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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2019

The board (“**Board**”) of directors (“**Directors**”) of China Technology Solar Power Holdings Limited (“**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the annual results of the Group for the year ended 31 March 2019. This announcement, containing the full text of the annual report of the Company for the year ended 31 March 2019, complies with the relevant requirements of the Rules (“**GEM Listing Rules**”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of the annual results.

On behalf of the Board
China Technology Solar Power Holdings Limited
Chiu Tung Ping
Chairman and Executive Director

Hong Kong, 28 June 2019

* *For identification purpose only*

As at the date of this announcement, 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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and on the Company’s website at www.chinatechsolar.com.

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

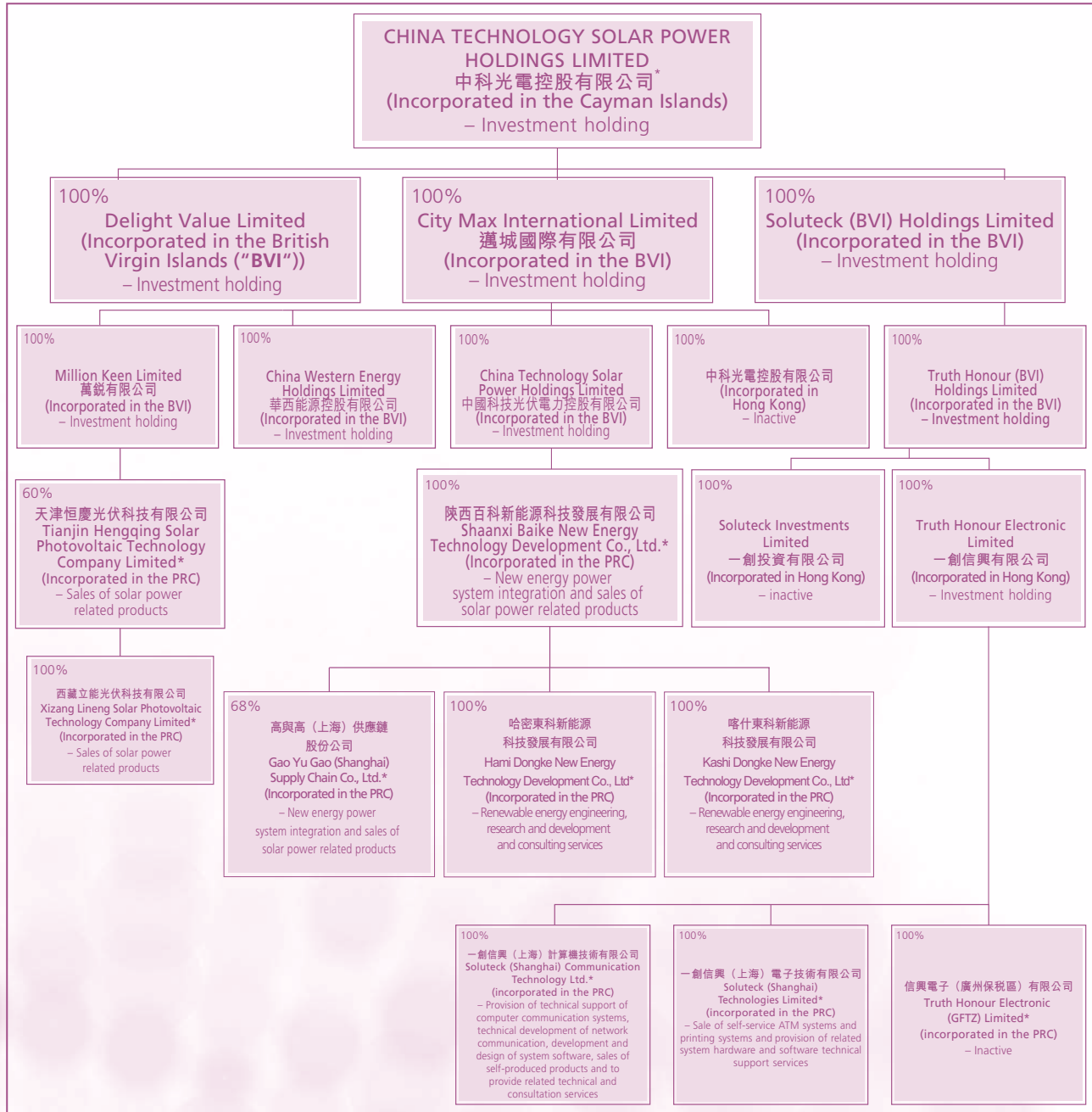
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Corporate Structure

The following chart illustrates the corporate structure of the Company and its subsidiaries and their respective principal business activities as at the date of this report:



* For identification purpose only

Corporate Information

Executive Directors

Mr. Chiu Tung Ping
(Chairman and Chief executive officer)
Ms. Yuen Hing Lan
Mr. Hou Hsiao Bing
Ms. Hu Xin

Independent non-executive Directors

Ms. Ma Xingqin
Mr. Meng Xianglin
Mr. Dong Guangwu

Company secretary

Ms. Chan Mi Ling, Anita, FCCA, CPA, FCA

Authorised representatives

Ms. Hu Xin
Ms. Chan Mi Ling, Anita, FCCA, CPA, FCA

Compliance officer

Ms. Hu Xin

Members of audit committee

Ms. Ma Xingqin *(Chairman)*
Mr. Meng Xianglin
Mr. Dong Guangwu

Members of remuneration committee

Ms. Ma Xingqin *(Chairman)*
Mr. Meng Xianglin
Mr. Dong Guangwu

Members of nomination committee

Ms. Ma Xingqin *(Chairman)*
Mr. Meng Xianglin
Mr. Dong Guangwu

Members of corporate governance committee

Mr. Chiu Tung Ping *(Chairman)*
Ms. Yuen Hing Lan
Mr. Hou Hsiao Bing
Ms. Hu Xin

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong

Room 1801, 18th Floor
Kai Tak Commercial Building
317 & 319 Des Voeux Road Central
Hong Kong

Company website

www.chinatechsolar.com

Principal share registrar and transfer office

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor Services Limited
1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

GEM stock code

8111

Letter from the Chairman

ANNUAL RESULTS HIGHLIGHTS

The loss attributable to owners of the Company for the year ended 31 March 2019 was approximately RMB53.5 million (2018: loss attributable to owners of the Company of approximately RMB5.1 million (restated)).

The revenue of the Group for the year ended 31 March 2019 was approximately RMB162.8 million, representing an increase of approximately 104.9 per cent. as compared with the revenue of approximately RMB79.5 million (restated) for the year ended 31 March 2018.

Gross profit margin of the Group was approximately 21.9 per cent. for the year ended 31 March 2019, as compared to approximately 18.1 per cent. for the year ended 31 March 2018.

Basic loss per share for the year ended 31 March 2019 was approximately RMB0.36 cents (2018: basic loss per share of approximately RMB0.36 cents (restated)).

The Directors do not recommend the payment of a dividend for the year ended 31 March 2019 (2018: Nil).

I am pleased to present the annual results of China Technology Solar Power Holdings Limited and its subsidiaries for the year ended 31 March 2019.

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 year ended 31 March 2019.

The Group’s revenue amounted to approximately RMB162.8 million for the year ended 31 March 2019, representing an increase of approximately 104.9 per cent. as compared with the revenue of approximately RMB79.5 million (restated) recorded for the year ended 31 March 2018. 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 RMB12.6 million and RMB70.8 million respectively during the year ended 31 March 2019, as compared with last year.

The Group’s gross profit margin was approximately 21.9 per cent. for the year ended 31 March 2019, as compared to approximately 18.1 per cent. for the year ended 31 March 2018. The increase in the gross profit margin was mainly as a result of the higher gross profit margin attributable to the new energy power system integration service income of approximately 26.9 per cent. during the year ended 31 March 2019.

Letter from the Chairman

The Group recorded a loss attributable to owners of the Company amounting to approximately RMB53.5 million for the year ended 31 March 2019 (2018: loss attributable to owners of the Company of approximately RMB5.1 million (restated)), mainly as a result of (i) the impairment loss recorded in the year ended 31 March 2019 in relation to goodwill arising from acquisition of a subsidiary engaging in sales of solar power related products business of approximately RMB32.1 million (2018: approximately RMB3.8 million (restated)); and (ii) the impairment loss on accounts receivables, other receivables and deposits and contract assets during the year ended 31 March 2019 of approximately RMB22.6 million (2018: impairment loss reversed of approximately RMB0.7 million (restated)).

Basic loss per share was approximately RMB3.26 cents for the year ended 31 March 2019, as compared with the basic loss per share of approximately RMB0.36 cents (restated) for the year ended 31 March 2018.

SALES OF SOLAR POWER RELATED PRODUCTS

During the year ended 31 March 2019, 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 the last year. The revenue generated from the sales of solar power related products was approximately RMB80.0 million for the year ended 31 March 2019 (2018: approximately RMB67.4 million (restated)), accounted for approximately 49.1 per cent. of the Group's total revenue (2018: approximately 84.8 per cent.).

NEW ENERGY POWER SYSTEM INTEGRATION BUSINESS

The PRC government continues to support the development of the solar energy industry. Although the PRC government has cut down on subsidy on solar electricity in the year under review, the Thirteenth Five-Year Plan for the National Economic and Social Development has set clear targets on the development of different renewable energy technologies including but not limited to technologies relating to solar photovoltaic power and solar thermal power.

Considering the PRC government's encouragement on distributed photovoltaic power generation, the Group continue to look for other solar energy generation projects and new energy power system integration services.

In October 2018, Shaanxi Baike New Energy Technology Development Co., Ltd.* (陝西百科新能源科技發展有限公司) (“**Shaanxi Baike**”), an indirect wholly-owned subsidiary of the Company, and an engineering company in Sichuan province of the PRC (“**Sichuan Company**”) jointly entered into a subcontractor contract (“**Subcontractor Contract**”) with PowerChina Hebei Engineering Corporation Limited for the provision of contractor services for the construction of a photovoltaic power station in Erquanjing Xiang, Zhangbei county of the PRC at a contract price of RMB380 million (value-added tax included) (“**Zhangbei Project**”). The Zhangbei Project has a designed capacity of 500MWp. The Subcontractor Contract is for the construction of 100MWp of the first phase of the Zhangbei Project of 240MWp. Shaanxi Baike and Sichuan Company also entered into an engineering consultancy contract (“**Engineering Consultancy Contract**”) pursuant to which Shaanxi Baike agreed to provide engineering consulting services in relation to the first phase of the Zhangbei Project at a contract price of RMB30 million (value-added tax included). As at the date of this report, the construction of the Zhangbei Project has already commenced, and of which approximately 22.0 per cent. and 60.0 per cent. of the Subcontractor Contract and Engineering Consultancy Contract respectively have been completed.

* For identification purpose only

Letter from the Chairman

The revenue generated from the new energy power system integration business was approximately RMB82.8 million during the year ended 31 March 2019 (2018: RMB12.0 million (restated)). Such increase was attributable to the (i) revenue of approximately RMB65.8 million arising from the Subcontractor Contract and (ii) revenue of approximately RMB17.0 million arising from the Engineering Consultancy Contract during the year under review.

SALES OF SELF-SERVICE ATM SYSTEMS AND PRINTING SYSTEMS

The Group remains recognised as an ATM software, hardware and service company in the ATM sector and a marketing and sales agent for Fuji Xerox for its printing systems in China. The Group is now in the process of discussion with potential customers for new contracts during the year under review.

The Group tries to put efforts on enhancing customer relationships, broadening business relationships and exploring new business opportunities in corporate outsourcing technical service sector.

DIVIDEND

The board of Directors ("**Board**") does not recommend the payment of a dividend for the year ended 31 March 2019 (2018: Nil).

APPRECIATION

We treasure the harmonious relationship with our staff and would like to take this opportunity to express our gratitude to the management and staff of the Group for their dedicated performance which is instrumental to the future development of the Group. We would also like to take this opportunity to thank our shareholders, suppliers and customers for their continuous support to the Group.

Mr. Chiu Tung Ping

Chairman and executive Director

Hong Kong, 28 June 2019

Management Discussion and Analysis

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Due to the voluntary change in presentation currency during the current period and correction of prior year errors, certain adjustments to prior year financial statements have been made. Accordingly, certain comparative amounts have been restated to conform with the current period's presentation, disclosures and accounting treatment, and a third statement of financial position as at 31 March 2017 has been presented. Please refer to note 2 of the notes to the consolidated financial statements in this annual report for further details.

REVENUE

Revenue by segment recognised during the year under review are as follows:

| | Year ended 31 March | |
|---|---------------------|-------------------------------|
| | 2019 RMB'000 | 2018 RMB'000 (restated) |
| Revenue | | |
| Sales of solar power related products | 79,978 | 67,408 |
| New energy power system integration service income | 82,805 | 12,031 |
| Sales of self-service ATM systems and printing systems | – | 19 |
| Provision of hardware and software technical support services | – | – |
| | 162,783 | 79,458 |

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 power 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 year ended 31 March 2019, 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 the last year.

The revenue generated from the sales of solar power related products was approximately RMB80.0 million for the year ended 31 March 2019 (2018: approximately RMB67.4 million (restated)), accounted for approximately 49.1 per cent. of the Group's total revenue (2018: approximately 84.8 per cent.).

Management Discussion and Analysis

NEW ENERGY POWER SYSTEM INTEGRATION BUSINESS

Considering the PRC government's encouragement on distributed photovoltaic power generation, the Group continue to look for business opportunities relating to solar energy generation projects and new energy power system integration services.

In October 2018, Shaanxi Baike New Energy Technology Development Co., Ltd.* (陝西百科新能源科技發展有限公司) ("**Shaanxi Baike**"), an indirect wholly-owned subsidiary of the Company, and an engineering company in Sichuan province of the PRC ("**Sichuan Company**") jointly entered into a subcontractor contract ("**Subcontractor Contract**") with PowerChina Hebei Engineering Corporation Limited for the provision of contractor services for the construction of a photovoltaic power station in Erquanjing Xiang, Zhangbei county of the PRC at a contract price of RMB380 million (value-added tax included) ("**Zhangbei Project**"). The Zhangbei Project has a designed capacity of 500MWp. The Subcontractor Contract is for the construction of 100MWp of the first phase of the Zhangbei Project of 240MWp. Shaanxi Baike and Sichuan Company also entered into an engineering consultancy contract ("**Engineering Consultancy Contract**") pursuant to which Shaanxi Baike agreed to provide engineering consulting services in relation to the first phase of the Zhangbei Project at a contract price of RMB30 million (value-added tax included). As at the date of this report, the construction of the Zhangbei Project has already commenced, and of which approximately 22.0 per cent. and 60.0 per cent. of the Subcontractor Contract and Engineering Consultancy Contract respectively have been completed during the year ended 31 March 2019.

The revenue generated from the new energy power system integration business was approximately RMB82.8 million during the year ended 31 March 2019 (2018: RMB12.0 million (restated)). Such increase was attributable to the (i) revenue of approximately RMB65.8 million arising from the Subcontractor Contract and (ii) revenue of approximately RMB17.0 million arising from the Engineering Consultancy Contract during the year under review.

* For identification purpose only

Management Discussion and Analysis

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

There was no revenue generated from the sales of self-service ATM systems and printing systems during the year ended 31 March 2019 (2018: approximately RMB19,000 (restated)) mainly as a result of the business restructuring during the year under review. The Group is now in the process of discussion with potential customers for new contracts as at the date of this annual report.

PROVISION OF HARDWARE AND SOFTWARE TECHNICAL SUPPORT SERVICES

There was no revenue generated from the provision of hardware and software technical support services during the year ended 31 March 2019 (2018: Nil) mainly as a result of the business restructuring during the year under review.

SELLING EXPENSES

Selling expenses incurred by the Group for the year ended 31 March 2019 amounted to approximately RMB2.7 million (2018: approximately RMB3.0 million (restated)), representing a decrease of approximately 9.9 per cent. as a result of the Group's policy on cost control during the year under review.

ADMINISTRATIVE EXPENSES

Administrative expenses incurred by the Group for the year ended 31 March 2019 amounted approximately RMB12.1 million (2018: approximately RMB13.0 million (restated)), representing a decrease of approximately 7.0 per cent, as a result of the Group's policy on cost control during the year under review.

Staff costs (including Directors' emoluments) which were included in both selling expenses and administrative expenses increased by approximately 6.9 per cent. to approximately RMB8.0 million in aggregate (2018: approximately RMB7.5 million (restated)) as a result of the share-based payment expense of approximately RMB2.1 million attributable to the grant of share options on 10 April 2018, which was partly offset by some cost control policy of the Group.

Management Discussion and Analysis

IMPAIRMENT LOSS ON GOODWILL

During the year ended 31 March 2019, an impairment loss of approximately RMB32.1 million (2018: approximately RMB3.8 million (restated)) in relation to goodwill arising from the acquisition of a subsidiary engaging in the sales of solar power related products business was recorded.

The impairment loss on goodwill arised from the Group's acquisition of Million Keen Limited and its subsidiaries ("**Million Keen Group**") which is engaged in the sales of solar power related products business. Such acquisition was completed in May 2015. In the year ended 31 March 2019, due to adverse changes in market conditions, in particular, the release of the new government policy on cutting down the subsidy on solar electricity published on 31 May 2018 and on 7 January 2019, the management of the Group reviews and reassesses the recoverable amounts of the relevant cash generating unit to determine whether there is any impairment loss directly related to Million Keen Group. Because of the negative impact on the solar power industry as a result of the new government policy on solar electricity subsidy, the Directors have determined impairment of goodwill directly related to Million Keen Group amounting to approximately RMB32.1 million.

FINANCE COSTS

For the year ended 31 March 2019, the Group has incurred the following finance costs:

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---|-----------------|-------------------------------|
| Effective interest on convertible bonds | 3,628 | 3,376 |
| Interest on other loans | 911 | 2,020 |
| | 4,539 | 5,396 |

INCOME TAX

The Group had an income tax expense for the year ended 31 March 2019 of approximately RMB7.4 million (2018: an income tax expense of approximately RMB3.3 million (restated)). The increase in the provision of PRC Enterprise Income Tax for the year under review as compared with the year ended 31 March 2018 was attributable to (i) the increase in profit before taxation of certain subsidiaries in the PRC for the year under review as compared to that of the year ended 31 March 2018; and (ii) the provision of PRC Enterprise Income Tax made in the year under review in respect of certain income of Shaanxi Baike New Energy Technology Development Co., Ltd.* (陝西百科新能源科技發展有限公司) ("**Shaanxi Baike**") (the Group's subsidiary in the PRC) recognised in previous years subsequent to the communications with the PRC Tax Bureau that Shaanxi Baike might not meet the requirements of the relevant tax regulations on certain tax preferential treatments from the PRC Enterprise Income Tax. Please refer to further details as disclosed in the announcement of the Company dated 21 August 2018.

* For identification purpose only

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

As at 31 March 2019, the Group had bank balances and cash amounting to a total of approximately RMB2.6 million (2018: approximately RMB23.8 million (restated)) denominated in Hong Kong dollars, Renminbi and United States dollars. The Group had no outstanding bank overdraft as at 31 March 2019 (31 March 2018: Nil).

The decrease in bank balances and cash is mainly due to the cash used in operations of approximately RMB27.9 million (2018: cash from operations of approximately RMB1.6 million (restated)), overseas taxation paid of approximately RMB7.6 million (2018: approximately RMB11.3 million (restated)) for the year ended 31 March 2019, and cash used in investing activities of approximately RMB204,000 (2018: cash from investing activities of approximately RMB19.8 million (restated)), which was partly offset by the cash from financing activities of approximately RMB14.5 million (2018: approximately RMB2.0 million (restated)).

As at 31 March 2019, the Group had (i) no other loans made in Hong Kong dollars (2018: approximately RMB15.9 million (restated)), which was interest bearing at 12% per annum, unsecured and repayable on demand; and (ii) approximately RMB2.6 million (2018: approximately RMB5.6 million (restated)) that was due to an executive Director, Mr. Chiu Tung Ping, which was unsecured, non-interest bearing and had no fixed term of repayment.

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

The Group did not use any financial instrument for hedging purpose during the year ended 31 March 2019, and did not have any outstanding hedging instrument as at 31 March 2019.

BANKING FACILITIES

As at 31 March 2019, the Company did not have any banking facilities.

CHARGES ON ASSETS

As of 31 March 2019, the Group did not pledge any asset to secure borrowings granted to the Group.

CURRENT RATIO

As at 31 March 2019, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 1.7 (31 March 2018: approximately 1.9). The current ratio remained stable as compared to that as at 31 March 2018.

Management Discussion and Analysis

GEARING RATIO

As at 31 March 2019, the gearing ratio of the Group, represented by the percentage of total liabilities over total assets was approximately 75.3 per cent. (2018: approximately 60.1 per cent.).

| | 31 March 2019 | 31 March 2018 |
|-------------------|-----------------------|----------------|
| | RMB'000 | RMB'000 |
| | | (Restated) |
| Total assets | 161,691 | 136,714 |
| Total liabilities | 121,730 | 82,221 |
| Gearing ratio | 75.3 per cent. | 60.1 per cent. |

The increase in the gearing ratio was because of the followings:

- (i) the increase in total assets of the Company by approximately RMB25.0 million as a result of the increase in accounts and bills receivable, other receivables, deposits and prepayments and contract assets of approximately RMB10.8 million, RMB42.9 million and RMB24.7 million respectively, which was partly offset by the impairment loss on goodwill of approximately RMB32.1 million and the decrease in bank balances and cash by approximately RMB21.2 million; and
- (ii) the increase in total liabilities of the Company by approximately RMB39.5 million which was due to the increase in accounts payables, and other payables and accruals by approximately RMB47.3 million and RMB9.6 million respectively, which was partly offset by the decrease in other loans of approximately RMB18.9 million during the year ended 31 March 2019.

DIRECTORS' OPINION ON SUFFICIENCY OF WORKING CAPITAL

In view of the Group's financial and liquidity positions and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liabilities.

Management Discussion and Analysis

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 year ended 31 March 2019, the Group did not have a foreign currency hedging policy. However, the management will closely monitor the Group's exposure to foreign exchange risks and will consider hedging significant foreign currency should the need arise.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There was no significant investments or material acquisition or disposal of subsidiaries by the Group during the year under review.

STRATEGIC COOPERATION AGREEMENT

In April 2018, Shaanxi Baike New Energy Technology Development Co., Ltd.* (陝西百科新能源科技發展有限公司) ("**Shaanxi Baike**"), an indirect wholly-owned subsidiary of the Company, has entered into a strategic cooperation agreement ("**Strategic Cooperation Agreement**") with China Construction New Energy Technology Co., Ltd.* (國建新能科技股份有限公司) ("**China Construction**") in relation to certain new energy power station projects, so as to establish a long-term strategic partnership in the field of new energy (photovoltaic and wind power) power generation. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, China Construction and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

As disclosed in the announcement of the Company dated 20 April 2018, the new energy power station projects include Zhong He Xin Cheng Rooftop Distributed Photovoltaic Power Generation Project in Henan ("**Zhong He Xin Cheng Project**") and Laiyuan Wind Power Station Project in Hebei ("**Laiyuan Project**"). As the owner of the project was unable to raise fund for the Zhong He Xin Cheng Project, such project could not commence and was terminated in November 2018. Laiyuan Project is currently put on hold pending fundraising by the owner of the project.

* For identification purpose only

Management Discussion and Analysis

FUND RAISING EXERCISE DURING THE YEAR

During the year ended 31 March 2019, the Company has successfully conducted one equity fund raising activity as follows:–

Placing of New Shares under General Mandate

On 2 August 2018, the Company and a placing agent entered into a placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 286,000,000 new ordinary shares of the Company (each a “**Placing Share**”) at a price of HK\$0.10 per Placing Share with the aggregate nominal value of HK\$28,600,000 under a general mandate granted to the Directors at the annual general meeting of the Company held on 25 September 2017, to not less than six placees, who were independent individuals, corporates, professional or institutional investors or other investors and who and whose ultimate beneficial owners were independent third parties. The closing price per Share on 2 August 2018 as quoted on the Stock Exchange was HK\$0.095. The placing was completed on 17 August 2018 and the net proceeds (after deduction of the placing commission and other expenses incidental to the placing) were approximately HK\$27.80 million, representing net issue price of approximately HK\$0.0972 per Placing Share.

The net proceeds from the placing were fully utilised as at the date of this report as intended to repay certain loans granted by an independent third party to it in the sum of approximately HK\$27.84 million (including the principal and the interests accrued thereon at the interest rate of 12% per annum). The Board was of the view that the placing could raise funds at a reasonable cost for the Company to reduce the level of borrowings and interest expenses of the Company. Hence, the Board considered that the placing was in the interest of the Company and its shareholders as a whole.

Please refer to further details as disclosed in the announcements of the Company dated 2 August 2018 and 17 August 2018.

HUMAN RESOURCES

As at 31 March 2019, the Group employed 5 and 11 staff in Hong Kong and the PRC respectively (31 March 2018: 5 in Hong Kong and 37 in the PRC). The main reason for the decrease in the number of staff during the reporting period was due to the completion of certain system integration works as well as cost control policy of the Group. If new system integration works are required, the Group will arrange for appropriate job openings. 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. Employee trainings are also provided as and when required. We actively promote on-the-job training at all levels of employees, who are recommended to participate in various training courses, forums and seminars, with an aim to enhance their knowledge and working skills, which in turn they can create competitive advantages together with the Group. We provide external training and updated directors’ training webcasts published by the Stock Exchange to our employees.

Management Discussion and Analysis

The remuneration of the Directors was determined by the Board with reference to the prevailing market rates, roles and responsibilities of the Directors. Share options may be granted to Directors and employees of the Group to subscribe for shares of the Company. Particulars of the Share Option Scheme are set out in the section "Report of the Directors" of this annual report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares of the Company during the year ended 31 March 2019.

BUSINESS OUTLOOK

Considering the PRC government's long-term 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 year under review.

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.

In the year under review, the PRC government introduced new policy on cutting down the subsidy on solar electricity. Notwithstanding this, the Group can rely on its strength in the new energy power system integration sector and will continue to negotiate and secure new contracts for the new energy power system integration business and seize other 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. The Group is now in the process of discussion with potential customers for new contracts during the year under review. For hardware and software technical support services, 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.

The Group will finance its future business plans by internally generated cash flow and borrowings.

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.

Management Discussion and Analysis

EVENTS AFTER THE REPORTING PERIOD

CHANGE OF CHIEF FINANCIAL OFFICER OF THE COMPANY

With effect from 1 May 2019, Mr. Tse Man Kit Keith (“**Mr. Tse**”) has joined the Group as the chief financial officer (“**Chief Financial Officer**”) of the Company.

Mr. Tse, aged 45, has been an independent non-executive director of (i) Beijing Enterprises Medical And Health Industry Group Limited (formerly known as Genvon Group Limited) (stock code: 2389) since September 2014; and (ii) Beijing Sports and Entertainment Industry Group Limited (formerly known as ASR Logistics Holdings Limited) (stock code: 1803) since January 2016, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Tse has around 20 years of working experience in accounting and financial management. He was the chief financial officer and company secretary of Shunfeng International Clean Energy Limited (stock code: 1165), the shares of which are listed on the Main Board of the Stock Exchange from September 2010 to November 2018. Mr. Tse also served as (i) a qualified accountant of Fosun International Limited (stock code: 656), the shares of which are listed on the Main Board of the Stock Exchange, from March 2008 to August 2010; and (ii) a director of corporate accounting in Flash Electronics, Inc. from January 2007 to January 2008. He worked in various international accountant firms from 1997 to 2007. Mr. Tse is a fellow Certified Practising Accountant of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tse obtained a bachelor’s degree in commerce, majoring in accountancy and finance from University of Wollongong, New South Wales, Australia in 1997.

Ms. Chan Mi Ling, the existing company secretary of the Company, has taken up the position as financial controller of the Company with effect from 1 May 2019.

CHANGE OF AUDITORS

Sky Base Partners CPA Limited (“**Sky Base Partners**”) has resigned as the auditors of the Group with effect from 10 May 2019, due to the change of corporate business strategy of Sky Base Partners.

Sky Base Partners confirmed in its letter of resignation that there were no matters connected with its resignation that needed to be brought to the attention of the shareholders of the Company (“**Shareholders**”).

The Board and the audit committee of the Board confirmed that there was no disagreement between the Company and Sky Base Partners and there were no matters or circumstances in respect of the resignation of Sky Base Partners as auditors of the Group that needed to be brought to the attention of the Shareholders.

On 24 May 2019, the Board of the Company, with the recommendation of the audit committee of the Board, has appointed Deloitte Touche Tohmatsu (“**Deloitte**”) as the new auditor of the Company to fill the casual vacancy following the resignation of Sky Base Partners CPA Limited and to hold office until conclusion of the next annual general meeting of the Company.

Corporate Governance Report

(1) CORPORATE GOVERNANCE PRACTICES

The Board and the senior management of the Company are committed to the principles of good corporate governance and have dedicated significant efforts to provide transparency, accountability and independence of their corporate governance practices. During the year ended 31 March 2019 (“**Review Period**”), the Company has applied the principles in the Corporate Governance Code (“**CG Code**”) as contained in Appendix 15 to the GEM Listing Rules to its corporate governance structure and practices in the manner as described in this corporate governance report.

During the Review Period, the Company has complied with all the code provisions set out in the CG Code, except for the deviation from code provisions A.2.1, A.2.7 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 the chairman of the Board (“**Chairman**”) and the chief executive officer of the Group (“**Chief Executive Officer**”) since 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 the roles of the Chairman and the Chief Executive Officer is necessary.

Code provision A.2.7

Code provision of A.2.7 of the then prevailing CG Code required the Chairman to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As the Chairman is also an executive Director, compliance with this code provision of the then prevailing CG Code is infeasible from 1 April 2018 to 31 December 2018. With effect from 1 January 2019, code provision A.2.7 of the CG Code has been amended and now requires the Chairman to hold meetings at least annually with the independent non-executive Directors without the presence of other Directors. Due to the nature of the business discussed at the Board meetings held by the Chairman during the period from 1 January 2019 to 31 March 2019, which required the participation of independent non-executive Directors and other Directors, the Company has deviated from code provision A.2.7 of the CG Code. The Company will comply with the code provisions of the CG Code in coming years.

Code provision E.1.2

Under code provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Due to other commitments which must be attended by the Chairman, the Chairman was unable to attend the annual general meeting of the Company held on 26 September 2018 (“**2018 AGM**”). Nevertheless, Ms. Hu Xin, an executive Director, presided as the chairman at the 2018 AGM to answer questions from the shareholders of the Company.

Corporate Governance Report

(2) BOARD OF DIRECTORS

The Board is accountable to shareholders for the activities and performance of the Group and for the preparation of financial statements which give a true and fair view. It oversees the Group's overall strategic plans, reviews the financial performance, supervises the management of the business and affairs and approves the strategic plans. The Board delegates corporate matters to the management of the Group under the leadership of the Chief Executive Officer, including preparation of annual, interim and quarterly accounts, execution of business strategies adopted by the Board, implementation of risk management and internal control systems and compliance with relevant statutory requirements, rules and regulations. The management is required to present an annual budget and proposals for major investment, acquisitions of capital assets and change in business strategies for the Board's approval.

BOARD COMPOSITION

The composition of the Board during the Review Period and as at the date of this report is as follows:

Executive Directors:

Mr. Chiu Tung Ping (Chairman)
Ms. Yuen Hing Lan
Mr. Hou Hsiao Bing
Ms. Hu Xin

Independent non-executive Directors:

Ms. Ma Xingqin
Mr. Meng Xianglin
Mr. Dong Guangwu

According to the articles of association of the Company ("**Articles**"), at every annual general meeting of the Company, one-third of all the Directors including the independent non-executive Directors shall retire from office by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Moreover, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

Mr. Chiu Tung Ping, an executive Director, the Chairman and the Chief Executive Officer, is the spouse of Ms. Yuen Hing Lan, an executive Director.

Corporate Governance Report

BOARD MEETING

The Board meets at least four times a year to review the financial and operating performance of the Group and discuss the Group's direction and strategy.

Details of the attendance of meetings of the Board held during the Review Period are as follows:

| Name of Director | Number of board meetings attended/held during the Director's term of office in the Review Period | Attendance rate |
|--|---|------------------------|
| <i>Executive Directors</i> | | |
| Mr. Chiu Tung Ping (Chairman) | 18/18 | 100% |
| Ms. Yuen Hing Lan | 15/18 | 83% |
| Mr. Hou Hsiao Bing | 4/18 | 22% |
| Ms. Hu Xin | 17/18 | 94% |
| <i>Independent non-executive Directors</i> | | |
| Ms. Ma Xingqin | 12/18 | 67% |
| Mr. Meng Xianglin | 13/18 | 72% |
| Mr. Dong Guangwu | 6/18 | 33% |

Directors are given notice of regular Board meetings of at least 14 days in advance. The Directors will receive details of agenda items for consideration in advance of each Board meeting.

All Directors have access to the company secretary of the Company who is responsible for ensuring that Board procedures are complied with and advising the Board on corporate governance and compliance matters.

The non-executive Directors have well-balanced expertise in corporate finance, accounting, and business matters. They bring independent and invaluable advice and judgement on the Group's business expansion and risk management issues. The executive Directors are seasoned practitioners in the sales of solar power related products and power system integration business and contribute to the Company with their industry and domain knowledge and management experience.

The Company confirmed that annual confirmations of independence were received from each of the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive Directors are considered to be independent.

Corporate Governance Report

(3) THE FOUR COMMITTEES OF THE BOARD

The Company implements specific terms of reference for the audit committee, remuneration committee, nomination committee and corporate governance committee of the Board, whereby the powers and responsibilities of each committee are clearly defined.

(a) *Audit Committee*

The Company established an audit committee ("**Audit Committee**") on 13 December 2000 with written terms of reference (revised in December 2018) made in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules and posted on the websites of the Company and the Stock Exchange. During the year ended 31 March 2019, the Audit Committee comprised three independent non-executive Directors, namely (i) Ms. Ma Xingqin; (ii) Mr. Meng Xianglin; and (iii) Mr. Dong Guangwu, with Ms. Ma Xingqin acting as the chairman of the Audit Committee.

The Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

The Audit Committee meets at least four times a year to review with Company's 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 with the GEM Listing Rules, internal and audit control and budget and cash flow forecast.

During the Review Period, the Audit Committee held four meetings. The Group's unaudited quarterly and interim results and audited annual results during the Review Period have been reviewed by the Audit Committee and the Audit Committee was of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made. The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt of the Company's ability to continue as a going concern during the Review Period.

The Audit Committee also reviewed the effectiveness of the Group's risk management and internal control systems during the Review Period as set out in the paragraphs headed "Risk Management and Internal Control" below. The Company did not have an internal audit function during the Review Period.

Corporate Governance Report

(b) 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 deal clearly with its authorities and duties. The terms of reference (revised in March 2012) followed the requirements of code provision B.1.2 of the CG Code and was posted on the websites of the Company and the Stock Exchange. During the year ended 31 March 2019, the Remuneration Committee comprised three independent non-executive Directors namely (i) Ms. Ma Xingqin; (ii) Mr. Meng Xianglin; and (iii) Mr. Dong Guangwu, with Ms. Ma Xingqin acting as the chairman of the Remuneration Committee.

The Remuneration Committee is primarily responsible for making recommendations to the Board on the Company's policy and structure for all Directors and senior management's remuneration.

During the Review Period, the Remuneration Committee held one meeting and performed the following duties:

- determined, with delegated responsibility from the Board, the remuneration of individual executive Directors and senior management by assessing their performance and approved the terms of their service contracts (if any); and
- made recommendations to the Board to establish a more formal and transparent procedure for determining the remuneration policy.

The policies for the remuneration of the Directors are:

- to ensure that none of the Directors should determine his/her own remuneration;
- the remuneration should be broadly aligned with companies with which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies while taking into account individual performance; and
- the remuneration should reflect the performance, complexity of duties and responsibilities of the individual Director.

Corporate Governance Report

(c) *Nomination Committee*

A nomination committee of the Board ("**Nomination Committee**") has been established with effect from 28 March 2012, with written terms of reference (revised in December 2018) following the requirements of code provision A.5.2 of the CG Code and posted on the websites of the Company and the Stock Exchange. The Procedures for Nomination of Directors adopted by the Nomination Committee can be found on the website of the Company.

During the year ended 31 March 2019, the Nomination Committee comprised three independent non-executive Directors namely (i) Ms. Ma Xingqin; (ii) Mr. Meng Xianglin; and (iii) 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. During the Review Period, the Nomination Committee's nomination policy was to select and nominate candidates based on whether they possess the skills and experience required by the Group's development.

A board diversity policy ("**Board Diversity Policy**") was first adopted by the Board on 1 September 2013. During the Review Period, the Nomination Committee has reviewed and recommended the adoption of the amended Board Diversity Policy, and was subsequently adopted by the Board on 31 December 2018. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee has adopted a director nomination policy ("**Nomination Policy**") on 31 December 2018 and became effective on 1 January 2019, which serves to improve the transparency of the process and criteria in selecting and recommending candidates as directors of the Company for the Board's approval from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. All Board appointments will be based on meritocracy and candidates will be nominated and considered in accordance with the Nomination Policy implemented by the Nomination Committee from time to time against objective criteria having due regard for the benefits of diversity as set out in the Board Diversity Policy and recommended to the Board for approval.

The Nomination Committee developed measurable objectives to implement the Board Diversity Policy, where selection of candidates will be based on a range of diversity perspectives as set out above and the ultimate decision will be based on merit and contribution that the selected candidates could bring to the Board. Pursuant to the Articles, one-third of all the Directors including independent non-executive Directors shall retire from office by rotation at the upcoming annual general meeting and being eligible, will offer themselves for re-election. The Nomination Committee, when making recommendations on the re-appointment of these Directors, has considered and taken into account the objectives set out in the Board Diversity Policy. The Nomination Committee is of the opinion that a balanced diversity of the Board has been achieved.

Corporate Governance Report

During the Review Period, the Nomination Committee held one meeting and performed the following duties:

1. conducted the annual review of the structure, size and composition (including the skills, knowledge and experience) of the Board and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. identified individuals suitably qualified to become Board members and made recommendations to the Board on the selection of individuals nominated for directorships;
3. assessed the independence of independent non-executive Directors;
4. made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer;
5. made recommendations to the Board on the adoption of the Nomination Policy; and
6. considered other topics as defined by the Board.

(d) 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 and posted on the websites of the Company and the Stock Exchange.

During the Review Period, the Corporate Governance Committee comprised four executive Directors, namely (i) Mr. Chiu Tung Ping; (ii) Ms. Yuen Hing Lan; (iii) Mr. Hou Hsiao Bing; and (iv) Ms. Hu Xin, with Mr. Chiu Tung Ping acting as the chairman of the Corporate Governance Committee.

The primary duties of the Corporate Governance Committee are, among other things, to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

Corporate Governance Report

During the Review Period, the Corporate Governance Committee held one meeting and performed the following duties:

- developed and reviewed the Company’s policies and practices on corporate governance and made recommendations on changes and updates to the Board for approval;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed and monitored the Company’s policies and practices on compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct applicable to employees and Directors;
- reviewed the Company’s compliance with the CG Code and disclosure in this corporate governance report; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

Attendance of Board committees meetings

The attendance of each Board committee member at Board committee meetings during the Review Period are as follows:

| | Audit Committee | Remuneration Committee | Nomination Committee | Corporate Governance Committee |
|--|--------------------|---------------------------|-------------------------|--------------------------------------|
| <i>Executive Directors</i> | | | | |
| Mr. Chiu Tung Ping | – | – | – | 1/1 |
| Ms. Yuen Hing Lan | – | – | – | 1/1 |
| Mr. Hou Hsiao Bing | – | – | – | 0/1 |
| Ms. Hu Xin | – | – | – | 1/1 |
| <i>Independent non-executive Directors</i> | | | | |
| Ms. Ma Xingqin | 4/4 | 1/1 | 1/1 | – |
| Mr. Meng Xianglin | 4/4 | 0/1 | 1/1 | – |
| Mr. Dong Guangwu | 1/4 | 1/1 | 1/1 | – |

Note: Attendance is counted by the number of Board committee meetings attended divided by the number of Board committees meetings held during the Board committee member’s term of office in the Review Period.

Corporate Governance Report

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual.

Since 13 July 2012, Mr. Chiu Tung Ping acted as both the Chairman and Chief Executive Officer. The Directors consider 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 the roles of the Chairman and the Chief Executive Officer is necessary.

(5) DIRECTORS AND AUDITORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the financial statements of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the GEM Listing Rules. The Directors also acknowledged their responsibilities to ensure that the financial statements of the Group are published in a timely manner as required by the GEM Listing Rules.

The external auditors' statement about reporting responsibility is set out on pages 57 to 63.

(6) TRAINING FOR DIRECTORS

Each newly appointed Director will receive comprehensive, formal and tailored induction on his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to the Directors at the Company's expenses whenever necessary.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environment to the Directors at Board meetings or through emails.

The Directors are committed to complying with code provision A.6.5 of the CG Code on directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received during the Review Period to the Company.

Corporate Governance Report

During the Review Period, the Directors had participated in the following types of training:

| <u>Name of Director</u> | <u>Type(s) of training</u> |
|-------------------------|----------------------------|
| Chiu Tung Ping | A, B |
| Yuen Hing Lan | A, B |
| Hou Hsiao Bing | A, B |
| Hu Xin | A, B |
| Ma Xingqin | A, B |
| Meng Xianglin | A, B |
| Dong Guangwu | A, B |

Note:

A reading journals and updates relating to the economy, business, directors duties and responsibilities, etc.

B viewing updated directors' training webcasts published by the Stock Exchange.

(7) COMPANY SECRETARY

During the Review Period, the company secretary of the Company ("**Company Secretary**"), Ms. Chan Mi Ling, Anita, complied with the requirements under the Rules 5.14 and 5.15 of the GEM Listing Rules. The Company Secretary supports the Board, ensures good information flow within the Board and Board policies and procedures are followed; advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of the Directors. The Company Secretary has attended not less than 15 hours of relevant professional training during the Review Period. Her biography is set out in the paragraphs headed "Biographical Details of the Directors and the Senior Management of the Group" in the report of the directors of this annual report.

(8) NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of the CG Code provides that a non-executive Director should be appointed for a specific term and subject to re-election. The Company's non-executive Directors are appointed for a term of one year and are subject to retirement by rotation and re-election in accordance with the Articles and the GEM Listing Rules.

(9) COMPLIANCE OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding Directors' securities transactions adopted by the Company throughout the Review Period.

Corporate Governance Report

(10) AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditors. For the Review Period, the remuneration of the external auditor of the Company amounted to RMB1,700,000, which was fees for their services rendered for auditing.

The fees paid/payable to the Company's external auditors in respect of audit and non-audit services rendered for the Review Period are as follows:

| <u>Nature of Services</u> | <u>Amount (RMB)</u> |
|---------------------------|---------------------|
| Audit services | 1,700,000 |
| Non-audit services | – |

(11) RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective risk management and internal control systems in order to safeguard the Group's assets and shareholders' interests. It reviews and monitors the effectiveness of the Group's risk management and internal control systems annually so as to ensure that the risk management and internal control systems in place are adequate. The purpose is to provide reasonable, but not absolute, assurance against material misstatements, errors, losses or fraud, and to manage rather than eliminate risks of failure in achieving the Group's business objectives.

The management of the Group has established the Group's risk management and internal control policies and guidance for implementing the risk management and internal control systems of the Group.

The Board has delegated to the management the implementation of such systems of risk management and internal control and to the Audit Committee the review of relevant financial, operational and compliance controls and risk management procedures and its effectiveness by conducting a review at least once a year. When carrying out the review on the risk management and internal control procedures, the Board had taken into consideration the adequacy of resources for accounting, internal audit and financial reporting, the qualifications and experience of the staff, trainings to be provided to the staff and the relevant budget. When identifying risks, the management will communicate with different operational departments and collect information of significant risk factors. Upon specifying areas of risk assessment, the management will evaluate the importance of risks based on their potential impact and the possibility of occurrence and set up internal control measures to mitigate the risks. On-going monitoring and reporting of any change of risks will also be conducted.

To ensure the independency of the review, the Group has outsourced its internal audit function to an internal control adviser (hereafter referred as "**IC Adviser**"). The responsibilities of the IC Adviser includes assisting the management to carry out an annual review on the effectiveness of the risk management and internal control systems. For the Review Period, the review conducted by the IC Adviser covers the period from 1 April 2018 to 31 March 2019 and is based on the risk assessment. The IC Adviser had reported during the Audit Committee meetings the key findings in respect of the Group's internal control and risk management and discussed findings and actions or measures taken in addressing those findings. No major deficiencies on the Group's risk management and internal control systems have been identified during the Review Period, for other non-major internal control findings, management have instructed relevant departments to formulate corrective actions and improvement plans for remediation.

Corporate Governance Report

For the Review Period, the Audit Committee was satisfied that:

- the risk management and internal control and accounting systems of the Group provided reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorisation and the accounts were reliable for publication; and
- there was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

Based on the assessment and review conducted by the IC Adviser and the Audit Committee, the Board considered the risk management and internal control systems of the Group are effective and adequate during the Review Period.

(12) DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance covering the Directors' and officers' liabilities in respect of legal actions against the Directors, officers and senior management of the Company arising out of corporate activities.

(13) CONSTITUTIONAL DOCUMENTS

There was no change to the Company's memorandum and articles of association during the Review Period. A copy of the latest consolidated version of the Company's memorandum and articles of association is posted on the websites of the Company and the Stock Exchange.

(14) COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted a shareholders' communication policy with the objective to ensure that the shareholders and potential investors of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established a number of channels to communicate with the shareholders as follows:

- (i) corporate communications such as annual reports, interim reports, quarterly reports and circulars, which are issued in printed form and are available on the GEM's website at www.hkgem.com and the Company's website at www.chinatechsolar.com;
- (ii) periodic announcements published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website;
- (iv) annual and extraordinary general meetings provide a forum for the shareholders of the Company to make comments and exchange views with the Directors and senior management; and
- (v) the Hong Kong branch share registrar and transfer office of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

Corporate Governance Report

The Company keeps on promoting investor relations and enhancing communication with its shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Shareholders' comments and suggestions as well as any proposals put forward to general meetings of the Company at a reasonable time are welcome and such comments and proposals can be sent in writing to the Company Secretary at the Company's principal place of business in Hong Kong. The Board endeavors to answer all valuable questions from the shareholders of the Company.

GENERAL MEETING

During the Review Period, the 2018 AGM was held and the attendance of each Director is set out as follows:

| Directors | Attendance of the 2018 AGM |
|--|-----------------------------------|
| <i>Executive Directors</i> | |
| Mr. Chiu Tung Ping (Chairman) | 0/1 |
| Ms. Yuen Hing Lan | 0/1 |
| Mr. Hou Hsiao Bing | 0/1 |
| Ms. Hu Xin | 1/1 |
| <i>Independent non-executive Directors</i> | |
| Ms. Ma Xingqin | 0/1 |
| Mr. Meng Xianglin | 0/1 |
| Mr. Dong Guangwu | 0/1 |

Code provision E.1.2

Under code provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Due to other commitments which must be attended by the Chairman, the Chairman was unable to attend the 2018 AGM. Nevertheless, Ms. Hu Xin, an executive Director, presided as the chairman of the 2018 AGM to answer questions from the shareholders of the Company.

(15) SHAREHOLDERS' RIGHTS

In accordance with Article 64 of the Articles, one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company and having the right of voting at general meetings of the Company, shall have the right, by written requisition to the Directors or the Company Secretary, to require an extraordinary general meeting of the Company to be called by the Directors for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

A shareholders' communication policy was adopted by the Company in March 2012 to maintain an on-going dialogue with the shareholders and encourage them to communicate actively with the Company. Such policy has been posted on the website of the Company at www.chinatechsolar.com. The Company reviews the policy on a regular basis to ensure its effectiveness.

Environmental, Social and Governance Report

China Technology Solar Power Holdings Limited (the “**Company**”, “**We**”, or “**Our**”) presents this Environmental, Social and Governance (“**ESG**”) Report (“**ESG Report**”) for the year ended 31 March 2019 (the “**Reporting Period**” or “**FY19**”) together with the comparative figures for the year ended 31 March 2018 (the “**FY18**”), in accordance with Appendix 20 - Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”).

This ESG Report covers the Company’s principal business in (a) sales of solar power related products; (b) new energy power system integration business; (c) sales of self-service automatic teller machine (“**ATM**”) systems and printing systems; and (d) provision of hardware and software technical support services in the People’s Republic of China (“**PRC**” or “**China**”) during the year ended 31 March 2019.

The Board of Directors has the overall responsibility for the Company’s ESG strategy and reporting. Our management is responsible for monitoring and managing ESG-related issues and risks and the effectiveness of the ESG management systems. The management personnel leading our various business activities, in conjunction with their respective staff, have for the purposes of this ESG Report identified the following material ESG issues:

SUMMARY OF MATERIAL ESG ISSUES FOR THE COMPANY

A. *Environmental*

- A1 *Emissions*
 - Air Emissions and Carbon Footprint
 - Waste Management
- A2 *Use of Resources*
 - Efficient Use of Resources
 - Green Practice
 - Employee Education and Engagement
- A3 *The Environment and Natural Resources*
 - Policies on Environmental and Natural Resources

B. *Social*

- B1 *Employment and Labour Practices*
 - Employees
 - Working Hours
- B2 *Health and Safety*
 - Workplace and Occupational Health and Safety
- B3 *Development and Training*
 - Employee Development and Training
- B4 *Labour Standards*
 - Prohibition of Child and Forced Labour
- B5 *Supply Chain Management*
 - Sustainable Procurement
- B6 *Product Responsibility*
 - Product & Service Quality Assurance Policy
 - Data Privacy Policy
- B7 *Anti-Corruption*
 - Anti-bribery and Anti-corruption
- B8 *Community Investment*
 - Supporting the Community

Environmental, Social and Governance Report

A. ENVIRONMENTAL

Aspect A1 : Emissions

Air Emissions and Carbon Footprint

We committed to strategically incorporating green elements into our business model and operations with a clear aim of conducting our business in the most environmental-friendly manner.

The Group is mainly 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 PRC that is an asset-light industry without contamination emissions such as effluent or exhaust. The Group formulates the Company’s environmental protection management rules in compliance with relevant laws and regulations, such as the “Solid Waste Pollution Prevention and Control Law” 《固體廢物污染防治法》 of the PRC as it strives to reduce environmental pollution and wastage of resources. The principal business of the Group, namely sales of solar power related products and new energy power system integration business, falls within the scope of new energy which brings positive effect on the environment inherently and reduces emission of greenhouse gas and wastes. Besides, the Group participates in the program of “Carbon Footprint Repository for Hong Kong Listed Companies” established by the Hong Kong Environmental Protection Department to indicate its determination in propelling emission reduction.

Waste Management

The Group does not generate enormous amount of waste due to the nature of its business. The small amount of waste produced during the routine business process and operation is strictly controlled by the Group as follows:

- I. Waste is recycled and classified into recyclable, non-recyclable and hazardous wastes. There is no hazardous waste generated by the Group during the Reporting Period. Recyclable substances will be reused. Toxic and hazardous substances are disposed of in accordance with relevant management measures;
- II. Self-owned vehicles of the Group run on high-quality fuels to reduce exhaust emissions, and are regularly maintained to ensure that the vehicles are in operational condition and the generation of exhaust is controlled. Meanwhile, employees are encouraged to take public transportation in their commute.

Environmental, Social and Governance Report

Unless otherwise specified, the below environmental data covers the Group's operation in Hong Kong only, excluding its offices in the PRC due to their relatively small environmental footprint.

| Emissions | FY19 | FY18 |
|--|-------------|-------------|
| Total Greenhouse Gas (" GHG ") emissions (Scope 1 and 2) (tonnes) | 11.55 | 24.99 |
| Direct emissions (Scope 1) (tonnes) | – | – |
| Energy Indirect emissions (Scope 2) (tonnes) | | |
| – Electricity | 11.15 | 24.38 |
| Other Indirect emissions (Scope 3) (tonnes) | | |
| – Paper consumption and waste disposal | 0.40 | 0.61 |

Note:

Emissions (direct and indirect) can be broadly classified into three separate scopes as set out below:

Scope 1 – Direct emissions from operations that are owned or controlled by the company;

Scope 2 – Indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the company; and

Scope 3 – All other indirect emissions that occur outside the company, including both upstream and downstream emissions.

The Group is not aware of any material non-compliance with relevant laws and regulations which have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the Reporting Period.

Aspect A2 : Use of Resources

Efficient Use of Resources

Electricity is the main form of energy consumed by the Group. Employees are required to utilise daylight instead of lamplight as much as possible during daily operations. Air conditioners of the Company are maintained at the temperature between 24°C and 26°C during the summer time. Air conditioners and lights in vacant rooms must be turned off. We also display posters in main office areas to raise the environmental awareness among employees. We regularly monitor the consumption of paper, power and water supply of each department and inform relevant departments of any abnormality. No issue arises in sourcing water as the water supply is managed by the building management office.

Green Practice

Shortage of natural resources is a global area of concern. We work to establish a more sustainable business by focusing on our resource conservation and water stewardship efforts where we can have the greatest impact. We have developed several energy-saving principles and green practice in our workplace. Examples of such green practice include switching off office equipment, lighting and air-conditioning when not in use. In addition, we actively support the "Energy Saving Charter on Indoor Temperature" established by the Government of The Hong Kong Special Administrative Region so as to combat climate change. We attempt to maintain the average indoor temperature of our office workspace between 24°C and 26°C during the summer time. Furthermore, we constantly monitor the electricity consumption from our office operations, and evaluate the existing action plans on environmental protection in order to demonstrate our long-term support on green practice.

Environmental, Social and Governance Report

Employee Education and Engagement

We provide regular training to our employees to raise or maintain their awareness on energy and water conservation. Relevant environmental awareness messages such as tips for saving electricity, fuel and water are also communicated to all levels of staffs via emails and posters. We hope the involvement of our employees in energy and water saving practices could assist in alerting them the importance of resource conservation as well as enhancing our energy efficiency methods.

The below table sets out the total consumption of certain resources from the operation of the Group in FY19:

| Use of resources | FY19 | FY18 |
|--|-------------|-------------|
| Total energy consumption (kilowatt-hour (kWh)) | 14,111 | 30,865 |
| Direct energy consumption (kWh) | – | – |
| Indirect energy consumption (kWh) | | |
| – Electricity | 14,111 | 30,865 |

Note:

- ¹ Data of water consumption is not available since the Group operates in leased office premises for which both water supply and consumption are solely controlled by the building management. The provision of water consumption data or sub-meter for individual occupants is not feasible.
- ² Since the Group is not engaged in manufacturing business, there was no packaging materials consumed during the Reporting Period.

Aspect A3: The Environment and Natural Resources

Policies on Environment and Natural Resources

We are fully committed to minimizing environmental impacts associated with our business activities.

During the Reporting Period, all of our operations are compliant with the relevant national environmental laws.

The photovoltaic power stations developed in our new energy power system integration business generate solar energy power, which is a kind of clean energy, without any material effects on environment and resources. The Group is not aware that any activities in its operation has any significant impact on the environment and natural resources.

Environmental, Social and Governance Report

B. SOCIAL

B1 EMPLOYMENT AND LABOUR PRACTICES

Staff is a cornerstone for sustainable development of enterprises, and the Company believes talent is one of its most valuable assets. Upholding such philosophy, the Company continues to improve its human resources management system and talent development mechanism, through which, staff can enjoy diversified career paths and their potentials can be further explored, thereby helping them realize work values and personal achievement values.

Recruitments are carried out strictly according to the Company's policies and systems. Opportunities are given to employees with different backgrounds and characteristics so as to build a diversified work force. To optimize manpower deployment, a wide variety of opportunities at work is created for staff to fully explore their talents and also for the Company to create a harmonious and stable development environment. As at 31 March 2019, the aggregate number of staff of the Company was 16 (2018: 42), with a balanced proportion between men and women, which accounted for 62.5% (2018: 54.8%) and 37.5% (2018: 45.2%) respectively. During the Reporting Period, the staff turnover rate of the Group was 44.8% (2018: 33.0%). The main reason for the decrease in the number of staff during the Reporting period was due to the completion of certain system integration works as well as cost control policy of the Group. If new system integration works are required, the Group will arrange for appropriate job openings.

The Company delegates to the senior management to take charge of the management of social responsibilities and regularly arranges internal audit and management reviews to ensure that the Company's business activities are in line with the international labour standards and applicable labour regulations in China and Hong Kong. The Company strictly complies with China's relevant employment laws and regulations, including the "Labour Law" (《勞動法》), the "Employment Contract Law" (《勞動合同法》), the "Employment Promotion Law" (《就業促進法》), the "Labour Dispute Mediation and Arbitration Law" (《勞動爭議調解仲裁法》) and other labour laws and regulations of the local governments of the PRC, and the Employment Ordinance (Cap 57 of the Laws of Hong Kong) and other labour laws and regulations of Hong Kong. The Company does not allow any form of discrimination, and provides equal and fair employment opportunities and working environment to all job applicants and staff. During the Reporting Period, the Company did not receive any complaint of any form of discrimination (2018: nil).

Staff can enjoy statutory social insurances and benefits as well as statutory holidays such as annual leave, casual leave, sick leave, marriage leave and maternity leave, etc., in accordance with the "Tentative Provisions on Payment of Wages" (《工資支付暫行規定》), "Regulations on the Administration of Housing Fund" (《住房公積金管理條例》) and "Regulation on the Annual Leave" (《職工帶薪年休假條例》) of the PRC. The Company also provides retirement protection for Hong Kong staff in accordance with the Mandatory Provident Fund Schemes Ordinance (Cap 485 of the Laws of Hong Kong).

Environmental, Social and Governance Report

Employees

Basic information of employees

| Age | As at 31 March 2019 | | As at 31 March 2018 | |
|--------------|------------------------|----------------|------------------------|----------------|
| | Number | Proportion (%) | Number | Proportion (%) |
| 25 and below | 0 | 0 | 1 | 2.4 |
| 26-35 | 4 | 25.0 | 17 | 40.5 |
| 36-45 | 2 | 12.5 | 8 | 19.0 |
| 46 and above | 10 | 62.5 | 16 | 38.1 |
| Total | 16 | 100.0% | 42 | 100.0% |

| Education | Number | Proportion | Number | Proportion |
|--------------------------------------|--------|------------|--------|------------|
| Master's degree | 3 | 18.8 | 4 | 9.5 |
| Bachelor's degree | 9 | 56.2 | 22 | 52.4 |
| College | 3 | 18.8 | 12 | 28.6 |
| Technical secondary school and below | 1 | 6.2 | 4 | 9.5 |
| Total | 16 | 100.0% | 42 | 100.0% |

| Gender | Number | Proportion | Number | Proportion |
|--------|--------|------------|--------|------------|
| Male | 10 | 62.5 | 23 | 54.8 |
| Female | 6 | 37.5 | 19 | 45.2 |
| Total | 16 | 100.0% | 42 | 100.0% |

Working Hours

The Group implements a five-day, eight-hour working system and discourages employees from working overtime. If required by special conditions, employees who work overtime are entitled to an allowance of time-off in lieu.

Environmental, Social and Governance Report

B2 Health and Safety

Workplace and Occupational Health and Safety

The occupational health and safety (“OHS”) of our staff have always been the key focus of the Company. In terms of the health of staff, the Company strictly abides by the relevant laws and regulations such as the “Labour Law” (《勞動法》), the “Occupational Health and Safety Management System” (《職業健康安全管理體系》), the “Measures for the Ascertainment of Work-related Injuries” (《工傷認定辦法》) and the “Regulation on Work-related Injury Insurances” (《工傷保險條例》) of the PRC and other relevant laws and regulations in Hong Kong, and is committed to providing healthy, safe and hygienic working conditions for staff.

Throughout the Reporting Period, the Company endeavours to enhance its health and safety management and ensure both physical and mental well-being of its employees by providing a safe and comfortable working environment. We have established a system in place to ensure that all related matters are properly reported and managed. Throughout the Reporting Period, there were no reported cases of occupational fatalities or injury. Our offices in Hong Kong and the PRC are key focus of our occupational health and safety management. To minimize health incidents and provide staff with a comfortable working environment, we implemented a series of preventative health measures in its offices, including:

- ensuring adequate lighting and ventilation in office;
- monitoring of in-door air quality; and
- providing sufficient sanitary supply, such as protection masks, antibacterial hand soap and alcohol-based antibacterial tissues.

| Events | FY19 | FY18 |
|--|------|------|
| Number of reportable injuries ¹ | 0 | 0 |
| Number of reportable occupational diseases | 0 | 0 |
| Number of lost days due to reportable injuries | 0 | 0 |

Note:

- 1 Reportable injuries refer to work-related accidents on employees resulting in incapacity to work for a period exceeding three days in Hong Kong.

Environmental, Social and Governance Report

B3 Development and Training

Employee Development and Training

We place great importance on the development of talents. We actively promote on-the-job training at all levels of employees, who are recommended to participate in various training courses, forums and seminars, with an aim to enhance their knowledge and working skills, which in turn they can create competitive advantages together with the Group.

Types of training participated by certain employees of the Company during the Reporting Period:

| Type of training | Number of employees | |
|--|----------------------------|-------------|
| | FY19 | FY18 |
| Attending external trainings | 1 | 5 |
| Viewing updated directors' training webcasts published by the Stock Exchange | 7 | 7 |

B4 Labour Standards

Prohibition of Child and Forced Labour

The Group has formulated human resource recruitment management measures in strict accordance with the Labour Law of the PRC. Violation of laws and regulations such as the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》) and the "Regulations on Prohibiting Use of Child Labour" (《禁止使用童工規定》) in relation to employment of child labour or forced labour is strictly prohibited. The Company was not aware of any recruitment of child or forced labour during the Reporting Period.

Environmental, Social and Governance Report

B5 Supply chain management

Sustainable Procurement

Supply chain management includes management of suppliers, materials, services sourcing and purchases. The Group's main suppliers include suppliers of solar power related products and system integration services. We generally select suppliers based on their scale of business and reputation. Our suppliers are required to comply with all relevant local and national laws and regulations in relation to environmental and social governance. When a supplier does not comply with our policy or contractual requirements, we will terminate our cooperation with the supplier until the situation has been improved.

During the Reporting Period, the Group was not aware that any key suppliers had any significant actual and potential non-compliance on business ethics, environmental protection, human rights and labour practices.

| Number of key suppliers ¹ | FY19 | FY18 |
|--|-------|------|
| By region | | |
| Tianjin | 1 | 3 |
| Wuxi | – | 1 |
| Xi'an | – | 2 |
| Anhui | 1 | – |
| Hebei | 4 | – |
| Shenzhen | 1 | – |
| Shaanxi | 1 | – |
| Total | 8 | 6 |
| Total purchases from key suppliers (RMB million) | 127.1 | 64.9 |

Note:

- 1 The definition of "key suppliers" refer to suppliers of products and/or services to the Group whose purchase value exceeded RMB1 million.

B6 Product Responsibility

Product & Service Quality Assurance Policy

The Group adheres to the business philosophy of "customer first, forge ahead" and upholds the "customer first" principle to provide quality products and services for customers. The Group strives to make sure all the products and services satisfy the relevant safety and quality requirements. We have well-established sales services, such as provisions of remote technical support and product installation and commissioning.

Since the Group is not engaged in manufacturing business, there was no packaging materials consumed during the Reporting Period.

Environmental, Social and Governance Report

In terms of quality and safety, we design plans for the photovoltaic power stations according to the technical requirements demanded by the customers, select equipment that fits the “Construction Law of People’s Republic of China” (中華人民共和國建築法) and other national laws and regulations, as well as industry standards according to the aforesaid plans, and organise inspection of the construction quality subsequent to completion of construction and prior to operation of the power stations.

Customers are welcome to provide comments on our services. A dedicated customer service team is responsible for handling consumer complaint(s) and complaint(s) will be investigated by various management personnel. All complaint cases will be reported to senior management for review and approval. Remedial measures will be implemented to reduce the chance of re-occurrence of the same kind of complaint in the future.

Data Privacy Policy

We value the confidentiality of personal data and are committed to protecting customer information with care. Therefore, we have implemented the appropriate data protection measures in order to comply with the Personal Data (Privacy) Ordinance (Cap 486 of the Laws of Hong Kong). During the Reporting Period, the Group was not aware of any significant non-compliance with any applicable laws and regulations in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided or methods of redress.

B7 Anti-Corruption

Anti-bribery and Anti-corruption

The Group strictly complies with the Prevention of Bribery Ordinance (Cap 201 of the Laws of Hong Kong) enforced by the Hong Kong Independent Commission Against Corruption to prevent unethical pursuit. We place great importance in maintaining the highest standards of integrity and honesty and have no tolerance for any misconduct case. Once misconduct case is discovered and confirmed, the employee will be subject to disciplinary action and the case will be reported to related governing body when necessary.

During the year ended 31 March 2019, no significant risks relating to corruption were identified. There were no confirmed incidents in relation to corruption or public legal cases brought against the Group or its employees concerning corruption. There were also no confirmed incidents where contracts with business partners were terminated or not renewed due to violations relating to corruption during the Reporting Period.

B8 Community Investment

Supporting the Community

The Group always keeps in mind the importance of social responsibility since our establishment in 2000. We know well that only enterprises with a sense of social responsibility will bring more long-term profits to stakeholders and create values for the society. Corporate social responsibility has become an important component of the corporate culture of the Group. We encourage our employees to actively participate in community volunteer services, and call on our employees to serve and repay the society. We always fulfil our promises to contribute to the social development.

Promoting a green and sustainable lifestyle has been a tradition of the Company. We share the responsibility to build a green community with blue sky and create an ideal home with balanced environmental sustainability and urban prosperity.

Report of the Directors

The Board is pleased to present this Report of the Directors for the year ended 31 March 2019. All cross-references mentioned herein form part of this Report of the Directors.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in note 38 to the consolidated financial statements of the Company for the year ended 31 March 2019 (“**Consolidated Financial Statements**”).

An analysis of the Group’s performance for the year under review by business segments is set out in note 7 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 64 of this annual report.

No interim dividend have been paid or declared by the Company during the year under review. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

RESERVES

The Company may pay dividends out of share premium, retained earnings and other reserves provided that immediately following the payment of such dividends the Company will be in a position to pay off debts as they fall due in the ordinary course of business.

As at 31 March 2019, the Company did not have any distributable reserves (31 March 2018: Nil).

Details of the movements in the reserves of the Group and the Company during the year under review are set out on page 66 and page 152 respectively.

EQUIPMENT

Details of the movements in equipment of the Group are set out in note 16 to the Consolidated Financial Statements.

SHARE CAPITAL

The Company did not issue any shares or debentures during the year under review. Details of the movements in share capital of the Company are set out in note 30 to the Consolidated Financial Statements.

BUSINESS REVIEW

Further discussion and analysis of the business of the Group, including a business review for the year ended 31 March 2019, its likely future development and events occurred after the reporting period is set out in the section “Management Discussion and Analysis” of this annual report.

Report of the Directors

PRINCIPAL RISKS AND UNCERTAINTIES

(1) Government Support

The development of the new energy business relies on the supportive policies of the PRC government. Despite that the Law of Renewable Energy of the PRC has been enacted and the Thirteenth Five-Year Plan for the National Economic and Social Development for the purpose of promoting the development and utilisation of renewable energy, there is risk that the PRC government may revise or suspend such supportive policies which would be a concern for market participants. However, considering the growing alert to the devastating consequences of global warming and increasing awareness in environmental protection, exploration of new energy has become a must across the globe.

(2) Fast technological advancement

The new energy power system integration business of the Group involves large amount of equipments and related products required by solar energy, biomass and other energies power generation systems. The Group shall possess sound knowledge of and have quick adaptation to the changing installation technology. Fast technological advancement of equipments and installation techniques expose the Group to the risk of being unable to catch up with the latest technology of the industry. The Group shall familiarise itself with industry trend characteristics, accumulate technological experience, arrange regular trainings for staff and catch up with advanced industry technology via its own projects in progress and external system integration projects so as to lay a more solid foundation for the continuous development of its new energy power system integration business. The technologies and products that the Group have been adopting may not be able to catch up with the rapid development of the solar photovoltaic industry. However, the Group will continue to conduct research and development and pay attention to the development of the technology in the new energy industry in the world in order to enhance the existing technology owned by the Group.

(3) Government regulations

The businesses which the Group operates in the PRC are subject to extensive industry standards and government regulations. If the Group fails to comply with these standards and regulations, the Group may incur liability and its operation and sales may be adversely affected. The Group will continually monitor its compliance with these standards and regulations.

Report of the Directors

(4) Funding, interest rate and foreign exchange

The Group's new energy power system integration business requires a substantial amount of capital investment. There is risk that the Group may not be able to raise adequate funds for the development of its future projects. The Group may consider seeking cooperation opportunities with other market participants in order to share the funding for future projects and/or seeking for equity and debt financing.

Changes in interest rate will certainly have an impact to the Group's cost of capital. With sound credibility, a stable debt structure and diversified financing channels, the Group has consistently enjoyed stable and reasonable financing interest rates.

The Group's business is primarily located in the PRC with most of its revenue and expenses denominated in Renminbi. Fluctuations in Renminbi exchange rate will result in foreign exchange gains or losses. The Group has not used any financial instruments for hedging purpose.

(5) Reliance on major customers

The Group did not enter into any long-term sales agreement with its customers, including the top five customers. There is no assurance that future orders placed by customers will be on the same or similar terms of the existing orders and the Group's major customers are not obligated in any way to continue placing purchase orders with the Group at the same prices. As such, it is essential for the Group to maintain good relationships with its major customers. If any of these major customers substantially reduces the volume and/or the value of the orders it places with the Group or terminates its business relationship with the Group entirely, there is no assurance that (i) the Group will be able to obtain orders from new customers or other existing customers to make up for such loss of sales; and (ii) even if the Group would be able to obtain other orders, they may not be on commercially comparable terms. As such, the Group's operations and financial results may be adversely affected.

(6) Risks arising from suppliers or sub-contractors

The Group has signed various contracts with its suppliers and sub-contractors. However, if these suppliers and sub-contractors are unable to perform their obligations to the Group or the Group's customers, the Group may be required to make additional remedy to ensure adequate performance and delivery of services to the Group's customers.

Report of the Directors

The Group does not have its own factories to produce solar power related products such as photovoltaic mounting brackets, solar trackers and the guardrail of the solar power stations. As such, the Group relies on purchasing such products from the suppliers. Any increase in the selling price of such solar power related products procured from the suppliers could have an adverse effect on the Group's financial results and profits. In addition, there is no assurance that the business relationships between the Group and the suppliers will not deteriorate in the future. If the suppliers terminate or reduce the supply of such solar power related products to the Group, the Group may not be able to procure sufficient quantity of such solar power related products from other existing suppliers or new suppliers on commercially reasonable terms and in a timely manner for delivery. Any interruption of, or decline in, the supply of such solar power related products could materially disrupt the Group's sales of solar power related products business.

Moreover, there may be disputes brought by the Group's customers, main contractors, sub-contractors or suppliers who seek to avoid payment or deny their obligations to perform certain duties under their contracts with the Group, which could have a material adverse impact on the Group's reputation, business, financial position and results of operations.

The Group will explore cooperation opportunities with new suppliers and sub-contractors to mitigate this risk.

(7) Volatility in the securities market and other financial risks

Volatility in the securities market may affect the Groups' investments in the share market. The Company is also subject to market risk, such as currency fluctuations, volatility of interest rates, credit risk, and liquidity risk in the normal course of the Group's business. Particulars of the financial risk management of the Group are set out in note 34B to the Consolidated Financial Statements.

The Company has established risk management and internal control systems to effectively monitor the risks facing the Group. Further details of which are set out in the paragraphs headed "Risk Management and Internal Control" in the corporate governance report of this annual report.

COMPLIANCE WITH REGULATIONS

There was no material breach of or non-compliance with the applicable laws and regulations such as the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), the GEM Listing Rules and other applicable laws and regulations in the jurisdictions where the Group carried out operations during the year ended 31 March 2019.

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

The Group is committed to the long-term sustainability of its businesses and the communities in which it engages. It pursues this business approach by managing its business prudently and executing management decisions with due care and attention. For details, please refer to the section "Environmental, Social and Governance Report" of this annual report.

REMUNERATION POLICY

Remuneration packages are generally structured with reference to prevailing market rates and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group. For details, please refer to the paragraphs headed "Share Option Scheme" below.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Relationship is the fundamentals of business. The Group fully understands this principle and maintains close relationship with its customers to fulfil their immediate and long-term need. The Group also strives to maintain fair and co-operating relationship with its suppliers. During the year under review, policies have been in place for staff to refer opinions from the customers and suppliers of the Group to the Directors and senior management of the Group.

DIRECTORS

The Directors during the year ended 31 March 2019 and up to the date of this report were:

Mr. Chiu Tung Ping (Chairman)
Ms. Yuen Hing Lan
Mr. Hou Hsiao Bing
Ms. Hu Xin
Ms. Ma Xingqin*
Mr. Meng Xianglin*
Mr. Dong Guangwu*

* *Independent non-executive Directors*

In accordance with Article 108(A) of the Articles of Association of the Company ("**Articles**"), Mr. Hou Hsiao Bing, Ms. Ma Xingqin and Mr. Meng Xianglin will retire as Directors by rotation at the forthcoming annual general meeting of the Company ("**AGM**") and, being eligible, will offer themselves for re-election as Directors at the AGM. Detailed information of each of the Directors standing for re-election at the AGM will be set out in the circular in relation to the AGM to be despatched to the shareholders of the Company.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT OF THE GROUP

EXECUTIVE DIRECTORS

Mr. Chiu Tung Ping, aged 67, was appointed as an executive Director and the Chairman on 8 June 2011 and was appointed as the Chief Executive Officer with effect from 13 July 2012. He is in charge of the Group's strategic business development, executive management and monitoring of the Group's day-to-day operation. Mr. Chiu was a member of the 13th National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十三屆全國委員會委員). Mr. Chiu is also the chairman and general manager of Shaanxi Baike New Energy Technology Development Co., Ltd., the director of City Max International Limited, China Technology Solar Power Holdings Limited (a company incorporated in the British Virgin Islands), Million Keen Limited, China Western Energy Holdings Limited, Delight Value Limited and China Technology Solar Power Holdings Limited (HK)* (中科光電控股有限公司), the authorised representative of Shaanxi Baike New Energy Technology Development Co., Ltd. and Delight Value Limited and the company secretary of China Technology Solar Power Holdings Limited (HK)* (中科光電控股有限公司). Mr. Chiu was also the vice-chairperson of Gansu Province Industrial and Commercial Industry Association (甘肅省工商業聯合會). Mr. Chiu is the spouse of Ms. Yuen Hing Lan, an executive Director and a director of Good Million Investments Limited, a substantial shareholder of the Company, as at the date of this report.

Ms. Yuen Hing Lan, aged 63, obtained the Bachelor of Public Health from Shanxi Medical School (山西醫學院) in 1979. Ms. Yuen is experienced in corporate management. Ms. Yuen was appointed as an executive Director on 8 June 2011. Ms. Yuen is also the deputy chairman of Shaanxi Baike New Energy Technology Development Co., Ltd. and director of City Max International Limited and China Technology Solar Power Holdings Limited (HK)* (中科光電控股有限公司). Ms. Yuen is the spouse of Mr. Chiu Tung Ping, an executive Director and the Chairman.

Mr. Hou Hsiao Bing, aged 65, joined the Group in April 2000. He has more than 38 years' experience in China business. Mr. Hou is also the director and authorised representative of Soluteck (Shanghai) Technologies Limited and Soluteck (Shanghai) Communication Technology Ltd. and the director of Truth Honour (BVI) Holdings Limited, Soluteck (BVI) Holdings Limited, Truth Honour Electronic Limited, Soluteck Investments Limited and Truth Honour Electronic (GFTZ) Limited. Mr. Hou graduated from The Hong Kong Polytechnic University with a Diploma in Marketing. Mr. Hou Hsiao Bing is the elder brother of Mr. Hou Hsiao Wen, a senior management of the Group.

Ms. Hu Xin, aged 36, was appointed as an executive Director on 19 March 2012 and has become the compliance officer and one of the authorised representatives of the Company starting from 13 July 2012. She obtained her Bachelor of Management in Accounting from Chongqing Institute of Technology (重慶工學院), presently known as Chongqing University of Technology (重慶科技大學). Ms. Hu had been the general accountant (總帳會計) of ST Electronics (Software Services) Ltd. (新鈞信息系統(深圳)有限公司) and was involved in financial management. Ms. Hu is also the director and authorised representative of Hami Dongke New Energy Technology Development Co., Ltd* (哈密東科新能源科技發展有限公司) and Kashi Dongke New Energy Technology Development Co., Ltd* (喀什東科新能源科技發展有限公司), the director of Shaanxi Baike New Energy Technology Development Co., Ltd. and the manager of Hami Dongke New Energy Technology Development Co., Ltd*. Ms. Hu has extensive experience in new energy power system data estimates.

* For identification purpose only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ma Xingqin, aged 31, graduated from the China University of Petroleum (中國石油大學(華東)) in the PRC with a Bachelor degree in Accounting and a Master degree in Management in 2009 and 2011 respectively. Ms. Ma is a member of the Chinese Institute of Certified Public Accountants (non-practising). Ms. Ma has more than seven years' experience in auditing and corporate financial management. Ms. Ma has worked in an accounting firm in the PRC. She was responsible for the accounting work until August 2018 in the Chongqing branch of Aluminum Corporation of China Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2600), the New York Stock Exchange (stock code: ACH) and the Shanghai Stock Exchange (stock code: SH601600). Ms. Ma was appointed as an independent non-executive Director on 19 July 2016.

Mr. Meng Xianglin, aged 55, graduated from Beijing College of Economics (北京經濟學院) (currently known as Capital University of Economics and Business (首都經濟貿易大學)) and obtained a Bachelor degree in Economics in 1987. After his graduation, Mr. Meng worked as a staff of the All-China Federation of Industry & Commerce (中華全國工商業聯合會) until 1992. From 1992 to 2001, he worked as a reporter, an editor and the chief editor at Zhong Hua Gong Shang Shi Bao She (中華工商時報社). In 2000, he was granted with the qualification of senior editor (主任編輯) by the General Administration of Press and Publication of the PRC. From 2001 onwards, Mr. Meng is the chief executive officer of an investment company in Beijing. Mr. Meng is experienced in the media and publishing industry as well as investment. Mr. Meng was appointed as an independent non-executive Director on 27 November 2012.

Mr. Dong Guangwu, aged 47, graduated from Gangsu Agricultural University (甘肅農業大學) and obtained a Bachelor degree in Agriculture in 1995. In 1996, Mr. Dong studied economic law on part-time basis in the Northwest Institute of Politics and Law (西北政法學院) (currently known as Northwest University of Politics and Law (西北政法大學)) and graduated in 1998. In 1998, Mr. Dong was granted the Chinese Lawyers Qualification Certificate (中國律師資格證書) by the Judicial Department of the PRC. Mr. Dong has been a practicing lawyer for more than 19 years and is currently a partner of a law firm in the PRC. Mr. Dong was appointed as an independent non-executive Director on 27 November 2012.

SENIOR MANAGEMENT

Mr. Tse Man Kit Keith, aged 45, was appointed as the chief financial officer of the Company since 1 May 2019. He has been an independent non-executive director of (i) Beijing Enterprises Medical And Health Industry Group Limited (formerly known as Genvon Group Limited) (stock code: 2389) since September 2014; and (ii) Beijing Sports and Entertainment Industry Group Limited (formerly known as ASR Logistics Holdings Limited) (stock code: 1803) since January 2016, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Tse has around 20 years of working experience in accounting and financial management. He was the chief financial officer and company secretary of Shunfeng International Clean Energy Limited (stock code: 1165), the shares of which are listed on the Main Board of the Stock Exchange from September 2010 to November 2018. Mr. Tse also served as (i) a qualified accountant of Fosun International Limited (stock code: 656), the shares of which are listed on the Main Board of the Stock Exchange, from March 2008 to August 2010; and (ii) a director of corporate accounting in Flash Electronics, Inc. from January 2007 to January 2008. He worked in various international accountant firms from 1997 to 2007. Mr. Tse is a fellow Certified Practising Accountant of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tse obtained a bachelor's degree in commerce, majoring in accountancy and finance from University of Wollongong, New South Wales, Australia in 1997.

Report of the Directors

Ms. Chan Mi Ling, Anita, aged 52, is the financial controller, the qualified accountant, company secretary and one of the authorised representatives of the Company. She is in charge of the Group's financial and accounting management. Ms. Chan holds a Master degree in Business Administration from the University of Western Sydney in Australia and a Master degree in Professional Accounting from Jinan University in the PRC. Ms. Chan is also a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants, a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of Association of Chartered Certified Accountants. Ms. Chan has over 27 years' experience in the fields of auditing, accounting and finance and have been engaged in international certified public accountants firms, Hong Kong listed companies and multinational company listed overseas. Ms. Chan joined the Group in July 2000.

Mr. Hou Hsiao Wen, aged 58, is in charge of the Group's business development and management in respect of the sales of goods and rendering of services business segments. Mr. Hou was a former executive Director and has remained as the chief executive officer of the Group's business relating to the sale of self-service ATM systems and printing systems in the PRC after his resignation as an executive Director. Mr. Hou has over 32 years' experience in the information technology industry in the PRC. Mr. Hou holds a Bachelor of Science degree in Information System from the Ohio State University in the United States. Mr. Hou joined the Group in January 2000. Prior to this joining, he was the managing director of a private company principally engaged in providing satellite TV network solutions in the PRC. Mr. Hou is the younger brother of Mr. Hou Hsiao Bing, an executive Director.

Mr. Zhou Kang, aged 34, is primarily responsible for the quality control and sales of photovoltaic mounting brackets, which are the main products of the business of sales of solar related products of the Group. In addition, Mr. Zhou is responsible for market development, including obtaining product orders, negotiating contracts and maintaining relationship with customers and suppliers. Mr. Zhou graduated from Xi'an University of Architecture and Technology (西安建築科技大學), majoring in Civil Engineering. Mr. Zhou also participated in the research and compilation of articles on the subjects of various photovoltaic industry projects. Mr. Zhou has accumulated solid experience in civil design, construction and optimisation of photovoltaic power station. He joined the Group in May 2015.

DIRECTORS' SERVICE CONTRACTS

There are no existing or proposed service contracts of the Directors with the Company which are not determinable by the Company within one year without payment of compensation other than statutory compensation.

The emoluments paid or payable to the Directors during the year under review was set out in note 13 to the Consolidated Financial Statements.

CONNECTED TRANSACTIONS

The related party transactions undertaken by the Group as set out in note 36 to the Consolidated Financial Statements constituted connected transactions of the Company. However, such transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Report of the Directors

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Save as disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 March 2019.

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 March 2019, 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/ Chief executive | Capacity | Number and class of securities (Note 1) | Approximate percentage of the Company's issued share capital as at 31 March 2019 (Note 2) |
|--|---|---|--|
| Mr. Chiu Tung Ping (Executive Director) | Interest in a controlled corporation (Note 3) | 217,766,038 ordinary shares (L) | 11.87% |
| Ms. Yuen Hing Lan (Executive Director) | Interest of spouse (Note 3) | 217,766,038 ordinary shares (L) | 11.87% |
| Mr. Hou Hsiao Bing (Executive Director) | Beneficial owner | 131,140,000 ordinary shares (L) | 7.15% |

Notes:

1. The letter "L" represents long positions in the shares or underlying shares of the Company.
2. As at 31 March 2019, the issued share capital of the Company was 1,835,232,850 ordinary shares of HK\$0.1 each.
3. Mr. Chiu Tung Ping and Ms. Yuen Hing Lan held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited. Ms. Yuen Hing Lan is the spouse of Mr. Chiu Tung Ping, and hence both Mr. Chiu Tung Ping and Ms. Yuen Hing Lan were deemed to be interested in all the shares of the Company held by Good Million Investments Limited.

Report of the Directors

(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 (Executive Director) | Truth Honour Electronic Limited | 3,000,000 non-voting deferred shares | Beneficial owner | 100% of the non-voting deferred shares |
| Mr. Hou Hsiao Bing (Executive Director) | 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 (Executive Director) | Interest in a controlled corporation (Note 1) | HK\$5,000,000 (Note 2) |
| Ms. Yuen Hing Lan (Executive Director) | Interest of spouse (Note 1) | HK\$5,000,000 (Note 2) |

Notes:

- 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.
- Convertible bonds with a principal amount of HK\$5,000,000 held by Good Million Investments Limited were converted into 10,000,000 shares of the Company as a result of the exercise of conversion rights attached to such convertible bonds by Good Million Investments Limited on 4 July 2018.

Report of the Directors

Save as disclosed above, as at 31 March 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the 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.

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

As at 31 March 2019, 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 March 2019 (Note 2) |
|----------------------------------|---------------------------------------|--|--|
| Good Million Investments Limited | 217,766,038 (L) (Note 3) | Beneficial owner (Note 3) | 11.87% |
| Creation Moral Limited | 216,363,636 (L) | Beneficial owner (Note 4) | 11.79% |
| Ms. Sun Aihui | 216,363,636 (L) | Interest in a controlled corporation (Note 4) | 11.79% |

Notes:

1. The letter "L" represents long position in the shares or underlying shares of the Company.
2. As at 31 March 2019, the issued share capital of the Company was 1,835,232,850 ordinary shares of HK\$0.1 each.
3. 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.
4. 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 March 2019, no person or entity, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

Report of the Directors

EQUITY-LINKED AGREEMENTS

Set out below are the equity-linked agreements entered into by the Company during the year ended 31 March 2019 or subsisted as at 31 March 2019:

Share Option Scheme

The Company has adopted a share option scheme ("**Share Option Scheme**") which became effective on 26 August 2014 and will remain in force for a period of 10 years until 20 August 2024.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity ("**Invested Entity**") in which the Group holds an equity interest.

Eligible participants ("**Eligible Participants**") under the Share Option Scheme include (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of, or any individual for the time being seconded to work for, the Company, any of its subsidiary or any Invested Entity; (b) any non-executive Director (including independent non-executive Directors) of the Company, any subsidiary of the Company or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to the Group relating to business development of the Group or any member of the Group or any Invested Entity; and (h) any joint venture or business alliance of any member of the Group who have contributed to the development and growth of the Group.

The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The initial total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing of the relevant resolution adopting the Share Option Scheme ("**General Scheme Limit**"). On 26 September 2018, the General Scheme Limit was refreshed and the maximum number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group has been re-set at 10% of the shares in issue as at the date of approval of refreshing the General Scheme Limit. On the basis that there were a total of 1,726,012,850 shares in issue as at the date of passing the relevant resolution of the refreshment of the General Scheme Limit, the Directors were allowed to grant options to Eligible Participants to subscribe for a maximum of 172,601,285 ordinary shares of HK\$0.10 each, representing approximately 9.4% of the issued shares of the Company as at the date of this report.

Report of the Directors

The maximum number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised, cancelled or outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the issued shares of the Company from time to time.

An offer of the grant of option may be accepted by an Eligible Participant within such time as may be specified in the offer (which shall not be later than 21 days from the offer date).

Unless otherwise determined by the Directors and stated in the offer for the grant of option to the grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

The subscription price for a share under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share of the Company.

Details of the share options granted by the Company under the Share Option Scheme to Eligible Participants and movement in such holding during the year ended 31 March 2019 are as follows:

| | Date of Grant | Exercise period | Number of share options | | | | | |
|-----------|---------------|---|-------------------------------------|-----------------------|-------------------------------|---------------------------------|---|---------------------------|
| | | | Exercise price per share HK\$ | As at 1 April 2018 | Granted during the year | Exercised during the year | Cancelled/ lapsed during the year | As at 31 March 2019 |
| Employees | 10 April 2018 | 10 April 2018 to 9 April 2020 (both dates inclusive) | 0.10 [#] | - | 109,220,000 | (109,220,000) | - | - |

[#] The closing price of the shares of the Company on the date of grant is HK\$0.088 per share.

Save as disclosed above, up to the date of this report, no options had been granted, exercised, cancelled or lapsed under the Share Option Scheme.

Report of the Directors

Convertible bonds

On 1 June 2011, the Company issued the ten-year zero coupon convertible bonds (“**2011 CB**”) 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 BVI with limited liability (“**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 principal amount would be subject to change in relation to a profit guarantee made by the vendor to the Company.

Referring 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 consolidated net profit after tax of the Target Group 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 a supplemental agreement mentioned above) was not achieved and the principal amount of the Tranche II CB was adjusted to HK\$0.

On 26 November 2013, 74,200,000 ordinary shares of HK\$0.10 each were issued by the Company as a result of the exercise of the conversion rights attached to Tranche I CB in the principal amount of HK\$37,100,000.

On 22 March 2016, 30,000,000 ordinary shares of HK\$0.10 each were issued by the Company as a result of the exercise of the conversion rights attached to Tranche I CB in the principal amount of HK\$15,000,000.

On 4 July 2018, 10,000,000 ordinary shares of HK\$0.10 each were issued by the Company as a result of the exercise of the conversion rights attached to Tranche I CB in the principal amount of HK\$5,000,000.

As at 31 March 2019, the aggregate outstanding principal amount of the 2011 CB was HK\$44,000,000, which may be converted into 88,000,000 ordinary shares of HK\$0.1 each in the share capital of the Company at a conversion price of HK\$0.5 per share.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers for the year ended 31 March 2019 are as follows:

PURCHASES

- the largest supplier: Approximately 45.8 per cent.
- five largest suppliers in aggregate: Approximately 89.8 per cent.

SALES

- the largest customer: Approximately 92.6 per cent.
- five largest customers in aggregate: Approximately 99.3 per cent.

None of the Directors or their respective close associates (as defined in the GEM Listing Rules) or any shareholders of the Company (which to the knowledge of the Directors, owns more than five per cent. of the Company's issued share capital) had any interest in the major suppliers or customers disclosed above.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles, although there are no restrictions against such rights under the laws in the Cayman Islands.

Report of the Directors

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 March 2019, none of the Directors or his/her close associate(s) had an interest in a business which competes or may compete with the business of the Group. The Company did not have a controlling shareholder as at 31 March 2019 and as at the date of this report.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on page 17 to 29 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's issued shares was held by the public at the latest practicable date prior to the issue of this annual report.

DONATIONS

No donations of a total amount not less than HK\$10,000 had been made by the Group for charitable or other purposes during the year ended 31 March 2019 (2018: Nil).

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) for the benefit of the Directors is currently in force as at the date of this report and was in force throughout the year ended 31 March 2019. The Company has arranged appropriate insurance covering the Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management arising out of corporate activities.

AUDITORS

Deloitte Touche Tohmatsu was appointed as auditors of the Company with effect from 24 May 2019 to fill the causal vacancy following the resignation of Sky Base Partners CPA Limited.

Save as aforesaid, there has been no change of auditors of the Company in the preceding three financial years.

The audited financial statements of the Company for the year ended 31 March 2019 have been audited by Deloitte Touche Tohmatsu, the auditors of the Company, who will retire and being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

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

Hong Kong, 28 June 2019

Five Years Financial Summary

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|------------------|------------|------------|-----------|-----------|
| | RMB'000 | RMB'000 | RMB'000 | HK\$'000 | HK\$'000 |
| | | (Restated) | (Restated) | | |
| Results: | | | | | |
| Revenue | 162,783 | 79,458 | 10,644 | 192,417 | 113,331 |
| (Loss) Profit attributable to owners of the Company | (53,529) | (5,113) | (289,506) | 46,490 | 29,673 |
| Assets and liabilities | | | | | |
| Total assets | 161,691 | 136,714 | 162,248 | 587,956 | 437,531 |
| Total liabilities | (121,730) | (82,221) | (106,524) | (183,293) | (131,467) |
| Net assets | 39,961 | 54,493 | 55,724 | 404,663 | 306,064 |

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF CHINA TECHNOLOGY SOLAR POWER HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Technology Solar Power Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 155, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter

How our audit addressed the key audit matter

Annual impairment assessment of goodwill

We identified the annual impairment of goodwill as a key audit matter because the amount was significant and assessment of impairment involved significant estimation uncertainty.

The management of the Group reviews the recoverable amount of the cash generating unit ("CGU") (which is the higher of the value in use and the fair value less costs of disposal) to determine whether there is any impairment loss.

The recoverable amount of CGU was determined based on a value-in-use calculation required significant management judgement with respect to the discount rate and the assumptions adopted in the underlying cash flows of the CGU. In addition, determination of fair values less costs of disposal, also required management judgement.

During the year ended 31 March 2019, the Group has recognised an impairment loss on goodwill of RMB32,072,000 in respect of the Group's sales of solar power related products business. Details of the related accounting policy and carrying value of goodwill are set out in notes 4 and 17 to the consolidated financial statements.

Our audit procedures in relation to management's impairment assessment included:

- Understanding key controls on how the management performs annual impairment assessment of goodwill;
- Assessing whether the projected cash flow forecast, prepared by the management, adopted in the models are reasonable and supportable;
- Understanding the projected cash flows, including the key assumptions such as revenue derived from sales orders, market outlook and industry trend, and comparing operating margins and revenue against historical performance; and
- Evaluating whether the methodology of the assessment are in compliance with the requirements of Hong Kong Accounting Standard 36 ("HKAS 36") *Impairment of Assets*, and whether the assumptions and inputs used for the cash flow forecasts and factors considered in the discount rates are reasonable.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter *(Continued)*

Impairment assessment of accounts receivable and contract assets

We identified impairment assessment of accounts receivable and contract assets as a key audit matter due to the significance of accounts receivable and contract assets to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's accounts receivable and contract assets at the end of the reporting period.

As at 31 March 2019, the Group's net accounts receivable and contract assets amounting to approximately RMB64,705,000 and RMB24,661,000, respectively, which represented approximately 40.02% and 15.25% of total assets of the Group and out of these accounts receivable of approximately RMB14,626,000 were past due. As explained in note 3 to the consolidated financial statements, in the current year, the Group adopted Hong Kong Financial Reporting Standard 9 Financial Instruments ("HKFRS 9") and recognised an additional impairment on accounts receivable of RMB1,446,000 as at 1 April 2018 in accordance with the transitional provisions of HKFRS 9.

How our audit addressed the key audit matter *(Continued)*

Our procedures in relation to impairment assessment of accounts receivable and contract assets included:

- Understanding key controls on how the management estimates the loss allowance for accounts receivable and contract assets;
- Testing the ageing analysis of accounts receivable and contract assets as at 1 April 2018 and 31 March 2019 used by management to develop the provision matrix on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter *(Continued)*

Impairment assessment of accounts receivable and contract assets (Continued)

As disclosed in note 34 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of accounts receivable and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective accounts receivable and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, accounts receivable and contract assets that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired accounts receivable and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

As disclosed in note 9 to the consolidated financial statements, the Group recognised lifetime ECL on accounts receivable and contract assets during the year ended 31 March 2019 amounted to approximately RMB21,871,000 and RMB171,000, respectively.

How our audit addressed the key audit matter *(Continued)*

- Challenging management's basis and judgement in determining credit loss allowance on accounts receivable and contract assets as at 1 April 2018 and 31 March 2019, including their identification of credit impaired accounts receivable and contract assets, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and
- Evaluating the disclosures regarding the impairment assessment of accounts receivable and contract assets in notes 34, 18 and 21 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements for the year ended 31 March 2018 (before the restatements) were audited by another auditor who expressed an unmodified opinion on those statements on 20 June 2018.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is David Leung Ho Ming.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 March 2019

| | Notes | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--|-------|-----------------|-------------------------------|
| Revenue | 6 | 162,783 | 79,458 |
| Cost of sales | | (127,061) | (65,058) |
| Gross profit | | 35,722 | 14,400 |
| Other revenue – bank interest income | | 19 | 42 |
| Other gains and losses | 8 | (5,129) | 6,939 |
| Selling expenses | | (2,678) | (2,973) |
| Change in fair value of financial assets at fair value through profit or loss (“FVTPL”) | | (1,087) | 899 |
| Change in fair value of financial derivative liabilities | | 576 | 4,186 |
| Administrative expenses | | (12,095) | (13,000) |
| Impairment loss on goodwill | 17 | (32,072) | (3,784) |
| Impairment losses (recognised) reversed | 9 | (22,552) | 720 |
| Finance costs | 10 | (4,539) | (5,396) |
| (Loss) profit before tax | 11 | (43,835) | 2,033 |
| Income tax expense | 12 | (7,440) | (3,264) |
| Loss for the year | | (51,275) | (1,231) |
| Total comprehensive expense for the year | | (51,275) | (1,231) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | (53,529) | (5,113) |
| Non-controlling interests | | 2,254 | 3,882 |
| | | (51,275) | (1,231) |
| Total comprehensive (expense) income for the year attributable to: | | | |
| Owners of the Company | | (53,529) | (5,113) |
| Non-controlling interests | | 2,254 | 3,882 |
| | | (51,275) | (1,231) |
| Loss per share | 15 | | |
| Basic (RMB cents) | | (3.26) | (0.36) |
| Diluted (RMB cents) | | (3.26) | (0.59) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2019

| | Notes | 31 March 2019 RMB'000 | 31 March 2018 RMB'000 (Restated) | 1 April 2017 RMB'000 (Restated) |
|--|-------|-----------------------------|---|--|
| Non-current assets | | | | |
| Equipment | 16 | 21 | 142 | 601 |
| Goodwill | 17 | – | 32,072 | 35,856 |
| Rental deposit | | 343 | – | – |
| | | 364 | 32,214 | 36,457 |
| Current assets | | | | |
| Inventories | | – | – | 627 |
| Accounts and bills receivable | 18 | 76,605 | 65,768 | 70,987 |
| Debt instruments at FVTOCI | 23 | 700 | – | – |
| Other receivables, deposits and prepayments | 19 | 55,768 | 12,876 | 21,170 |
| Contract assets | 21 | 24,661 | – | – |
| Financial assets at fair value through profit or loss | 22 | 952 | 2,039 | 1,140 |
| Bank balances and cash | 24 | 2,641 | 23,817 | 11,701 |
| | | 161,327 | 104,500 | 105,625 |
| Assets classified as held for sale | | – | – | 20,166 |
| | | 161,327 | 104,500 | 125,791 |
| Current liabilities | | | | |
| Accounts payable | 25 | 62,578 | 15,307 | 22,939 |
| Other payables and accruals | 26 | 25,984 | 16,432 | 23,369 |
| Other loans | 27 | 2,573 | 21,507 | 18,946 |
| Taxation | | 2,034 | 1,238 | 9,263 |
| Receipt in advance | | – | 38 | 41 |
| | | 93,169 | 54,522 | 74,558 |
| Liabilities associated with assets classified as held for sale | | – | – | 875 |
| | | 93,169 | 54,522 | 75,433 |
| Net current assets | | 68,158 | 49,978 | 50,358 |
| Total assets less current liabilities | | 68,522 | 82,192 | 86,815 |
| Non-current liabilities | | | | |
| Convertible bonds | 28 | 28,561 | 26,703 | 30,120 |
| Deferred tax liabilities | 29 | – | 996 | 971 |
| | | 28,561 | 27,699 | 31,091 |
| Net assets | | 39,961 | 54,493 | 55,724 |
| Capital and reserves | | | | |
| Share capital | 30 | 153,135 | 117,718 | 117,718 |
| Reserves | | (125,808) | (74,054) | (68,941) |
| | | 27,327 | 43,664 | 48,777 |
| Equity attributable to owners of the Company | | 12,634 | 10,829 | 6,947 |
| Non-controlling interests | | – | – | – |
| Total equity | | 39,961 | 54,493 | 55,724 |

The consolidated financial statements on pages 64 to 155 were approved and authorised for issue by the Board of Directors on 28 June 2019 and are signed on its behalf by:

Chiu Tung Ping
Director

Hu Xin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2019

| | Attributable to owners of the Company | | | | | | | Total | Non controlling interests | Total |
|--|---------------------------------------|---------------|-------------------------------------|------------------|---------------------------|-----------------------|--------------------|----------|---------------------------|----------|
| | Share capital | Share premium | Reserve arising from reorganisation | Exchange reserve | Convertible bonds reserve | Share options reserve | Accumulated losses | | | |
| | RMB'000 | RMB'000 | RMB'000 (note) | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 April 2017 presented in new presentation currency | 128,508 | 151,414 | (25,810) | (1,565) | 25,034 | - | (227,249) | 50,332 | 6,896 | 57,228 |
| Adjustment (note 2) | (10,790) | (28,072) | 5,326 | 1,721 | (25,034) | - | 55,294 | (1,555) | 51 | (1,504) |
| At 1 April 2017 (restated) | 117,718 | 123,342 | (20,484) | 156 | - | - | (171,955) | 48,777 | 6,947 | 55,724 |
| (Loss) Profit for the year | - | - | - | - | - | - | (5,113) | (5,113) | 3,882 | (1,231) |
| Total comprehensive income (expense) for the year | - | - | - | - | - | - | (5,113) | (5,113) | 3,882 | (1,231) |
| At 31 March 2018 (restated) | 117,718 | 123,342 | (20,484) | 156 | - | - | (177,068) | 43,664 | 10,829 | 54,493 |
| Adjustment (note 3) | - | - | - | - | - | - | (1,795) | (1,795) | (449) | (2,244) |
| At 1 April 2018 (restated) | 117,718 | 123,342 | (20,484) | 156 | - | - | (178,863) | 41,869 | 10,380 | 52,249 |
| (Loss) profit for the year | - | - | - | - | - | - | (53,529) | (53,529) | 2,254 | (51,275) |
| Total comprehensive (expense) income for the year | - | - | - | - | - | - | (53,529) | (53,529) | 2,254 | (51,275) |
| Recognition of equity-settled share-based payments (note 31) | - | - | - | - | - | 2,070 | - | 2,070 | - | 2,070 |
| Issue of shares upon conversion of convertible bonds (note 28) | 856 | 2,190 | - | - | - | - | - | 3,046 | - | 3,046 |
| Issue of shares upon exercise of share options (note 31) | 9,628 | 2,070 | - | - | - | (2,070) | - | 9,628 | - | 9,628 |
| Issue of shares pursuant to a placing agreement (note 30) | 24,933 | (690) | - | - | - | - | - | 24,243 | - | 24,243 |
| At 31 March 2019 | 153,135 | 126,912 | (20,484) | 156 | - | - | (232,392) | 27,327 | 12,634 | 39,961 |

Note:

Reserve arising from reorganisation

The reserve arising from reorganisation of approximately RMB20,484,000 represents the difference between the nominal value of the share capital of subsidiaries acquired and the cost of investments in these subsidiaries made by the Company in exchange thereof, and has been debited to the reserve of the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2019

| | Note | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---|------|-----------------|-------------------------------|
| OPERATING ACTIVITIES | | | |
| (Loss) profit before taxation | | (43,835) | 2,033 |
| Adjustments for: | | | |
| Depreciation | | 85 | 461 |
| Interest income | | (19) | (42) |
| Finance costs | | 4,539 | 5,396 |
| Loss (gain) on fair value changes of financial assets at FVTPL | | 1,087 | (899) |
| Gain on fair value changes of derivative financial liabilities | | (576) | (4,186) |
| Impairment loss on goodwill | | 32,072 | 3,784 |
| Write down of inventories | | – | 627 |
| Impairment loss recognised (reversed) | | 22,552 | (720) |
| Gain on disposal of investments in subsidiaries | | (19) | (380) |
| Gain on disposal of equipment | | (69) | (80) |
| Share-based payment expense | | 2,070 | – |
| Foreign exchange loss (gain) | | 5,269 | (5,982) |
| Operating cash flows before movements in working capital | | 23,156 | 12 |
| (Increase) decrease in accounts and bills receivable | | (52,934) | 5,938 |
| Decrease in debt instruments at FVTOCI | | 17,800 | – |
| (Increase) decrease in other receivables, deposits and prepayments | | (43,576) | 8,295 |
| Increase in rental deposit | | (343) | – |
| Increase in contract assets | | (24,832) | – |
| Increase (decrease) in accounts payable | | 47,271 | (7,632) |
| Increase (decrease) in other payables and accruals | | 5,592 | (4,991) |
| Cash (used in) from operations | | (27,866) | 1,622 |
| Income taxes paid | | (7,640) | (11,264) |
| NET CASH USED IN OPERATING ACTIVITIES | | (35,506) | (9,642) |
| INVESTING ACTIVITIES | | | |
| Interest received | | 19 | 42 |
| Purchase of equipment | | – | (5) |
| Net cash inflow on disposal of investments in subsidiaries | 8 | 2 | 19,671 |
| Proceeds from disposal of equipment | | 56 | 83 |
| Advances to an independent third party | | (29,287) | – |
| Repayments from an independent third party | | 29,006 | – |
| NET CASH (USED) IN FROM INVESTING ACTIVITIES | | (204) | 19,791 |
| FINANCING ACTIVITIES | | | |
| Raise of other loans | | 882 | 4,649 |
| Repayment of other loans | | (21,928) | – |
| Interest paid | | (10,791) | – |
| Repayments to directors | | – | (2,682) |
| Advances from an independent third party | | 21,000 | – |
| Repayments to an independent third party | | (8,500) | – |
| Proceeds from issue of shares upon exercise of share option | | 9,628 | – |
| Proceeds from issue of shares upon placing agreement | | 24,933 | – |
| Payments for transaction costs on issue of share upon placing agreement | | (690) | – |
| NET CASH FROM FINANCING ACTIVITIES | | 14,534 | 1,967 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | (21,176) | 12,116 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | | 23,817 | 11,701 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | | 2,641 | 23,817 |
| Represented by: | | | |
| Bank balances and cash | | 2,641 | 23,817 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

1. GENERAL

China Technology Solar Power Holdings Limited (the “Company”, and together with its subsidiaries, collectively referred to as the “Group”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal places of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 1801, 18/F., Kai Tak Commercial Building, 317 & 319 Des Voeux Road Central, Hong Kong.

The Company act as an investment holding company. The principal activities of its principal subsidiaries are set out in note 38.

As further explained in note 2, the consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

PRIOR YEAR ADJUSTMENTS

During the year, the directors of the Company identified certain errors in consolidated financial statements in prior years. The effect of the prior year adjustments are set out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

2. BASIS OF PREPARATION (Continued)

CHANGE IN PRESENTATION CURRENCY

As the Group's major transactions are denominated and settled in RMB, during the reporting period, the Group changes the currency in which it presents its consolidated financial statements from Hong Kong Dollar ("HK\$") to RMB, in order to better reflect the underlying performance of the Group. A change in presentation currency is a change in accounting policy which is accounted for retrospectively. The consolidated statement of financial position as at 31 March 2018 and the consolidated statement of profit or loss and other comprehensive income for the year then ended as well as the statement of financial position at 31 March 2017 previously reported in HK\$ have been restated into RMB.

The effect of the change in presentation currency and the prior year adjustments are set out below:

| | 2018 (previously reported) HK\$'000 | Change into new presentation currency RMB'000 | Prior year adjustment RMB'000 | 2018 (Restated) RMB'000 | |
|--|--|---|-------------------------------------|-------------------------------|----------------|
| Revenue | 94,011 | 79,458 | – | 79,458 | |
| Cost of sales | (76,974) | (65,058) | – | (65,058) | |
| Gross profit | 17,037 | 14,400 | – | 14,400 | |
| Other revenue | a,c | 2,529 | 2,138 | (2,096) | 42 |
| Selling expenses | | (3,518) | (2,973) | – | (2,973) |
| Change in fair value of financial assets at fair value through profit or loss | c | 1,260 | 1,065 | (166) | 899 |
| Change in fair value of financial derivative liabilities | b | – | – | 4,186 | 4,186 |
| Administrative expenses | c | (15,468) | (13,074) | 74 | (13,000) |
| Impairment loss on goodwill | c | (4,800) | (4,057) | 273 | (3,784) |
| Impairment loss on accounts and bills receivable | a | (493) | (417) | 1,137 | 720 |
| Other gains and losses | a | – | – | 6,939 | 6,939 |
| Finance costs | d | (6,358) | (5,374) | (22) | (5,396) |
| Loss before taxation | | (9,811) | (8,292) | 10,325 | 2,033 |
| Income tax | e | (3,176) | (2,684) | (580) | (3,264) |
| Loss for the year | | (12,987) | (10,977) | 9,745 | (1,231) |
| Other comprehensive income (expenses) | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | | |
| Exchange differences arising on translation of financial statements of foreign operations | c | 9,183 | 7,761 | (7,761) | – |
| Total comprehensive expenses for the year | | (3,804) | (3,215) | 1,984 | (1,231) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

2. BASIS OF PREPARATION (Continued)

CHANGE IN PRESENTATION CURRENCY (Continued)

| | 2018 (previously reported) HK\$'000 | Change into new presentation currency RMB'000 | Prior year adjustment RMB'000 | 2018 (Restated) RMB'000 |
|---|--|---|-------------------------------------|-------------------------------|
| Loss for the year attributable to: | | | | |
| Owners of the company | (17,579) | (14,858) | 9,745 | (5,113) |
| Non-controlling interests | 4,592 | 3,882 | – | 3,882 |
| | (12,987) | (10,977) | 9,745 | (1,231) |
| Total comprehensive (expense) income for the year attributable to: | | | | |
| Owners of the company | (8,992) | (7,097) | 1,984 | (5,113) |
| Non-controlling interests | 5,188 | 3,882 | – | 3,882 |
| | (3,804) | (3,215) | 1,984 | (1,231) |
| | HK cents | RMB cents | RMB cents | RMB cents |
| Loss per share | | | | |
| – Basic | (1.23) | (1.04) | 0.68 | (0.36) |
| | HK cents | RMB cents | RMB cents | RMB cents |
| – Diluted | (1.23) | (1.04) | 0.45 | (0.59) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

2. BASIS OF PREPARATION (Continued)

The effect of the adjustments on the consolidated financial positions of the Group as at 31 March 2018 and 1 April 2017 is as follows:

| Notes | As at 01/04/2017 (previously reported) HK\$'000 | Change into new presentation currency RMB'000 | Prior year adjustment RMB'000 | As at 01/04/2017 (Restated) RMB'000 | As at 31/03/2018 (previously reported) HK\$'000 | Change into new presentation currency RMB'000 | Prior year adjustment RMB'000 | As at 31/03/2018 (Restated) RMB'000 |
|--|---|---|-------------------------------------|--|---|---|-------------------------------------|--|
| Non-current assets | | | | | | | | |
| Property, plant and equipment | 677 | 601 | – | 601 | 177 | 142 | – | 142 |
| Goodwill | 45,476 | 40,374 | (4,518) | 35,856 | 40,676 | 32,594 | (522) | 32,072 |
| | 46,153 | 40,975 | (4,518) | 36,457 | 40,853 | 32,736 | (522) | 32,214 |
| Current assets | | | | | | | | |
| Inventories | 706 | 627 | – | 627 | – | – | – | – |
| Accounts and bills receivables | 79,958 | 70,987 | – | 70,987 | 82,077 | 65,768 | – | 65,768 |
| Other receivables, deposits and prepayments | 23,846 | 21,170 | – | 21,170 | 16,069 | 12,876 | – | 12,876 |
| Financial assets at fair value through profit or loss | 1,284 | 1,140 | – | 1,140 | 2,544 | 2,039 | – | 2,039 |
| Bank balances and cash | 13,180 | 11,701 | – | 11,701 | 29,723 | 23,817 | – | 23,817 |
| | 118,974 | 105,625 | – | 105,625 | 130,413 | 104,500 | – | 104,500 |
| Assets classified as held for sale | 22,412 | 19,897 | 269 | 20,166 | – | – | – | – |
| | 1,41,386 | 125,522 | 269 | 125,791 | 130,413 | 104,500 | – | 104,500 |
| Current liabilities | | | | | | | | |
| Accounts payables | 25,838 | 22,939 | – | 22,939 | 19,103 | 15,307 | – | 15,307 |
| Other payables and accruals | 26,323 | 23,369 | – | 23,369 | 20,507 | 16,432 | – | 16,432 |
| Other loans | 21,340 | 18,946 | – | 18,946 | 26,840 | 21,507 | – | 21,507 |
| Taxation | 10,434 | 9,263 | – | 9,263 | 1,545 | 1,238 | – | 1,238 |
| Receipt in advance | 46 | 41 | – | 41 | 47 | 38 | – | 38 |
| | 83,981 | 74,558 | – | 74,558 | 68,042 | 54,522 | – | 54,522 |
| Liabilities associated with assets classified as held for sale | – | – | 875 | 875 | – | – | – | – |
| | 83,981 | 74,558 | 875 | 75,433 | 68,042 | 54,522 | – | 54,522 |
| Net current assets | 57,405 | 50,964 | (606) | 50,358 | 62,371 | 49,978 | – | 49,978 |
| Total assets less current liabilities | 103,558 | 91,939 | (5,124) | 86,815 | 103,224 | 82,713 | (522) | 82,192 |
| Non-current liabilities | | | | | | | | |
| Convertible bonds | 35,831 | 31,811 | 1,691 | 30,120 | 39,808 | 31,898 | (5,195) | 26,703 |
| Deferred tax liabilities | 3,267 | 2,900 | (1,929) | 971 | 2,760 | 2,212 | (1,296) | 996 |
| | 39,098 | 34,711 | (3,620) | 31,091 | 42,568 | 34,110 | (6,411) | 27,699 |
| Total effect on net assets | 64,460 | 57,228 | (1,504) | 55,724 | 60,656 | 48,604 | 5,890 | 54,493 |
| Capital and reserves | | | | | | | | |
| Share capital | 143,001 | 126,956 | (9,238) | 117,718 | 143,001 | 114,587 | 3,131 | 117,718 |
| Reserves | (86,308) | (76,624) | 7,683 | (68,941) | (95,300) | (76,364) | 2,310 | (74,054) |
| Equity attributable to owners of the Company | 56,693 | 50,332 | (1,555) | 48,777 | 47,701 | 38,223 | 5,441 | 43,664 |
| Non-controlling interests | 7,767 | 6,896 | 51 | 6,947 | 12,955 | 10,381 | 448 | 10,829 |
| Total effect on equity | 64,460 | 57,228 | (1,504) | 55,724 | 60,656 | 48,604 | 5,889 | 54,493 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

2. BASIS OF PREPARATION *(Continued)*

Notes:

- a. Being reclassification adjustments to conform with the current year's presentation

The reclassification adjustment represented reclassification from other revenue to impairment loss on accounts and bills receivable, and other gains and losses.

- b. Change in accounting treatment following the change in functional currency

During the year ended 31 March 2019, the directors of the Company identified an error in determining the functional currency of the Company. In prior years, the Group operated in both Hong Kong and the People's Republic of China (the "PRC") and had determined Hong Kong dollar ("HK\$") as functional currency of the Company. Starting from the year ended 31 March 2011, whereby at that time the Company was principally engaged as an investment holding company primarily holding subsidiaries with primary economic environment in the PRC, as such, the functional currency of the Company for the year ended 31 March 2011 should be RMB instead of HK\$.

Following the prior year adjustment in rectifying the functional currency from HK\$ to RMB for the year ended 31 March 2011, the initial accounting treatment for the 2011 convertible bonds (note 28) which is denominated in HK\$ is different to that applied in the financial statements for the previous years as the conversion option that will be settled by the exchange of fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments and therefore accounted for as an equity instrument was no longer applied. The 2011 convertible bonds is now regarded as carrying a conversion option that will be settled other than by the exchange of fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivatives. Details of the revised accounting policy for 2011 convertible bonds are set out in note 4.

- c. Impact on change in functional currency

The amounts represent the exchange impact for the correction of functional currency as detailed in note b.

- d. Correction of error in allocation between liability and equity component upon conversion of convertible bonds

In prior years, the initial carrying amount other than the then carrying amount of the debt component of convertible bonds was derecognised upon conversion, which give rise to an error in the carrying amount of the debt component of the convertible bonds and the corresponding recognition of finance costs.

- e. Reversal of deferred tax liabilities of convertible bonds

As the convertible bonds were issued by the Company which is incorporated in the Cayman Islands and not subject to tax, the deferred tax liabilities recognised were reversed accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

| | |
|-----------------------|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- (i) Sales of solar power related products; and
- (ii) Rendering of new energy power system integration services

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 4 respectively.

The initial application of HKFRS 15 has had no material impact on the Group’s financial position as at 1 April 2018.

The following tables summarise the impacts of applying HKFRS 15 on the Group’s consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

There was no impact on the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Impact on the consolidated statement of financial position

| | Notes | As reported RMB'000 | Adjustments RMB'000 | Amounts without application of HKFRS 15 RMB'000 |
|---|-------|------------------------|------------------------|---|
| Current assets | | | | |
| Amounts due from customers for contract work | | – | 24,832 | 24,832 |
| Contract assets | 21 | 24,661 | (24,661) | – |
| Capital and reserves | | | | |
| Reserves | | (125,808) | 171 | (125,637) |

Impact on the consolidated statement of profit and loss and other comprehensive income

| | As reported RMB'000 | Adjustments RMB'000 | Amounts without application of HKFRS 15 RMB'000 |
|--|------------------------|------------------------|---|
| Impairment losses recognised | (171) | 171 | – |
| Loss before tax | (171) | 171 | – |
| Loss for the year | (171) | 171 | – |
| Total comprehensive expense for the year | (171) | 171 | – |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Impact on the consolidated statement of cash flows:

| | As reported RMB'000 | Adjustments RMB'000 | Amounts without application of HKFRS 15 RMB'000 |
|---|------------------------|------------------------|---|
| Operating activities | | | |
| Loss before taxation | (43,739) | 171 | (43,568) |
| Impairment loss recognised | 22,552 | (171) | 22,381 |
| Operating cash flows before movements in working capital | 23,156 | – | 23,156 |
| Increase in contract assets | (24,832) | 24,832 | – |
| Increase in amounts due from customers for contract work | – | (24,832) | (24,832) |
| Cash used in operations | (15,366) | – | (15,366) |
| Net used in operating activities | (23,006) | – | (23,006) |

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets, contract assets and other items, and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

HKFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

| | Notes | Financial assets at FVTPL required by HKAS 39/ HKFRS 9 RMB'000 | Debt instruments at FVTOCI RMB'000 | Financial assets at amortised cost previously classified as loans and receivables RMB'000 | Accumulated losses RMB'000 | Non-controlling interests RMB'000 |
|--|-------|--|------------------------------------|---|----------------------------|-----------------------------------|
| Closing balance at 31 March 2018 – HKAS 39 (restated) | | 2,039 | – | 100,647 | (184,041) | 10,829 |
| Reclassification | | | | | | |
| From loans and receivables | (a) | – | 18,500 | (18,500) | – | – |
| Remeasurement | | | | | | |
| Impact under ECL model | (b) | – | – | (2,244) | (1,795) | (449) |
| Opening balance at 1 April 2018 | | 2,039 | 18,500 | 79,903 | (185,836) | 10,380 |

Note:

(a) Loans and receivables

As part of the Group's cash flow management, the Group has the practice of endorsing some of the bills received from debtors to suppliers before the bills are due for payment and derecognises bills endorsed on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the Group's bills receivable of RMB18,500,000 were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at FVTOCI. There was no fair value adjustment needed to be made to debts instruments at FVTOCI and equity as at 1 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

HKFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Notes: (Continued)

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivable and contract assets. Except for those which had been determined as credit impaired under HKAS 39, all accounts receivable and contract assets have been assessed individually with significant outstanding balances and the remaining balances are grouped based on shared credit risk characteristics. The contract assets related to unbilled work in progress and have substantially the same risk characteristics as the accounts receivable for the same types of contracts. The Group has therefore estimated the expected loss rates for the accounts receivable and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables and deposits and bank balances, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowance of RMB2,244,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets, including accounts and bills receivable, debt instruments at FVTOCI, contract assets and other receivables and deposits, as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

| | Accounts and bills receivable RMB'000 | Other receivables and deposits RMB'000 |
|--|--|---|
| At 31 March 2018 | | |
| – HKAS 39 (restated) | 32,242 | 409 |
| Amounts remeasured through opening accumulated losses | 1,446 | 798 |
| At 1 April 2018 | 33,688 | 1,207 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group’s accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

| | 31 March 2018 RMB’000 (Restated) | HKFRS 9 RMB’000 | 1 April 2018 RMB’000 (Restated) |
|---|--|--------------------|---------------------------------------|
| Current assets | | | |
| Accounts and bills receivable | 65,768 | (19,946) | 45,822 |
| Other receivables, deposits and prepayments | 12,876 | (798) | 12,078 |
| Debt instruments at FVTOCI | – | 18,500 | 18,500 |
| Capital and Reserves | | | |
| Reserves | (74,054) | (1,795) | (75,849) |
| Non-controlling interests | 10,829 | (449) | 10,380 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|------------------------------------|--|
| HKFRS 16 | Leases ¹ |
| HKFRS 17 | Insurance Contracts ³ |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments ¹ |
| Amendments to HKFRS 3 | Definition of a Business ⁴ |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ² |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material ⁵ |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement ¹ |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures ¹ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015 – 2017 Cycle ¹ |

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

HKFRS 16 Leases (Continued)

As at 31 March 2019, the Group has non-cancellable operating lease commitments of RMB4,153,000 as disclosed in note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB410,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements would result in changes in measurement, presentation and disclosure as indicated above. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group did not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application to opening accumulated losses without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 Impairment of Assets.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BUSINESS COMBINATIONS *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE FROM CONTRACTS WITH CUSTOMERS (UPON APPLICATION OF HKFRS 15)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

OVER TIME REVENUE RECOGNITION: MEASUREMENT OF PROGRESS TOWARDS COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

PRINCIPAL VERSUS AGENT

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

REVENUE RECOGNITION (PRIOR TO 1 APRIL 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Goods, services, interests, royalties and dividends

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION (PRIOR TO 1 APRIL 2018) *(Continued)*

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under accounts and bills receivable.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

The change in presentation currency of the Company was applied retrospectively, as if the new presentation currency had always been applied.

BORROWING COSTS

Borrowing costs, other than those directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS AND TERMINATION BENEFITS

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and Mandatory Provident Fund Scheme ("MPF Scheme"), are recognised as an expense when employees have rendered service entitling them to the contributions.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

SHARE-BASED PAYMENTS

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss) profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they related to items that are recognised in other comprehensive income, in which case, the current and deferred tax are also recognised in other comprehensive income.

EQUIPMENT

Equipment is stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

EQUIPMENT *(Continued)*

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

IMPAIRMENT ON TANGIBLE ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

FINANCIAL ASSETS

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL ASSETS *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (Continued)

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL ASSETS *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is presented as “change in fair value of financial assets at FVTPL”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL ASSETS *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, other receivables and deposits, debt instruments at FVTOCI and bank balances) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL ASSETS *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (Continued)

(i) Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL ASSETS *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL ASSETS *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (Continued)

(v) Measurement and recognition of ECL *(Continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivables, other receivables and deposits and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL ASSETS *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'change in fair value of financial assets at fair value through profit or loss' line item. Fair value is determined in the manner described in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL ASSETS *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and bills receivable and other receivables and deposits) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL ASSETS (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts and bills receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL LIABILITIES AND EQUITY

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL LIABILITIES AND EQUITY (Continued)

Financial liabilities at amortised cost

Financial liabilities including accounts payable, other payables, other loans and the debt component of convertible bonds are subsequently measured at amortised cost, using the effective interest method.

CONVERTIBLE BONDS

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instruments, in which event the timing of recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets nor financial liabilities within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration (principal)

The Group engages in sales of solar power related products. In determining whether the Group is acting as a principal or as an agent in the sales of goods and services requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group acting as a principal or an agent, the Group considers whether it obtains control of the goods and if necessary, also considers individually or in combination, whether the Group is primarily responsible for fulfilling the contracts, is subject to inventory risk, has discretion in establishing prices for the goods and services. Significant judgement is required when inventory risk is not significant. Having considered the relevant facts and circumstances, management considers that the Group obtains control of solar power related products sold before the goods are transferred to the customers. Accordingly, the Group is acting as a principal and the corresponding revenue is presented on a gross basis.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are not as expected, or change in facts and circumstances which results in revision of future cash flows, the amount of impairment recognised may vary. As at 31 March 2019, the carrying amount of goodwill was fully impaired (net of accumulated impairment loss of RMB237,339,000) (31 March 2018: RMB32,072,000 (net of accumulated impairment loss of RMB224,370,000)). Details of the recoverable amount calculation are disclosed in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provision of ECL for accounts receivable and contract assets

The Group uses provision matrix to calculate ECL for the accounts receivable, debt instruments at FVTOCI and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, accounts receivable, debt instruments at FVTOCI and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable and contract assets are disclosed in notes 34.

Deferred tax asset

As at 31 March 2019, no deferred tax asset has been recognised on the tax losses of RMB19,545,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a further recognition takes place.

Fair value measurement of financial instruments

The Group's derivative component of convertible bonds amounting to RMB266,000 as at 31 March 2019 (RMB938,000 as at 31 March 2018) are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Fair value measurement of financial instruments is set out in note 34C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

6. REVENUE

A. FOR THE YEAR ENDED 31 MARCH 2019

(i) Disaggregation of revenue from contracts with customers

| | 2019 RMB'000 |
|---|-----------------|
| Types of goods or services | |
| Sales of solar power related products | 79,978 |
| Rendering of new energy power system integration services | 82,805 |
| Total | 162,783 |
| Timing of revenue recognition | |
| A point in time | 79,978 |
| Over time | 82,805 |
| Total | 162,783 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

6. REVENUE *(Continued)*

A. FOR THE YEAR ENDED 31 MARCH 2019 *(Continued)*

(ii) *Performance obligations for contracts with customers*

Sales of solar power related products

The Group sells solar power related products directly to customers.

Revenue is recognised at a point in time when the goods are accepted by the customers after delivery to the customers' premises, since only by that time the Group passes control of the equipment to the customers. The normal credit term is 30 to 180 days upon delivery.

Customers are generally required to make an advance payment of 20% to 30% of the total contract sum before the Group commences any work, and this will give rise to contract liabilities at the start of a contract. Generally, customers will be required to pay 95% of the total contract sum when the goods are delivered and accepted.

The Group normally provides a warranty period of around 12 months from the date that the solar power plant is connected to the grid or the last batch of the products under the contract is delivered to the customers' premises. For those contracts with warranty period provided, the outstanding balances representing the retention money of 5% of the total contract sum initially recognised as contract assets upon delivery of goods and will be transferred to trade receivables and paid to the Group in the absence of warranty claim after the warranty period.

New energy power system integration services

The Group provides new energy power system integration services to customers, such as engineering procurement construction ("EPC") services and design and consultancy services.

Revenue from EPC services is recognised as a performance obligation satisfied over time. The Group's performance under the EPC contracts creates or enhances assets without an alternative use to the Group. Further the Group has an enforceable right to payment for performance performed to date, the Group recognises revenue over time for EPC services. Revenue is recognised for these EPC services based on the stage of completion of the contract using the output method.

Revenue from design and consultancy services is recognised as a performance obligation satisfied over time. The Group's performance under the design and consultancy contracts does not create an asset with an alternative use to the Group. As the Group has an enforceable right to payment for performance completed to date, the Group recognises revenue over time for design and consultancy services. Revenue is recognised for these design and consultancy services based on the stage of completion of the contract using the output method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

6. REVENUE *(Continued)*

A. FOR THE YEAR ENDED 31 MARCH 2019 *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

New energy power system integration services *(Continued)*

During the course of providing integration services, customers are generally required to make progress payment. In general, customers will be required to pay 70% to 80% of amounts corresponding to the relevant services provided or customers will be required to pay 80% of the total contract sum upon the completion of the construction project and the solar power plant is connected to the grid. The Group will receive up to 95% to 97% of the total contract sum in one month to three months after the construction project is completed and the solar power plant is connected to the grid.

The Group normally provides a retention period of 12 months from the date that the solar power plant is connected to the grid. For those contracts with retention period provided, the outstanding balances representing the retention money of approximately 3% to 5% of the total contract sum initially recognised as the contract assets until the end of retention period and will be transferred to trade receivables and paid to the Group in the absence of warranty claim.

A contract asset is recognised over the period in which the integration services are performed representing the Group's rights to consideration for the services performed because the rights to billing are conditional upon specified payment milestones. The Group typically transfers the contract assets to trade receivables when the Group achieved the specific milestones of payments in the corresponding contracts.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 and the expected timing of recognising revenue are as follows:

| | Sales of solar power related products RMB'000 | New energy power system integration business RMB'000 | Total RMB'000 |
|-----------------|--|--|------------------|
| Within one year | 36,725 | 239,440 | 276,165 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

6. REVENUE *(Continued)*

B. FOR THE YEAR ENDED 31 MARCH 2018

An analysis of the Group's revenue for the year is as follows:

| | 2018 RMB'000 (Restated) |
|-----------------------|-------------------------------|
| Sales of goods | 67,427 |
| Rendering of services | 12,031 |
| | <u>79,458</u> |

7. OPERATING SEGMENTS

Information reported to the executive directors of the Company, being the chief operating decision maker (CODM), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

7. OPERATING SEGMENTS *(Continued)* SEGMENT REVENUE AND RESULTS

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 March 2019

| | Sales of solar power related products RMB'000 | New energy power system integration business RMB'000 | Sales of self-service ATM systems and printing systems RMB'000 | Provision of hardware and software technical support services RMB'000 | Total RMB'000 |
|---|--|--|---|--|------------------|
| Revenue from external customers | 79,978 | 82,805 | – | – | 162,783 |
| Segment loss | (20,153) | (1,465) | (1,922) | (435) | (23,975) |
| Unallocated other gains and losses | | | | | (5,184) |
| Unallocated cost | | | | | (9,626) |
| Change in fair value of financial assets at FVTPL | | | | | (1,087) |
| Change in fair value of financial derivative liabilities | | | | | 576 |
| Finance costs | | | | | (4,539) |
| Loss before taxation | | | | | (43,835) |
| Income tax expense | (694) | (7,742) | – | – | (8,436) |
| Unallocated income tax expense | | | | | 996 |
| Loss for the year | | | | | (51,275) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

7. OPERATING SEGMENTS *(Continued)*

SEGMENT REVENUE AND RESULTS *(Continued)*

For the year ended 31 March 2018 (restated)

| | Sales of solar power related products RMB'000 | New energy power system integration business RMB'000 | Sales of self-service ATM systems and printing systems RMB'000 | Provision of hardware and software technical support services RMB'000 | Total RMB'000 |
|---|--|--|---|--|------------------|
| Revenue from external customers | 67,408 | 12,031 | 19 | – | 79,458 |
| Segment profit (loss) | 7,132 | (2,770) | (1,523) | 434 | 3,273 |
| Unallocated other gains and losses | | | | | 5,636 |
| Unallocated cost | | | | | (6,565) |
| Change in fair value of financial assets at FVTPL | | | | | 899 |
| Change in fair value of financial derivative liabilities | | | | | 4,186 |
| Finance costs | | | | | (5,396) |
| Profit before taxation | | | | | 2,033 |
| Income tax expense | (1,245) | (1,994) | – | – | (3,239) |
| Unallocated income tax expense | | | | | (25) |
| Loss for the year | | | | | (1,231) |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit/loss represents the profit earned by/loss incurred from each segment without allocation of central administration costs, unallocated other gains and losses, change in fair value of financial assets at FVTPL, change in fair value of financial derivative liabilities, finance costs and certain income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

7. OPERATING SEGMENTS *(Continued)* SEGMENT ASSETS AND LIABILITIES

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

As at 31 March 2019

| | Sales of solar power related products RMB'000 | New energy power system integration business RMB'000 | Sales of self-service ATM systems and printing systems RMB'000 | Provision of hardware and software technical support services RMB'000 | Total RMB'000 |
|--|--|--|---|--|------------------|
| Segment assets | 52,557 | 100,594 | 7,044 | 32 | 160,227 |
| Equipment (for corporate) | | | | | – |
| Other receivables, deposits and prepayments (for corporate) | | | | | 253 |
| Financial assets at fair value through profit or loss (for corporate) | | | | | 952 |
| Bank balances and cash (for corporate) | | | | | 259 |
| Total assets | | | | | 161,691 |
| Segment liabilities | 19,923 | 57,341 | 3,107 | 742 | 81,113 |
| Other payables and accruals (for corporate) | | | | | 9,483 |
| Other loans (for corporate) | | | | | 2,573 |
| Convertible bonds (for corporate) | | | | | 28,561 |
| Total liabilities | | | | | 121,730 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

7. OPERATING SEGMENTS (Continued)

SEGMENT ASSETS AND LIABILITIES (Continued)

As at 31 March 2018 (restated)

| | Sales of solar power related products RMB'000 | New energy power system integration business RMB'000 | Sales of self-service ATM systems and printing systems RMB'000 | Provision of hardware and software technical support services RMB'000 | Total RMB'000 |
|--|--|--|---|--|------------------|
| Segment assets | 65,331 | 59,158 | 7,114 | 565 | 132,168 |
| Equipment (for corporate) | | | | | 31 |
| Other receivables, deposits and prepayments (for corporate) | | | | | 248 |
| Financial assets at fair value through profit or loss (for corporate) | | | | | 2,039 |
| Bank balances and cash (for corporate) | | | | | 2,228 |
| Total assets | | | | | 136,714 |
| Segment liabilities | 2,875 | 12,818 | 3,330 | 607 | 19,630 |
| Other payables and accruals (for corporate) | | | | | 13,385 |
| Other loans (for corporate) | | | | | 21,507 |
| Convertible bonds (for corporate) | | | | | 26,703 |
| Deferred tax liabilities (for corporate) | | | | | 996 |
| Total liabilities | | | | | 82,221 |

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

7. OPERATING SEGMENTS *(Continued)*

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment profit or loss:

For the year ended 31 March 2019

| | Sales of solar power related products RMB'000 | New energy power system integration business RMB'000 | Sales of self-service ATM systems and printing systems RMB'000 | Provision of hardware and software technical support services RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|--|--|---|---|--|------------------------|------------------|
| Depreciation of equipment | - | 50 | - | - | 35 | 85 |
| Impairment loss on goodwill | 32,072 | - | - | - | - | 32,072 |
| Impairment loss on accounts and other receivables recognised in profit or loss | 894 | 21,487 | - | - | - | 22,381 |
| Impairment loss on contract assets recognised in profit or loss | - | 171 | - | - | - | 171 |
| Gain on disposal of equipment | - | 69 | - | - | - | 69 |

For the year ended 31 March 2018 (restated)

| | Sales of solar power related products RMB'000 | New energy power system integration business RMB'000 | Sales of self-service ATM systems and printing systems RMB'000 | Provision of hardware and software technical support services RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---------------------------------------|--|---|---|--|------------------------|------------------|
| Additions to equipment | - | 5 | - | - | - | 5 |
| Depreciation of equipment | - | 80 | 234 | 8 | 139 | 461 |
| Impairment loss on goodwill | 3,784 | - | - | - | - | 3,784 |
| Write down of obsolete inventories | - | - | 627 | - | - | 627 |
| Impairment loss recognised (reversed) | - | 8 | (220) | (508) | - | (720) |
| Gain on disposal of equipment | - | - | - | - | 80 | 80 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

7. OPERATING SEGMENTS (Continued)

OTHER SEGMENT INFORMATION (Continued)

Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:

For the year ended 31 March 2019

| | Sales of solar power related products RMB'000 | New energy power system integration business RMB'000 | Sales of self-service ATM systems and printing systems RMB'000 | Provision of hardware and software technical support services RMB'000 | Total RMB'000 |
|-----------------|--|---|---|--|------------------|
| Interest income | 8 | 9 | 2 | - | 19 |

For the year ended 31 March 2018 (restated)

| | Sales of solar power related products RMB'000 | New energy power system integration business RMB'000 | Sales of self-service ATM systems and printing systems RMB'000 | Provision of hardware and software technical support services RMB'000 | Total RMB'000 |
|-----------------|--|---|---|--|------------------|
| Interest income | 10 | 28 | 2 | 2 | 42 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

7. OPERATING SEGMENTS *(Continued)*

GEOGRAPHICAL INFORMATION

No geographical analysis is provided as all of the consolidated revenue of the Group are generated from the PRC and substantially all non-current assets are located in the PRC.

INFORMATION ABOUT MAJOR CUSTOMERS

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

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--|-----------------|-------------------------------|
| Customer A – sales of solar power related products | 77,044 | N/A |
| Customer A - new energy power system integration | 65,824 | N/A |
| Customer B – new energy power system integration | 16,981 | N/A |
| Customer C – sales of solar power related products | N/A | 46,079 |
| Customer D - sales of solar power related products | N/A | 18,965 |

N/A: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. OTHER GAINS AND LOSSES

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--|-----------------|-------------------------------|
| Gain on disposal of investments in subsidiaries (Note) | 19 | 380 |
| Gain on disposal of equipment | 69 | 80 |
| Compensation received from a customer | – | 428 |
| Foreign exchange (loss) gain | (5,269) | 5,982 |
| Others | 52 | 69 |
| | (5,129) | 6,939 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

8. OTHER GAINS AND LOSSES (Continued)

Note:

- (a) On 4 September 2018, Gansu Zhongke New Energy Technology Limited* 甘肅眾科新能源科技有限公司 (“Gansu Zhongke”) and its subsidiary were disposed of for a cash consideration of RMB190,000. The net assets of Gansu Zhongke and its subsidiary were RMB171,000 and realised a gain on disposal of subsidiaries of RMB19,000. Net cash inflow arising on disposal was RMB2,000 (net of bank balances and cash disposed of amounting to RMB188,000). Since the financial line items in arriving at the net assets of the subsidiaries up to the date of disposal are not individually material, no separate note was disclosed for the disposal of subsidiaries.
- (b) On 19 August 2016, Shaanxi Baike New Energy Technology Development Co., Ltd.* 陝西百科新能源科技發展有限公司 (“Shaanxi Baike”), and Kashii Tianqing New Energy Co., Ltd* 喀什天慶光電科技有限公司 (“Kashii Tianqing”) entered into a cooperation agreement (“Cooperation Agreement”) 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 land (“Tibet Land”) located in the Lazi County of the Tibet Autonomous Region of the PRC and Shaanxi Baike has agreed to transfer 100% interests in Lazi Baike New Energy Technology Limited* 拉孜百科新能源科技有限公司 (“Lazi Baike”) which had obtained the land use right of the Tibet Land from the Lazi County people’s government, to Kashii Tianqing after completion of the construction of the Tibet Solar Power Station and the power integration. Upon signing of the Cooperation Agreement, Laizi Baike was classified as assets classified as held for sale. The transaction was completed in May 2017 and a gain of RMB380,000 was recognised.

* The English name is for identification only. The official name of the entity is in Chinese.

9. IMPAIRMENT LOSSES RECOGNISED (REVERSED)

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---|-----------------|-------------------------------|
| Impairment losses recognised (reversed) on: | | |
| – Accounts receivable – goods and services | 22,151 | (610) |
| – Other receivables and deposits | 230 | (110) |
| – Contract assets | 171 | – |
| | 22,552 | (720) |

Details of impairment assessment for the year ended 31 March 2019 are set out in note 34.

10. FINANCE COSTS

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---|-----------------|-------------------------------|
| Effective interest on convertible bonds | 3,628 | 3,376 |
| Interest on other loans | 911 | 2,020 |
| | 4,539 | 5,396 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

11. (LOSS) PROFIT BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--|-----------------|-------------------------------|
| Cost of inventories recognised as expenses | 66,508 | 42,995 |
| Depreciation of equipment | 85 | 461 |
| Auditors' remuneration | 1,700 | 497 |
| Minimum operating lease payments in respect of rented premises | 907 | 981 |
| Foreign exchange (loss) gain | (5,269) | 5,982 |
| Staff costs (including directors' emoluments) | | |
| – Salaries and other benefits | 5,720 | 7,232 |
| – Retirement benefit scheme contributions | 182 | 225 |
| – Share-based payment expense | 2,070 | – |
| | 7,972 | 7,457 |
| Allowance for obsolete inventories included in administrative expenses | – | 627 |

12. INCOME TAX EXPENSE

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|-------------------------------|-----------------|-------------------------------|
| Current tax | | |
| – PRC Enterprise Income Tax | 5,633 | 3,239 |
| Underprovision in prior years | 2,803 | – |
| Deferred tax (note 29) | (996) | 25 |
| | 7,440 | 3,264 |

No provision for Hong Kong Profits Tax has been made as there is no assessable profit for the subsidiaries operating in Hong Kong during the year ended 31 March 2019 (2018: nil).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, except for certain subsidiaries of the Group in the PRC are under the Western China Development Plan, and were approved to enjoy the preferential tax rate of 15% in accordance with the EIT Law and relevant regulations until 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

12. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the (loss) profit before tax as per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--|-----------------|-------------------------------|
| (Loss) profit before tax | (43,835) | 2,033 |
| Tax credit at the domestic income tax rate of 25% (2018: 25%) (note) | (10,959) | 508 |
| Tax effect on expenses not deductible for tax purpose | 11,290 | 5,107 |
| Tax effect on income not taxable for tax purpose | (144) | (1,238) |
| Tax effect of tax losses/deductible temporary differences not recognised | 5,960 | 2,774 |
| Utilisation of tax losses/deductible temporary differences previously not recognised | – | (108) |
| Effect of different tax rates of subsidiaries | (1,510) | (3,779) |
| Underprovision in prior years | 2,803 | – |
| Income tax expense | 7,440 | 3,264 |

Note: The domestic tax rate (which is PRC Enterprise Income Tax rate) in the jurisdiction where the operation of the Group is substantially based in used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

13. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(A) DIRECTORS' AND THE CHIEF EXECUTIVE'S

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

| 2019 | Fee RMB'000 | Salaries and other emoluments RMB'000 | Contribution to retirement benefit scheme RMB'000 | Total RMB'000 |
|---|----------------|--|---|------------------|
| <i>Executive directors:</i> | | | | |
| Chiu Tung Ping (note) | – | 309 | – | 309 |
| Hou Hsiao Bing | – | 1,287 | 15 | 1,302 |
| Hu Xin | – | 182 | – | 182 |
| Yuen Hing Lan | – | 103 | – | 103 |
| <i>Independent non-executive directors:</i> | | | | |
| Dong Guangwu | 207 | – | – | 207 |
| Meng Xianglin | 104 | – | – | 104 |
| Ma Xingqin | 36 | – | – | 36 |
| | 347 | 1,881 | 15 | 2,243 |

| 2018 (restated) | Fee RMB'000 | Salaries and other emoluments RMB'000 | Contribution to retirement benefit scheme RMB'000 | Total RMB'000 |
|---|----------------|--|---|------------------|
| <i>Executive directors:</i> | | | | |
| Chiu Tung Ping (note) | – | 289 | – | 289 |
| Hou Hsiao Bing | – | 1,202 | 15 | 1,217 |
| Hu Xin | – | 206 | – | 206 |
| Yuen Hing Lan | – | 97 | – | 97 |
| <i>Independent non-executive directors:</i> | | | | |
| Dong Guangwu | 193 | – | – | 193 |
| Meng Xianglin | 97 | – | – | 97 |
| Ma Xingqin | 36 | – | – | 36 |
| | 326 | 1,794 | 15 | 2,135 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

13. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(Continued)

(A) DIRECTORS' AND THE CHIEF EXECUTIVE'S (Continued)

Note: Being chief executive of the Group.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: nil). The executive directors' emoluments were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments were for their services as directors of the Company.

(B) EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included three directors (2018: three directors), details of whose remuneration are set out in note 13(A) above. Details of the remuneration for the year of the remaining two (2018: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---|-----------------|-------------------------------|
| Salaries, allowances and benefits in kind | 1,850 | 1,728 |
| Retirement benefit scheme contributions | 31 | 29 |
| | 1,881 | 1,757 |

The number of the highest paid employees including directors of the Company whose remuneration fell within the following bands is as follows:

| | 2019 No. of employees | 2018 No. of employees |
|--------------------------------|-----------------------------|-----------------------------|
| Nil to HK\$1,000,000 | 3 | 3 |
| HK\$1,500,001 to HK\$2,000,000 | 2 | 2 |
| | 5 | 5 |

During the year ended 31 March 2019, no emoluments were paid by the Group to any of the directors or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: nil). None of the directors of the Company or the chief executive of the Group waived any emoluments during the year (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2019, nor has any dividend been proposed since the end of reporting date (2018: nil).

15. 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:

Loss figures are calculated as follows:

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--|-----------------|-------------------------------|
| Loss for the year attributable to the owners of the Company | (53,529) | (5,113) |
| Effect of dilutive potential ordinary shares: | | |
| Effective interest on convertible bonds and change in fair value of financial derivative liabilities | – | (810) |
| Exchange gain in relation to convertible bonds | – | (2,607) |
| Loss for the purpose of diluted loss per share | (53,529) | (8,530) |

| | 2019 RMB cents | 2018 RMB cents (Restated) |
|--|-------------------|---------------------------------|
| Loss for the purpose of basic loss per share | (3.26) | (0.36) |
| Loss for the purpose of diluted loss per share | (3.26) | (0.59) |

| | 2019 '000 | 2018 '000 |
|--|--------------|--------------|
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 1,643,905 | 1,430,013 |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | 1,643,905 | 1,439,813 |

Outstanding convertible bonds of the Company are anti-dilutive since their exercise or conversion would result in a decrease in basic loss per share for the years ended 31 March 2019.

Share options before exercise under the Scheme defined in note 31 are anti-dilutive since their exercise would result in a decrease in basic loss per share for the year ended 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

16. EQUIPMENT

| | Leasehold improvements RMB'000 | Office equipment, furniture and fixtures RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|---------------------------------|--------------------------------------|--|------------------------------|------------------|
| Cost | | | | |
| At 1 April 2017 (restated) | 1,980 | 4,380 | 1,524 | 7,884 |
| Additions | – | 5 | – | 5 |
| Disposals | – | – | (248) | (248) |
| At 31 March 2018 (restated) | 1,980 | 4,385 | 1,276 | 7,641 |
| Disposals | – | – | (203) | (203) |
| At 31 March 2019 | 1,980 | 4,385 | 1,073 | 7,438 |
| Accumulated depreciation | | | | |
| At 1 April 2017 (restated) | 1,830 | 4,273 | 1,180 | 7,283 |
| Provided for the year | 150 | 105 | 206 | 461 |
| Eliminated on disposals | – | – | (245) | (245) |
| At 31 March 2018 (restated) | 1,980 | 4,378 | 1,141 | 7,499 |
| Provided for the year | – | 4 | 81 | 85 |
| Eliminated on disposals | – | – | (167) | (167) |
| At 31 March 2019 | 1,980 | 4,382 | 1,055 | 7,417 |
| Carrying values | | | | |
| At 31 March 2019 | – | 3 | 18 | 21 |
| At 31 March 2018 (restated) | – | 7 | 135 | 142 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

16. EQUIPMENT *(Continued)*

The above items of equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|--|--|
| Leasehold improvements | Over the shorter of the lease term, or their useful lives in the range of 20% to 50% |
| Office equipment, furniture and fixtures | 20% to 33% |
| Motor vehicles | 20% |

17. GOODWILL

| | New energy power system integration business RMB'000 | Sales of solar power related products RMB'000 | Total RMB'000 |
|---|--|--|------------------|
| Cost | | | |
| At 1 April 2017 and 31 March 2018 (restated) | 215,855 | 40,587 | 256,442 |
| Eliminated on disposal of subsidiaries (Note) | (19,103) | – | (19,103) |
| At 31 March 2019 | 196,752 | 40,587 | 237,339 |
| Impairment | | | |
| At 1 April 2017 (restated) | 215,855 | 4,731 | 220,586 |
| Impairment loss recognised in the year | – | 3,784 | 3,784 |
| At 31 March 2018 (restated) | 215,855 | 8,515 | 224,370 |
| Eliminated on disposal of subsidiaries (Note) | (19,103) | – | (19,103) |
| Impairment loss recognised in the year | – | 32,072 | 32,072 |
| At 31 March 2019 | 196,752 | 40,587 | 237,339 |
| Carrying values | | | |
| At 31 March 2019 | – | – | – |
| At 31 March 2018 (restated) | – | 32,072 | 32,072 |

Note: As Gansu Zhongke and its subsidiary were disposed of during the year, the goodwill associated with the related operation disposed which was fully impaired in prior periods was eliminated accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

17. GOODWILL (Continued)

IMPAIRMENT TEST ON GOODWILL

For the purposes of impairment testing, goodwill have been allocated to an individual CGU, being Million Keen Limited and its subsidiaries (“Million Keen Group”) engaged in the sales of solar power related products segment. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

| | Goodwill | |
|--|-----------------|-------------------------------|
| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
| Sales of solar power related products – Million Keen Group | – | 32,072 |
| | – | 32,072 |

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

MILLION KEEN GROUP

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2018: five-year), and discount rate of 18.72% (2018: 17%). Million Keen Group’s cash flows beyond the five-year period (2018: five-year) are extrapolated based on sales orders existing or expected to obtain in the next five-year period. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and operating margin defined as profit before tax divided by revenue, such estimation is based on the unit’s past performance and management’s expectations for the market development.

As at 31 March 2018, if the discount rate was changed to 17.85%, while other parameters remain constant, the recoverable amount of Million Keen Group would reduce to RMB32,204,000 and an additional impairment of goodwill of RMB452,000 would be recognised.

During the year, due to adverse changes in market conditions, in particular, the release of the new governmental policy on cutting down the subsidy on solar electricity published on 31 May 2018, the management of the Group reviewed and reassessed the recoverable amount of the relevant CGU (which is the higher of its value-in-use and its fair value less costs of disposal) to determine whether there is any impairment loss. Because of the negative impact on the solar power industry as a result of the new government policy on solar electricity subsidy, the directors have consequently determined impairment of goodwill directly related to Million Keen Group amounting to RMB32,072,000 (2018: RMB3,784,000 (restated)). No other write-down of the assets of Million Keen Group is considered necessary.

The recoverable amount of the Million Keen Group is less than the carrying amount as at 31 March 2019. The impairment loss has been included in profit or loss in the impairment loss on goodwill line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

18. ACCOUNTS AND BILLS RECEIVABLE

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--|-----------------|-------------------------------|
| Accounts receivable | 68,131 | 79,510 |
| Bills receivable | 12,180 | 18,500 |
| Less: Allowance for credit losses/doubtful debts | (3,706) | (32,242) |
| | 76,605 | 65,768 |

As at 31 March 2019 and 1 April 2018, accounts receivable from contracts with customers amounted to RMB64,705,000 and RMB45,822,000, respectively.

The Group normally allows credit period of 180 days (2017: 180 days).

The following is an aged analysis of accounts and bills receivable net of allowance for credit losses/doubtful debts presented based on dates of delivery of goods/the invoice dates:

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--------------|-----------------|-------------------------------|
| 0 to 90 days | 56,270 | 30,248 |
| Over 90 days | 20,335 | 35,520 |
| | 76,605 | 65,768 |

As at 31 March 2019, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of RMB14,626,000 which are past due as at the reporting date. Out of the past due balances, RMB11,746,000 has been past due 90 days or more and is not considered as in default as the management considers that there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience and credit reassessment of each individual customer. The Group does not hold any collateral over these balances.

As at 31 March 2018, 41% of the accounts receivable were neither past due nor impaired because there has not been a significant change in credit quality of these debtors. The management assessed the credit quality by reference to the repayment history and current financial position of the customers. The management believes that no provision for impairment is necessary and these balances are expected to be fully recovered.

As at 31 March 2018, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of RMB20,309,000 which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

18. ACCOUNTS AND BILLS RECEIVABLE (Continued)

Accounts receivable which are past due but not impaired overdue by:

| | 2018 RMB'000 (Restated) |
|---------------|-------------------------------|
| Over 180 days | 20,309 |

Movement in the allowance for doubtful debts:

| | 2018 RMB'000 (Restated) |
|------------------------------------|-------------------------------|
| 1 April | 38,830 |
| Impairment losses, net of reversal | (610) |
| Write-off | (5,978) |
| 31 March | 32,242 |

As at 31 March 2018, included in the allowance for doubtful debts are individually impaired accounts receivable with an aggregate balance of RMB32,242,000. By reference to the historical experience and credit re-assessment of these receivables, it is considered that these receivables may not be recoverable. The Group does not hold any collateral over these balances.

Details of impairment assessment of accounts and bills receivable for the year ended 31 March 2019 are set out in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--|-----------------|-------------------------------|
| Prepayments to suppliers | 38,746 | 1,660 |
| Deposits | 5,146 | 90 |
| Value-added tax recoverable | 278 | 154 |
| Other receivables | 13,035 | 11,381 |
| Less: Allowance for credit losses/doubtful debts | (1,437) | (409) |
| | 55,768 | 12,876 |

Details of impairment assessment of deposits and other receivables for the year ended 31 March 2019 are set out in note 34.

20. TRANSFERS OF FINANCIAL ASSETS

TRANSFERRED FINANCIAL ASSETS THAT ARE NOT DERECOGNISED IN THEIR ENTIRETY

At 31 March 2019, the Group endorsed certain bills receivable in the PRC (the "Endorsed Bills") with a carrying amount of RMB12,180,000 (31 March 2018: nil) to certain suppliers in settlement of the accounts payable due to them. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continued to recognise the full carrying amount of the Endorsed Bills and the associated accounts payable being settled. The Endorsed Bills are carried at fair value in the Group's consolidated statement of financial position.

21. CONTRACT ASSETS

| | As at 31 March 2019 RMB'000 | As at 1 April 2018* RMB'000 |
|---|--------------------------------------|--------------------------------------|
| Current assets – new energy power system integration business | 24,832 | – |
| Less: allowance for credit losses | (171) | – |
| Current assets – new energy power system integration business | 24,661 | – |

* The amounts in this column are after the adjustments from the application of HKFRS 9 and 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

21. CONTRACT ASSETS (Continued)

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones stipulated in the relevant contracts at the reporting date on new energy power system integration business. The contract assets are transferred to trade receivables when the rights become unconditional.

During the year ended 31 March 2019, allowance for credit losses of RMB171,000 has been recognised on the contract assets, details of which are set out in note 34.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---|-----------------|-------------------------------|
| Listed securities held for trading: | | |
| Equity securities listed in New York classified as current assets | 952 | 2,039 |

23. DEBT INSTRUMENTS AT FVTOCI

The maturity profile of the debt instruments at FVTOCI are as follows:

| | 31/03/2019 RMB'000 |
|-----------------------------------|-----------------------|
| Over 3 months but within 6 months | 700 |

The balance represents bills receivable held by the Group and is measured at FVTOCI upon initial application of HKFRS 9 on 1 April 2018, and as at 31 March 2019, since the bills receivable are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

Details of impairment assessment of debt instruments at FVTOCI as at ended 31 March 2019 are set out in note 34.

24. BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.05% to 0.35% (2018: 0.05% to 0.35%) per annum.

For the year ended 31 March 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

25. ACCOUNTS PAYABLE

The following is an aged analysis of accounts payable presented based on the invoice dates.

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|----------------|-----------------|-------------------------------|
| 0 to 60 days | 34,434 | 2,072 |
| 91 to 180 days | 22,793 | – |
| Over 180 days | 5,351 | 13,235 |
| | 62,578 | 15,307 |

The credit period is generally 90 to 180 days and certain suppliers are allowed a longer credit period on a case-by-case basis.

26. OTHER PAYABLES AND ACCRUALS

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---|-----------------|-------------------------------|
| Payroll payable | 2,454 | 1,243 |
| Amounts due to directors: | | |
| – Mr. Hou Hsiao Bing (note i) | 1,616 | 208 |
| – Ms. Yuen Hing Lan (note i) | 712 | 569 |
| – Mr. Chiu Tung Ping (note i) | 1,526 | 1,137 |
| – Ms. Hu Xin (note i) | 472 | 441 |
| Amount due to Dynatek Limited (“Dynatek”) (note ii) | 464 | 146 |
| Other payables (note iii) | 14,213 | 2,067 |
| Other tax payables | 2,008 | 420 |
| Interest payable | – | 8,910 |
| Accrued expenses | 2,519 | 1,291 |
| | 25,984 | 16,432 |

Note:

- (i) The amounts are non-trade in nature, unsecured, interest free and repayable on demand.
- (ii) Mr. Hou Hsiao Bing, a director of the Company, is the controlling shareholder of Dynatek Limited. The amount is trade in nature, unsecured, interest free and repayable on demand.
- (iii) Other payables mainly included short-term advances of RMB12,500,000 (2018: nil) from the owner of the solar power plant project which is not related to contract from customers. The amount is unsecured, interest free and is expected to be repaid within the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

27. OTHER LOANS

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|----------------------------------|-----------------|-------------------------------|
| Other loans (note a) | – | 15,898 |
| Loan from a shareholder (note b) | 2,573 | 5,609 |
| Total – current liabilities | 2,573 | 21,507 |

- (a) The amount represented loans from an independent third party. The amount is interest bearing at a fixed interest rate of 12% per annum, unsecured and repayment on demand. The amount has been settled in full during the year.
- (b) The loan was advanced from an executive director, Chiu Tung Ping. The amount is non-interest bearing, unsecured and repayable on demand.

28. CONVERTIBLE BONDS

2011 CONVERTIBLE BONDS (“2011 CB”)

On 1 June 2011 (“Issue Date”), the Company issued a ten-year zero coupon convertible bonds at par with a nominal value of HK\$163,100,000 (equivalent to RMB142,592,000) to Good Million Investments Limited (the “Vendor”), in acquiring from the Vendor 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 HK\$. 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 (equivalent to RMB97,492,000) and HK\$50,000,000 (equivalent to RMB43,100,000) 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 amounted to HK\$30,000,000 (equivalent to RMB24,408,000) made by the Vendor to the Company during the year ended 30 March 2012. Pursuant 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 (equivalent to RMB32,544,000) 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 (equivalent to RMB12,204,000) 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\$77,000 (equivalent to RMB63,000). On such basis, the revised profit under the revised profit guarantee of HK\$40,000,000 (equivalent to RMB32,544,000) was not achieved. Accordingly, the principal amount of the Tranche II CB in the principal amount of HK\$50,000,000 (equivalent to RMB40,680,000) was adjusted to HK\$0.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

28. CONVERTIBLE BONDS (Continued)

2011 CONVERTIBLE BONDS ("2011 CB") (Continued)

For the year ended 31 March 2019, Tranche I CB with a nominal value of HK\$5,000,000 (equivalent to RMB4,342,600) (2018: Nil) were converted by the bondholders into 10,000,000 ordinary shares at a conversion price of HK\$0.5 per ordinary share.

The 2011 CB comprises two components:

- (a) Debt component was initially measured at fair value amounted to approximately HK\$29,943,000 (equivalent to RMB25,811,000). The effective interest rate of the liability component on initial recognition was 13.39% per annum.
- (b) Derivative component comprises conversion right of the Bondholders. It is subsequently measured at fair value.

The fair value of the liability component of the convertible bonds at the issue date was valued by an independent professional valuer determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

| | Debt component | | Derivative component | | Total | |
|--|----------------|---------|----------------------|---------|----------|---------|
| | HK\$'000 | RMB'000 | HK\$'000 | RMB'000 | HK\$'000 | RMB'000 |
| Carrying amount at 1 April 2017 (restated) | 28,156 | 24,996 | 5,771 | 5,124 | 33,927 | 30,120 |
| Interest charge | 3,998 | 3,376 | – | – | 3,998 | 3,376 |
| Exchange gain | – | (2,607) | – | – | – | (2,607) |
| Gain arising on changes of fair value | – | – | (4,601) | (4,186) | (4,601) | (4,186) |
| As at 31 March 2018 (restated) | 32,154 | 25,765 | 1,170 | 938 | 33,324 | 26,703 |
| Conversion of convertible bonds | (3,397) | (2,950) | (119) | (96) | (3,516) | (3,046) |
| Interest charge | 4,228 | 3,628 | – | – | 4,228 | 3,628 |
| Exchange loss | – | 1,852 | – | – | – | 1,852 |
| Gain arising on changes of fair value | – | – | (741) | (576) | (741) | (576) |
| As at 31 March 2019 | 32,985 | 28,295 | 310 | 266 | 33,295 | 28,561 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

29. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--------------------------|-----------------|-------------------------------|
| Deferred tax assets | – | 565 |
| Deferred tax liabilities | – | (1,561) |
| | – | (996) |

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

| | Other Temporary differences RMB'000 |
|-----------------------------|--|
| At 1 April 2017 (restated) | 971 |
| Charge to profit or loss | 25 |
| At 31 March 2018 (restated) | 996 |
| Credit to profit or loss | (996) |
| At 31 March 2019 | – |

At the end of the reporting period, the Group has unused tax losses of RMB19,545,000 (31 March 2018: RMB28,765,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. These tax losses will expire in five years from the year they were incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

29. DEFERRED TAXATION *(Continued)*

At the end of the reporting period, the Group has deductible temporary differences of RMB62,574,000 (31 March 2018: RMB40,396,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB106,028,000 (31 March 2018: RMB78,443,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. SHARE CAPITAL

| | Number of shares | | Share capital | |
|--|------------------|--------------|-------------------------|-------------------------------|
| | 2019 '000 | 2018 '000 | 2019 HK\$'000 | 2018 HK\$'000 |
| Ordinary shares of HK\$0.1 each | | | | |
| Authorised | | | | |
| At 1 April 2017, 31 March 2018 and 31 March 2019 | 2,500,000 | 2,500,000 | 250,000 | 250,000 |
| Issued and fully paid | | | | |
| At beginning of year | 1,430,013 | 1,430,013 | 143,001 | 143,001 |
| Issue of shares upon conversion of convertible bonds (note i) | 10,000 | – | 1,000 | – |
| Issue of shares upon exercise of share options (note ii) | 109,220 | – | 10,922 | – |
| Issue of shares pursuant to a placing agreement (note iii) | 286,000 | – | 28,600 | – |
| At end of year | 1,835,233 | 1,430,013 | 183,523 | 143,001 |
| | | | 2019 RMB'000 | 2018 RMB'000 (Restated) |
| Presented in the consolidated financial statement as | | | 153,135 | 117,718 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

30. SHARE CAPITAL (Continued)

Notes:

- i. On 4 July 2018, HK\$5,000,000 (equivalent to RMB4,279,000) convertible bonds were converted and 10,000,000 ordinary shares at HK\$0.1 each were issued. The new shares rank pari passu with the existing shares in all respects.
- ii. On 5 December 2018 and 4 January 2019, 31,220,000 ordinary shares and 78,000,000 ordinary shares were issued upon exercise of share options under the share option scheme, respectively. The new shares rank pari passu with the existing shares in all respects.
- iii. On 2 August 2018, arrangements were made for a private placement to certain independent private investors of 286,000,000 ordinary shares of HK\$0.1 each in the Company, at a price of HK\$0.1 per ordinary share representing i) a premium of approximately 5.26% over the closing market price of HK\$0.095 per share as quoted on the Stock Exchange on 2 August 2018, the date of the placing agreement, and ii) a premium of approximately 1.21% over the average closing price of HK\$0.0988 per share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to 2 August 2018. The Placing was completed on 17 August 2018.

Pursuant to the placing agreement, the placees subscribed for 286,000,000 new ordinary shares of HK\$0.1 each in the Company at a price of HK\$0.1 per ordinary share. The proceeds were used to repay certain loans granted by an independent third party. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 25 September 2017 and rank pari passu with other shares in issue in all respects.

31. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 21 August 2014 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

On 10 April 2018, share options to subscribe for up to 109,220,000 ordinary shares of HK\$0.10 each in the share capital of the Company was granted to nine eligible employees of the Group, under the Scheme.

At 31 March 2019, the options had been fully exercised. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the date of grant of the share option to the second anniversary of the date of grant. The exercise price is determined by the directors of the Company to be fixed at the nominal value of the Company's share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Details of specific categories of options are as follows:

| | Date of grant | Vesting period | Exercise period | Exercise Price |
|-----------|---------------|----------------|----------------------------------|--------------------|
| Employees | 10 April 2018 | Nil | 10 April 2018 to 9 April 2020 | HK\$0.10 per share |

The following table discloses movements of the Company's share options held by employees during the year:

| Option type | Outstanding at 1 April 2018 | Granted during the year | Exercised during the year | Outstanding at 31 March 2019 |
|-------------|--------------------------------|----------------------------|------------------------------|---------------------------------|
| Employees | – | 109,220,000 | 109,220,000 | – |

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK\$0.12 (2018: nil).

During the year ended 31 March 2019, options were granted on 10 April 2018. The estimated fair values of the options granted are RMB2,070,000. During the year ended 31 March 2018, no options were granted.

The fair values were calculated using the Binomial model. The inputs into the model were as follows:

| | 2019 |
|------------------------------|-----------|
| Weighted average share price | HK\$0.088 |
| Exercise price | HK\$0.10 |
| Expected volatility | 52.062% |
| Expected life | 2 years |
| Risk-free rate | 1.337% |
| Expected dividend yield | 0.0% |
| Exercise multiple | 2.20 |

Expected volatility was determined by using the historical daily volatility of the Company's share price. The expected life used in the model has been adjusted by exercise multiple, which defines early exercise strategy.

The Group recognised the total expense of RMB2,070,000 for the year ended 31 March 2019 (2018: nil) in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

32. RETIREMENT BENEFITS PLANS

DEFINED CONTRIBUTION PLANS

The Group operates a MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of the trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees of the subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

33. OPERATING LEASES

THE GROUP AS LESSEE

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--|-----------------|-------------------------------|
| Minimum lease payments paid under operating leases during the year | 907 | 981 |

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--|-----------------|-------------------------------|
| Within one year | 1,516 | 353 |
| In the second to fifth years inclusive | 2,637 | 533 |
| | 4,153 | 886 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

34. FINANCIAL INSTRUMENTS

34A. CATEGORIES OF FINANCIAL INSTRUMENTS

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--|-----------------|-------------------------------|
| Financial assets | | |
| Financial assets at amortised cost (including cash and cash equivalents) | 95,990 | – |
| Loans and receivables (including cash and cash equivalents) | – | 100,647 |
| Financial assets at FVTPL | 952 | 2,039 |
| Debt instruments at FVTOCI | 700 | – |

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---|-----------------|-------------------------------|
| Financial liabilities | | |
| FVTPL – Convertible bond – derivative component | 266 | 938 |
| Amortised cost | 112,449 | 76,057 |

34B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include accounts and bills receivable, other receivables, financial assets at FVTPL, bank balances and cash, accounts payable, other payables, other loans and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The primary economic environment which the principal subsidiaries of the Company operates is the PRC and their functional currency is RMB. However, certain transactions of the Company and its subsidiaries including issue of convertible bonds, are denominated in foreign currencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

34. FINANCIAL INSTRUMENTS (Continued)

34B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

| | Assets | | Liabilities | |
|--------------------------------|-----------------|-------------------------------|-----------------|-------------------------------|
| | 2019 RMB'000 | 2018 RMB'000 (Restated) | 2019 RMB'000 | 2018 RMB'000 (Restated) |
| HK\$ | 559 | 2,414 | 34,234 | 57,853 |
| United States dollars ("US\$") | 955 | 2,245 | – | 1,875 |
| | 1,514 | 4,659 | 34,234 | 59,728 |

The Group currently do 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 arises.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in each relevant foreign currency against RMB. 5% (2018: 5%) is the sensitivity rate used that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currencies denominated monetary items and adjusts their translation at the reporting date for a 5% (2018: 5%) change in foreign currencies rates. A positive number below indicates a decrease in loss for the year where the RMB weakening 5% against the relevant currencies. For a 5% strengthens of the RMB against the relevant currencies, there would be a comparable impact on the loss for the year, and the amounts below would be negative.

| | Profit or loss | |
|------|-----------------|-------------------------------|
| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
| HK\$ | (1,684) | (2,772) |
| USD | 48 | 19 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

34. FINANCIAL INSTRUMENTS *(Continued)*

34B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate other loans and convertible bonds (see notes 27 and 28 for details of other loans and liability component of convertible bonds). The Group aims at keeping borrowings at fixed rates to minimise the exposure on cash flow interest rate risk. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 24 for details). The directors of the Company monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The directors consider the Group's exposure to cash flow interest rate risk of bank balances is not significant, hence, no sensitivity analysis is presented for the years ended 31 March 2019 and 2018.

(iii) Other price risk

The Group is exposed to equity price risk through its financial assets at FVTPL and derivative component of convertible bonds. The Group's objective is to earn competitive relative return by investing in high quality and liquid securities.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective equity instruments had been 5% (2018: 5%) higher/lower, the loss for the year for the year ended 31 March 2019 would have decreased/increased by RMB48,000 (2018: increase/decrease by RMB102,000) as a result of the changes in fair value of financial assets at FVTPL (2018: financial assets at FVTPL).

For derivative component of convertible bonds

The Group is required to estimate the fair values of the derivative component of convertible bond issued by the Company at the end of each reporting period, which therefore exposed the Group to equity price risk. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in risk-free rate, the Company's share price, share price volatility and foreign currency exchange rate. Details of the Convertible Bond issued by the Company are set out in note 28.

The sensitivity analyses below have been determined based on the exposure to the Company's share price and volatility only as the directors consider that the change in risk-free rate may not have significant financial impact on the fair values of derivative component of convertible bond. The exposure to foreign currency exchange rate of the convertible bond had been covered in note 34B(i) already.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

34. FINANCIAL INSTRUMENTS (Continued)

34B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(1) Changes in share price

If the share price of the Company had been 10% higher/lower while all other input variables of the valuation models were held constant, the Group's loss for the year would have increased (decreased) as follows:

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---------------|-----------------|-------------------------------|
| Higher by 10% | 113 | 212 |
| Lower by 10% | (70) | (187) |

(2) Changes in volatility

If the volatility to the valuation model had been 10% higher/lower while all other variables were held constant, the Group's loss for the year would have increased (decreased) as follows:

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---------------|-----------------|-------------------------------|
| Higher by 10% | 283 | 482 |
| Lower by 10% | (173) | (349) |

Credit risk and impairment assessment

As at 31 March 2019, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group represent issuing banks/companies fail to settle the bills transferred to suppliers through endorsing the bills to suppliers with full recourse as described in note 20.

In order to minimise credit risk, the Group regularly monitors the external credit ratings on the financial institutions based on available information at each reporting date for its bank balances which are placed in financial institutions with high credit rating and debt instruments at FVTOCI accepted by banks. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management team uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group has concentration of credit risk as 35.0% (31 March 2018: 42.1%) and 100.0% (31 March 2018: 100.0%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

34. FINANCIAL INSTRUMENTS *(Continued)*

34B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk and impairment assessment (Continued)

Accounts receivable and contract assets arising from contracts with customers

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items individually by estimation based on historical credit loss experience based on the past default experience of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast conditions at the reporting date.

Bills receivable, other receivables and deposits

The Group assessed the impairment individually based on past due information which, in the opinion of the directors, have no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Therefore, loss allowances of bills receivable, other receivables and deposits are assessed on 12m ECL basis. During the year ended 31 March 2019, expected credit losses on bills receivable, other receivables and deposits amounting to RMB280,000 and RMB230,000, respectively was recognised in the profit or loss.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

34. FINANCIAL INSTRUMENTS *(Continued)*

34B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk and impairment assessment (Continued)

Debt instruments at FVTOCI

The credit risks on debt instruments at FVTOCI which are bills receivable accepted by banks are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description | Accounts receivable/ contract assets | Other financial assets/other items |
|------------------------|---|---|------------------------------------|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts | Lifetime ECL – not credit-impaired | 12m ECL |
| Watch list | Debtor frequently repays after due dates but usually settle in full | Lifetime ECL – not credit-impaired | 12m ECL |
| Doubtful | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired |
| Loss | There is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

34. FINANCIAL INSTRUMENTS (Continued)

34B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, debt instruments at FVTOCI and contract assets, which are subject to ECL assessment:

| 2019 | Notes | Internal | | Gross carrying amount | |
|---|-------|---------------|----------------------------------|-----------------------|---------|
| | | credit rating | 12m or lifetime ECL | RMB'000 | RMB'000 |
| Debt instruments at FVTOCI | | | | | |
| Bills receivable | 23 | Low risk | 12m ECL | 700 | 700 |
| Financial assets at amortised cost | | | | | |
| Bank balances | 24 | N/A | 12m ECL | 2,641 | 2,641 |
| Other receivables and deposits | 19 | Low risk | 12m ECL | 18,181 | 18,181 |
| Accounts receivable | 18 | Low risk | Lifetime ECL not credit-impaired | 50,618 | |
| | | Watch list | Lifetime ECL not credit-impaired | 3,015 | |
| | | Doubtful | Lifetime ECL not credit-impaired | 10,648 | |
| | | Loss | Lifetime ECL credit-impaired | 3,850 | 68,131 |
| Bills receivable | 18 | Low risk | 12m ECL | 12,180 | 12,180 |
| Other items | | | | | |
| Contract assets | 21 | Low risk | Lifetime ECL not credit-impaired | 24,832 | 24,832 |

Notes:

For accounts receivable and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determine the expected credit losses on these items by using a provision matrix.

Debtors which were credit-impaired with gross carrying amounts of RMB3,850 as at 31 March 2019 were assessed individually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

34. FINANCIAL INSTRUMENTS (Continued)

34B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

The following table details the risk profile of accounts receivable and contract assets as at 31 March 2019, which are assessed collectively:

| Customer group assessed collectively | Accounts receivable and contract assets – day past due | | | Total |
|--|--|--|------------|---------|
| | Not past due | Not more than 3 months (Not credit impaired) | 3-6 months | |
| Weighted average expected credit loss rate | 1.40% | 4.44% | 4.48% | |
| Total gross carrying amount (RMB'000) | 74,450 | 3,015 | 10,648 | 88,113 |
| Lifetime ECL (RMB'000) | (709) | (134) | (478) | (1,321) |
| Net carrying amount (RMB) | 74,739 | 2,881 | 10,170 | 86,792 |

During the year ended 31 March 2019, the Group provided RMB22,151,000 and RMB171,000 impairment allowance for accounts and bills receivable and contract assets respectively, based on the provision matrix. Impairment allowance of RMB2,276,000 were made on credit impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable and contract assets under the simplified approach.

| Accounts receivable | Lifetime ECL (not credit impaired) RMB'000 | Lifetime ECL (credit impaired) RMB'000 | Total RMB'000 |
|--|---|---|------------------|
| As at 31 March 2018 under HKAS 39 (restated) | – | 32,242 | 32,242 |
| Adjustment upon application of HKFRS 9 | 1,446 | – | 1,446 |
| At 1 April 2018 – As restated | 1,446 | 32,242 | 33,688 |
| Transfer to credit impaired | (243) | 243 | – |
| ECL recognised | – | 22,182 | 22,182 |
| Reversal of ECL | (53) | (258) | (311) |
| Write-off | – | (52,133) | (52,133) |
| As at 31 March 2019 | 1,150 | 2,276 | 3,426 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

34. FINANCIAL INSTRUMENTS (Continued)

34B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

| Contract assets | Lifetime ECL (not credit impaired) RMB'000 | Lifetime ECL (credit impaired) RMB'000 | Total RMB'000 |
|---------------------|--|--|------------------|
| At 1 April 2018 | – | – | – |
| ECL recognised | 171 | – | 171 |
| As at 31 March 2019 | 171 | – | 171 |

The Group writes off an account receivable or contract asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the accounts receivable are over two years past due, whichever occurs earlier.

The following tables show reconciliation of loss allowances that has been recognised for other receivables and deposits and debt instruments at FVTOCI using the general approach under HKFRS 9, with ECL allowance of RMB1,437,000 and RMB280,000, respectively.

| Other receivables and deposits | 12 m ECL RMB'000 | Lifetime ECL (credit impaired) RMB'000 | Total RMB'000 |
|---|---------------------|--|-----------------------------|
| As at 31 March 2018 under HKAS 39 (restated) | – | 409 | 409 |
| Adjustment upon application of HKFRS 9 | 798 | – | 798 |
| As at 1 April 2018 – As restated | 798 | 409 | 1,207 |
| Transfer to 12M ECL | 409 | (409) | – |
| ECL recognised | 417 | – | 417 |
| Impairment losses reversed | (187) | – | (187) |
| As at 31 March 2019 | 1,437 | – | 1,437 |
| Bills receivable | | | 12 m ECL RMB'000 |
| As at 31 March 2018 and 1 April 2018 | | | – |
| ECL recognised | | | 280 |
| As at 31 March 2019 | | | 280 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

34. FINANCIAL INSTRUMENTS (Continued)

34B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surplus and the raising of loans to cover expected cash demands, subject to approval by the Company's directors when the borrowings exceed certain predetermined levels of authority.

The table below summarises the maturity profile of the Group's financial liabilities as at the end of reporting period, based on the contracted undiscounted payments. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

| | Weighted average interest rate % | On demands or within 1 year RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | Total contractual undiscounted cash flows RMB'000 | Carrying amounts RMB'000 |
|-----------------------------|---|--|--|---|---|--------------------------------|
| 2019 | | | | | | |
| Accounts payables | – | 62,578 | – | – | 62,578 | 62,578 |
| Other payables and accruals | – | 19,003 | – | – | 19,003 | 19,003 |
| Other loans | – | 2,573 | – | – | 2,573 | 2,573 |
| Convertible bonds | 13.39 | – | – | 37,743 | 37,743 | 28,295 |
| | | 84,154 | – | 37,743 | 121,897 | 112,449 |
| 2018 (restated) | | | | | | |
| Accounts payables | – | 15,307 | – | – | 15,307 | 15,307 |
| Other payables and accruals | – | 13,478 | – | – | 13,478 | 13,478 |
| Other loans | 8.87 | 23,549 | – | – | 23,549 | 21,507 |
| Convertible bonds | 13.39 | – | – | 39,264 | 39,264 | 25,765 |
| | | 52,334 | – | 39,264 | 91,598 | 76,057 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

34. FINANCIAL INSTRUMENTS (Continued)

34C. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets/ financial liabilities | Classified as | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|--------------------------------|------------------|-------------------------------|-------------------------|--|--|---|
| | | 2019 RMB'000 | 2018 RMB'000 (Restated) | | | | |
| Held for trading – listed equity securities | Financial assets at FVTPL | 952 | 2,039 | Level 1 | Quoted bid price in an active market | N/A | N/A |
| Debt instruments at FVTOCI | Financial assets at FVTOCI | 700 | – | Level 2 | Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables | N/A | N/A |
| Derivative component in relation to the convertible bonds issued by the Group | Financial liabilities at FVTPL | 266 | 938 | Level 3 | Binomial option pricing model Expected volatility: 58.27% (2018:72.06%) Dividend yield: nil Risk-free rate: 1.40% (2018:1.61%) Share price: HK\$0.1 (2018: HK\$0.083) Exercise price: HK\$0.5 (2018: HK\$0.5) | Expected volatility of 58.27%, taking into account the actual historical share price of the Company over the same time period as the convertible bond's remaining time to maturity | The higher the expected volatility, the higher the fair value |

There were no transfers between Level 1 and 2 during the year.

Details of changes in Level 3 derivative component of convertible bond during the year ended 31 March 2019 and 2018 are set out in note 28.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

34. FINANCIAL INSTRUMENTS (Continued)

34C. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

| | As at 31/3/2019 | | As at 31/3/2018 | | Fair value hierarchy level |
|------------------------------------|----------------------------|-----------------------|--|-------------------------------------|----------------------------|
| | Carrying amount RMB'000 | Fair value RMB'000 | Carrying amount RMB'000 (Restated) | Fair value RMB'000 (Restated) | |
| Debt component of convertible bond | 28,295 | 28,066 | 25,765 | 27,363 | Level 3 |

The fair value of the debt component of convertible bond as at 31 March 2019 and 2018 was determined by the directors with reference to the valuation performed by a firm of independent professional valuers. The fair value of the debt component of convertible bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bond and discount rate that reflected the credit risk of the Company.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Other Loans RMB'000 | Interest payable RMB'000 | Amounts due to directors RMB'000 | Advances from an independent third party RMB'000 | Convertible bonds RMB'000 | Total RMB'000 |
|---|------------------------|-----------------------------|-------------------------------------|---|------------------------------|------------------|
| At 1 April 2018 (restated) | 21,507 | 8,910 | 2,355 | – | 26,703 | 59,475 |
| Financing cash flows | (21,046) | (10,791) | – | 12,500 | – | (19,337) |
| Non-cash changes: | | | | | | |
| Finance costs | – | 911 | – | – | 3,628 | 4,539 |
| Accrual of staff costs and other expenses | – | – | 1,807 | – | – | 1,807 |
| Conversion of convertible bonds | – | – | – | – | (2,950) | (2,950) |
| Gain arising on changes of fair value | – | – | – | – | (672) | (672) |
| Exchange adjustments | 2,112 | 970 | 164 | – | 1,852 | 5,098 |
| At 31 March 2019 (restated) | 2,573 | – | 4,326 | 12,500 | 28,561 | 47,960 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Continued)

| | Other Loans RMB'000 | Interest payable RMB'000 | Amounts due to directors RMB'000 | Convertible bonds RMB'000 | Total RMB'000 |
|---|------------------------|-----------------------------|--|---------------------------------|------------------|
| At 1 April 2017 | 18,946 | 6,537 | 3,037 | 30,120 | 58,640 |
| Financing cash flows | 4,649 | – | (2,682) | – | 1,967 |
| Non-cash changes: | | | | | |
| Finance costs | – | 2,020 | – | 3,376 | 5,396 |
| Accrual of staff costs and other expenses | – | – | 2,273 | – | 2,273 |
| Gain arising on changes of fair value | – | – | – | (4,186) | (4,186) |
| Exchange adjustments | (2,088) | 353 | (273) | (2,607) | (4,615) |
| At 31 March 2018 | 21,507 | 8,910 | 2,355 | 26,703 | 59,475 |

36. RELATED PARTY TRANSACTIONS

(A) TRANSACTION WITH RELATED PARTIES

During the year, the Group had transactions with the following related parties:

Operating lease payment in respect of office premises rented from:

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---------------------------|-----------------|-------------------------------|
| – Dynatek (note i) | 309 | 288 |
| – Hou Hsiao Bing | – | 120 |
| – Hou Hsiao Wen (note ii) | 81 | 108 |
| | 390 | 516 |

Notes:

(i) Dynatek is owned by Mr. Hou Hsiao Bing, the executive director of the Company.

(ii) Mr. Hou Hsiao Wen is the younger brother of Mr. Hou Hsiao Bing.

The above transactions are determined in accordance with mutually agreed terms.

(B) BALANCES WITH RELATED PARTIES

Details of the Group's balances with related parties are disclosed in notes 26 and 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

36. RELATED PARTY TRANSACTIONS (Continued)

(C) COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---|-----------------|-------------------------------|
| Salaries and other benefits | 4,076 | 3,845 |
| Retirement benefit scheme contributions | 46 | 43 |
| | 4,122 | 3,888 |

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|---|-----------------|-------------------------------|
| Non-current assets | | |
| Interests in subsidiaries | 29,337 | 29,337 |
| Amount due from a subsidiary | 29,453 | – |
| | 58,790 | 29,337 |
| Current assets | | |
| Other receivables, deposits and prepayments | 207 | 187 |
| Financial assets at FVTPL | 952 | 2,039 |
| Bank balances | 22 | 24 |
| | 1,181 | 2,250 |
| Current liability | | |
| Other payables and accruals | 5,077 | 3,107 |
| | 5,077 | 3,107 |
| Net current liability | (3,896) | (857) |
| Total assets less current liability | 54,894 | 28,480 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|-------------------------|------------------|-------------------------------|
| Non-current liabilities | | |
| Convertible bonds | 28,561 | 26,703 |
| | 28,561 | 26,703 |
| Net assets | 26,333 | 1,777 |
| Capital and reserves | | |
| Share capital | 153,135 | 117,718 |
| Reserves (Note) | (126,802) | (115,941) |
| Total equity | 26,333 | 1,777 |

Note: movement in reserves of the Company

| | Share premium RMB'000 | Share options reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|--|-----------------------------|--|----------------------------------|------------------|
| At 1 April 2017 (restated) | 123,342 | – | (240,974) | (117,632) |
| Total comprehensive income for the year | – | – | 1,691 | 1,691 |
| At 31 March 2018 (restated) | 123,342 | – | (239,283) | (115,941) |
| Total comprehensive expense for the year | – | – | (14,431) | (14,431) |
| Recognition of equity-settled share-based payments | – | 2,070 | – | 2,070 |
| Issue of shares upon conversion of convertible bonds | 2,190 | – | – | 2,190 |
| Issue of shares upon exercise of share options | 2,070 | (2,070) | – | – |
| Issue of shares pursuant to a placing agreement | (690) | – | – | (690) |
| At 31 March 2019 | 126,912 | – | (253,714) | (126,802) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

38.1 GENERAL INFORMATION OF SUBSIDIARIES

Details of the principal subsidiaries held by the Company at the end of the reporting period are set out below:

| Name of subsidiary | Place of incorporation/ registration/ operation | Issued and full paid share capital/ registered capital | Equity interest attributable to the Company as at | | Principal activities |
|--|---|--|---|-----------|---|
| | | | 2019 % | 2018 % | |
| Indirectly held | | | | | |
| 陝西百科新能源科技發展有限公司 Shaanxi Baike New Energy Technology Development Co., Ltd.* | The PRC | US\$1,000,000 | 100 | 100 | New energy power system integration |
| 哈密東科新能源科技發展有限公司 Hami Dongke New Energy Technology Development Co., Ltd.* | The PRC | RMB1,000,000 | 100 | 100 | Renewable energy engineering, research, development and consulting services |
| 天津恒慶光伏科技有限公司 Tianjin Hengqing Solar Photovoltaic Technology Company Limited* ("Tianjin Hengqing") | The PRC | RMB2,000,000 | 60 | 60 | Sales of solar power related products |
| 西藏立能光伏科技有限公司 Xizang Lineng Solar Photovoltaic Technology Company Limited* | The PRC | RMB1,000,000 | 60 | 60 | Sales of solar power related products |

* The English name is for identification only. The official name of the entity is in Chinese.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

38.2 DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|--------------------|--|---|------|---|-----------------------|---------------------------------------|-----------------------|
| | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | | % | % | RMB'000 | RMB'000 (Restated) | RMB'000 | RMB'000 (Restated) |
| Tianjin Hengqing | The PRC | 40 | 40 | 1,805 | 3,882 | 12,634 | 10,829 |

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents the amount before intragroup eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

38.2 DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Tianjin Hengqing and its subsidiary

| | 2019 RMB'000 | 2018 RMB'000 (Restated) |
|--|-----------------|-------------------------------|
| Current assets | 51,508 | 42,936 |
| Current liabilities | 19,923 | 15,864 |
| Equity attributable to owners of the Company | 18,951 | 16,243 |
| Non-controlling interests | 12,634 | 10,829 |
| Revenue | 38,970 | 48,443 |
| Expenses | 34,458 | 38,739 |
| Profit for the year | 4,512 | 9,704 |
| Profit attributable to owners of the Company | 2,707 | 5,822 |
| Profit attributable to non-controlling interests | 1,805 | 3,882 |
| Profit for the year | 4,512 | 9,704 |
| Total comprehensive income attributable to owners of the Company | 2,707 | 5,822 |
| Total comprehensive income attributable to non-controlling interests | 1,805 | 3,882 |
| Total comprehensive income for the year | 4,512 | 9,704 |
| Net cash inflows (outflows) from operating activities | 3,724 | (2,553) |
| Net cash inflows from investing activities | – | 10 |
| Net cash (outflows) inflows from financing activities | (7,280) | 13,669 |
| Net cash (outflows) inflows | (3,556) | 11,126 |

39. COMPARATIVE FIGURES

As further explained in note 2, due to the voluntary change in presentation currency during the current period and correction of prior year errors, certain adjustments to prior year financial statements have been made. Accordingly, certain comparative amounts have been restated to conform with the current period's presentation, disclosures and accounting treatment, and a third statement of financial position as at 31 March 2017 has been presented.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 June 2019.