 2017 to 31 December 2017 (unaudited) HK\$'000	From 1 April 2017 to 31 December 2017 (unaudited) HK\$'000	From 1 October 2016 to 31 December 2016 (unaudited) HK\$'000	From 1 April 2016 to 31 December 2016 (unaudited) HK\$'000
Current income tax:				
– Hong Kong profits tax	–	–	–	–
– PRC Enterprise Income Tax	1,742	2,603	477	478
Income tax	1,742	2,603	477	478

## 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 2017 to 31 December 2017 (unaudited) HK\$'000	From 1 April 2017 to 31 December 2017 (unaudited) HK\$'000	From 1 October 2016 to 31 December 2016 (unaudited) HK\$'000	From 1 April 2016 to 31 December 2016 (unaudited) HK\$'000
<b>Loss</b>				
Loss attributable to the owners of the Company	(2,562)	(3,987)	(5,448)	(15,411)
<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	1,430,012,850	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 nine months ended 31 December 2017 and 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 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 31 December 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	131,140,000 ordinary shares (L)	9.17%

Notes:

- The letter "L" represents long positions in the shares or underlying shares of the Company.
- As at 31 December 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**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Number and class of securities</b>	<b>Capacity</b>	<b>Approximate percentage of the issued share capital of the associated corporation</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 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 31 December 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 31 December 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.

Save as disclosed above, as at 31 December 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 Company (“**Audit Committee**”) was formed on 13 December 2000. The written terms of reference (revised in March 2016) which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for Effective Audit Committee” published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company’s auditors in matters coming within the scope of the 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 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 as the chairman. The unaudited consolidated results of the Group for the nine months ended 31 December 2017 have been reviewed and approved by the Audit Committee.

## DIRECTORS’ INTEREST IN COMPETING BUSINESS

As at 31 December 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 31 December 2017 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 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.

On behalf of the Board

**Chiu Tung Ping**

*Chairman and executive Director*

Hong Kong, 9 February 2018

*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*