CTSP
中科光電

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)

2014
ANNUAL REPORT

* For identification purpose only

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

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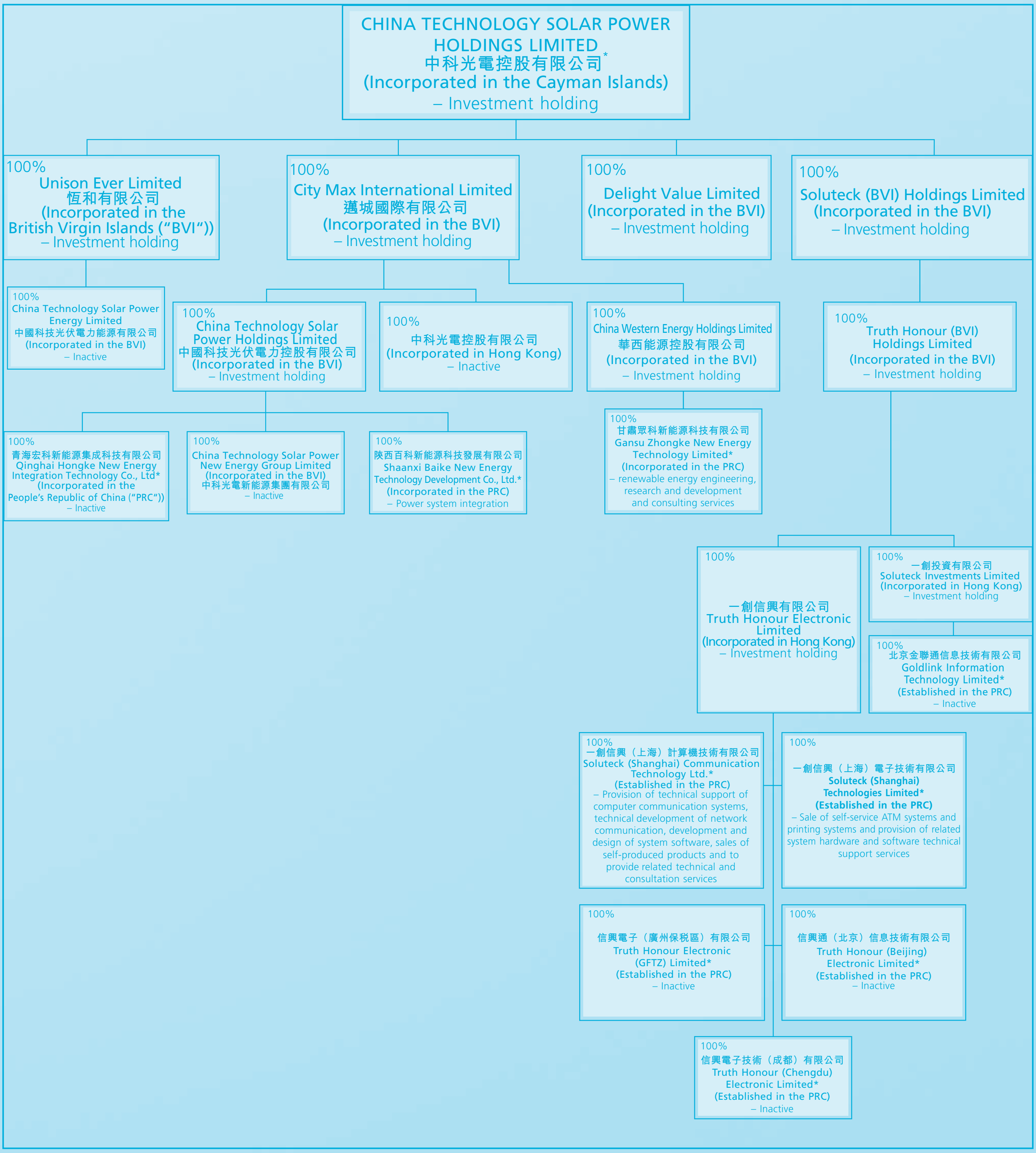
CORPORATE STRUCTURE

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)
Mr. Zhang Shenxin (*Vice-Chairman appointed on 13 May 2013*)
Ms. Yuen Hing Lan
Mr. Hou Hsiao Bing
Mr. Hou Hsiao Wen
Ms. Hu Xin

Independent non-executive directors
Mr. Tam Kam Biu, William
Mr. Meng Xianglin
Mr. Dong Guangwu

Company secretary
Ms. Chan Mi Ling, Anita, FCCA, CPA, ACA

Authorised representatives
Ms. Hu Xin
Ms. Chan Mi Ling, Anita, FCCA, CPA, ACA

Compliance officer
Ms. Hu Xin

Members of audit committee
Mr. Tam Kam Biu, William *(Chairman)*
Mr. Meng Xianglin
Mr. Dong Guangwu

Members of remuneration committee
Mr. Tam Kam Biu, William *(Chairman)*
Mr. Meng Xianglin
Mr. Dong Guangwu

Members of nomination committee
Mr. Tam Kam Biu, William *(Chairman)*
Mr. Meng Xianglin
Mr. Dong Guangwu

Members of corporate governance committee
Mr. Chiu Tung Ping *(Chairman)*
Mr. Zhang Shenxin *(appointed on 13 May 2013)*
Ms. Yuen Hing Lan
Mr. Hou Hsiao Bing
Mr. Hou Hsiao Wen
Ms. Hu Xin

Auditors
W. H. Tang & Partners CPA Limited
Level 7, Parkview Centre
7 Lau Li Street
Causeway Bay, 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
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
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

Hong Kong branch warrant registrar and transfer office
Tricor Services Limited
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong
(register kept in Macau)

Hong Kong branch convertible bond registrar and transfer office
Tricor Services Limited
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong
(register kept in Macau)

GEM Stock Code
8111

LETTER FROM THE CHAIRMAN

ANNUAL RESULTS HIGHLIGHTS

The profit attributable to equity holders of the Company for the financial year ended 31 March 2014 was approximately HK$10.1 million (the profit attributable to equity holders of the Company for the financial year ended 31 March 2013 was approximately HK$0.6 million).

The revenue of the Group from continuing operations for the financial year ended 31 March 2014 was approximately HK$74.5 million, representing an increase of approximately 42.3 per cent., as compared with approximately HK$52.3 million for the financial year ended 31 March 2013.

Gross profit margin of the Group was approximately 37.2 per cent. in the financial year ended 31 March 2014, as compared to approximately 34.4 per cent. in the financial year ended 31 March 2013.

Basic earnings per share from continuing and discontinued operations for the financial year ended 31 March 2014 was approximately HK1.06 cents (basic earnings per share from continuing and discontinued operations for the financial year ended 31 March 2013 was approximately HK0.06 cents).

The Directors do not recommend the payment of a dividend for the financial year ended 31 March 2014 (2013: Nil).

I am pleased to present the annual results of China Technology Solar Power Holdings Limited ("**Company**", together with its subsidiaries, the "**Group**").

BUSINESS REVIEW

The Group is principally engaged in (i) power system integration business, (ii) sales of self-service automatic teller machine ("**ATM**") systems and printing systems, and (iii) provision of hardware and software technical support services in the People's Republic of China ("**PRC**" or "**China**") during the year ended 31 March 2014.

The Group's revenue from continuing operations amounted to approximately HK$74.5 million for the year ended 31 March 2014, representing an increase of approximately 42.3 per cent. as compared with approximately HK$52.3 million recorded for the financial year ended 31 March 2013, mainly due to the increase in the revenue derived from the power system integration business of approximately HK$54.2 million which was partly offset by the decrease in the revenue derived from the sales of self-service ATM systems and printing systems together with the provision of hardware and software technical support services of HK$32.1 million during the year under review.

The Group's gross profit margin was approximately 37.2 per cent. in the year ended 31 March 2014, as compared to approximately 34.4 per cent. in the year ended 31 March 2013. The increase in the gross profit margin was mainly as a result of the higher gross profit margin attributable to the power system integration business of approximately 38.3 per cent. during the year ended 31 March 2014.

The Group recorded a profit attributable to equity holders of the Company amounting to approximately HK$10.1 million for the year ended 31 March 2014 (2013: profit attributable to equity holders of the Company of approximately HK$0.6 million), mainly as a result of the gross profit attributable to the power system integration business of approximately HK$24.4 million (2013: HK$7.8 million). The substantial increase in profit was mainly attributable to the recognition of revenue of the power system integration business in the fourth quarter of the year ended 31 March 2014. Please refer to the Management Discussion and Analysis section of this report for details.

Basic earnings per share from continuing and discontinued operations was approximately HK1.06 cents for the year ended 31 March 2014, as compared with the basic earnings per share from continuing and discontinued operations of approximately HK0.06 cents for the year ended 31 March 2013.

LETTER FROM THE CHAIRMAN

POWER SYSTEM INTEGRATION OPERATION

In September 2013, the Group entered into a memorandum of understanding with an investment company ("**Investment Company**") for projects relating to construction of large-scale grid-connected solar photovoltaic power station and distributed power generation on rooftop, which are expected to have an aggregate designed capacity of 300MW ("**300MW Project**"), by the end of 2016. In October 2013, the Group entered into a co-operation agreement with an energy company in Xi'an, and together with such energy company, jointly contracted with a wholly-owned subsidiary of the Investment Company in Jinchang City in Gansu province for the construction of a solar photovoltaic power station with an expected capacity of 50MW ("**50MW Gansu Power Station**") which is phase 1 of the 300MW Project. As at 31 March 2014, the Group has completed the construction work of the 50MW Gansu Power Station and obtained the system testing and satisfaction report from the Investment Company. As such, the revenue generated from the power system integration business during the year ended 31 March 2014 amounted to approximately HK$63.7 million (2013: HK$9.5 million).

ATM SYSTEMS AND PRINTING SYSTEMS OPERATION

The Group is recognized as a professional ATM software, hardware and service company in the ATM sector, and is an authorized value-added reseller of self-service ATM systems of NCR (Beijing) Financial Equipment System Co., Ltd and a marketing agent for Fuji Xerox for its printing systems in China.

The Group will offer a full range of banking and financial system solutions for the banking and financial sectors, and persist to put efforts on enhancing closer 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 financial year ended 31 March 2014 (2013: 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, 23 June 2014

MANAGEMENT DISCUSSION AND ANALYSIS

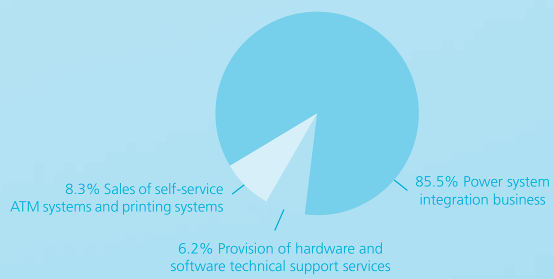
REVENUE

During the year ended 31 March 2014, the Group is principally engaged in (i) power system integration business; (ii) sales of self-service ATM systems and printing systems; and (iii) provision of hardware and software technical support services in the PRC.

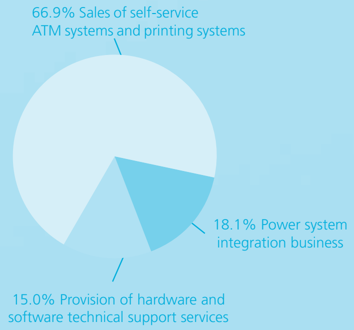
Revenues for continuing operations recognized during the year are as follows:

	Financial year ended 31 March 2014 HK$'000	2013 HK$'000
Revenue		
Power system integration business	**63,708**	9,488
Sales of self-service ATM systems and printing systems	**6,207**	35,026
Provision of hardware and software technical support services	**4,601**	7,835
	74,516	52,349
Other revenue		
Bank interest income	**46**	43
Government subsidy for business development	**86**	77
Gain on trading in financial instrument	**49**	121
Gain on disposal of a subsidiary	**–**	300
Gain on cancellation of convertible bonds (Note)	**–**	15,844
Others	**47**	46
	228	16,431
Total revenue	**74,744**	68,780

Analysis of business segments for the financial year ended 31 March 2014



Analysis of business segments for the financial year ended 31 March 2013



MANAGEMENT DISCUSSION AND ANALYSIS

Note:

Pursuant to the agreement entered into between (i) City Max International Limited, (ii) the Company, (iii) Good Million Investments Limited ("**Good Million**"), (iv) Mr. Chiu Tung Ping, and (v) Ms. Yuen Hing Lan (as supplemented by the supplemental agreement dated 30 January 2012 ("**Supplemental Agreement**")) in relation to the sale and purchase of the entire issued share capital of China Technology Solar Power Holdings Limited ("**CTSP (BVI)**"), a company incorporated in the British Virgin Islands with limited liability ("**Agreement**"), the Company issued convertible bonds in the aggregate principal amount of HK$163,100,000 ("**2011 CB**") to Good Million on 1 June 2011. The 2011 CB was divided into Tranche I Convertible bonds ("**Tranche I CB**") and Tranche II Convertible bonds ("**Tranche II CB**") of HK$113,000,000 and HK$50,000,000 respectively. For Tranche I CB, the CB holders are not subject to any restriction for exercising the conversion right to convert Tranche I CB into share. For Tranche II CB, the amount should be subject to change with reference to a profit guarantee made by Good Million to the Company. Details of the acquisition is contained in the circular of the Company dated 16 May 2011 and the circular of the Company dated 22 February 2012.

Based on the audited consolidated financial statements of CTSP (BVI) and its subsidiaries ("**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 Agreement (as supplemented by the Supplemental Agreement) was not achieved and the principal amount of the Tranche II CB in the principal amount of HK$50,000,000 was adjusted to HK$0.

POWER SYSTEM INTEGRATION OPERATION

System integration refers to the optimization 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 power stations and subsequently carry out integration of the separated equipment, functions and information into a connected, unified and coordinated system. System integration enables the utilization of resources at their best to enhance optimization of performance of the entire system and achieve centralized, 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 power stations.

As mentioned in the circular of the Company dated 16 May 2011, the Group has secured and signed two agreements for the provision of one-off service on system integration services for biomass energy, thermal power and solar energy generation companies and projects. As the contracting parties in the two agreements were in the process of obtaining the necessary licenses from the respective government authorities during the year ended 31 March 2014 and as at the date of this report, the Group had not commenced such system integration services and did not have income generated from the two agreements during the year ended 31 March 2014 (2013: Nil) and as at the date of this report.

As also mentioned in the circular of the Company dated 16 May 2011, the Group has also entered into two memorandums of understanding for the provision of system integration services. As at the date of this report, the Group had not entered into formal agreements with the other contracting parties and the Group has not commenced to provide these services.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to expand its system integration services and technology consultancy services through securing more contracts for provision of such services to more biomass energy, thermal power and solar energy generation companies and projects in the PRC. In September 2013, the Group entered into a memorandum of understanding with the Investment Company for projects relating to construction of large-scale grid-connected solar photovoltaic power station and distributed power generation on rooftop, which are expected to have an aggregate designed capacity of 300MW, by the end of 2016. In October 2013, the Group entered into a co-operation agreement with an energy company in Xi'an, and together with such energy company, jointly contracted with a wholly-owned subsidiary of the Investment Company in Jinchang City in Gansu province for the construction of 50MW Gansu Power Station which is phase 1 of the 300MW Project. As at 31 March 2014, the Group has completed the construction work of the 50MW Gansu Power Station and obtained the system testing and satisfaction report from the Investment Company.

As such, the revenue generated from the power system integration business during the year ended 31 March 2014 amounted to approximately HK$63.7 million (2013: HK$9.5 million).

IMPLEMENTATION OF SELF-SERVICE ATM SYSTEMS AND PRINTING SYSTEMS

During the financial year ended 31 March 2014, implementation of self-service ATM systems and printing systems (including the provision of technical consultancy and support services) accounted for approximately 14.5 per cent. (2013: approximately 81.9 per cent.) of the Group's revenue from the sales of goods and rendering of services.

The revenue generated from the implementation of self-service ATM systems and printing systems (including the provision of technical consultancy and support services) recorded approximately HK$10.8 million in the financial year ended 31 March 2014, representing a decrease of approximately 74.8 per cent. as compared with the previous financial year, mainly as a result of the fierce competition in the PRC market.

PROVISION OF TECHNICAL CONSULTANCY AND SUPPORT SERVICES

The provision of technical consultancy and support services, which were already included in the implementation of self-service ATM systems and printing systems, accounted for approximately 6.2 per cent. (2013: approximately 15.0 per cent.) of the total revenue from the sales of goods and rendering of services for the financial year ended 31 March 2014. Income derived from the provision of technical consultancy and support services during the financial year ended 31 March 2014 decreased by approximately 41.3 per cent., as compared with that of the previous financial year, mainly as a result of the fierce competition in the PRC market.

As an authorised value-added reseller of self-service ATM systems of NCR (Beijing) Financial Equipment System Co., Ltd and marketing agent of Fuji Xerox for its printing systems in China, the Group has fully committed itself as a reliable and reputable vendor and a total solution provider for self-service ATM systems and printing systems.

By having ATM service centers established in major cities in China including Shanghai, Yangquan, Changshu, Yingkou, Datong, Xuzhou, Huzhou and Lvliang, the Group has ATM service centers covering a total of 8 strategic cities and locations currently.

SELLING EXPENSES FROM CONTINUING OPERATIONS

Selling expenses from continuing operations incurred by the Group for the year ended 31 March 2014 amounted to approximately HK$2.4 million (2013: approximately HK$3.2 million), representing a decrease of approximately 24.2 per cent. as a result of the Group's policy on cost control.

ADMINISTRATIVE EXPENSES FROM CONTINUING OPERATIONS

Administrative expenses from continuing operations incurred by the Group for the year ended 31 March 2014 amounted to approximately HK$13.5 million (2013: approximately HK$13.9 million), representing a decrease of approximately 3.2 per cent. as a result of the Group's policy on cost control.

Staff costs from continuing operations (including Directors' emoluments and research and development costs) which were included in both selling expenses and administrative expenses decreased by approximately 9.6 per cent. to approximately HK$7.9 million (2013: approximately HK$8.8 million) because of the decrease in the number of employees from 78 to 39 during the year under review and the fact that Mr. Chiu Tung Ping, an executive Director, had waived his emoluments of approximately HK$0.4 million during the year ended 31 March 2014.

Operating leases for land and building from continuing operations increased by approximately 18.3 per cent. to approximately HK$1.5 million (2013: approximately HK$1.2 million) mainly because of the lease of an additional office in Hong Kong.

Other receivables of approximately HK$0.5 million was written off during the year ended 31 March 2014 (2013: Nil).

A general provision for obsolete stocks of approximately HK$2.2 million has been made during the year ended 31 March 2014 (2013: Nil).

Depreciation expenses decreased to approximately HK$0.3 million as compared to that of last financial year (2013: approximately HK$0.5 million) because certain property, plant and equipment became fully depreciated in previous years.

FINANCE COSTS FROM CONTINUING OPERATIONS

During the financial year ended 31 March 2014, the Group has incurred the following finance costs from continuing operations:

	2014 **HK$'000**	2013 HK$'000
Imputed finance costs on convertible bonds	**4,220**	5,475
Interest on other loan	**1,460**	2,121
	5,680	7,596

INCOME TAX EXPENSES FROM CONTINUING OPERATIONS

The Group has an income tax expenses from continuing operations for the financial year ended 31 March 2014 of approximately HK$1.0 million (2013: income tax expenses of approximately HK$46,000).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

As at 31 March 2014, the Group had bank balances and cash amounting to a total of approximately HK$5.5 million (2013: approximately HK$7.6 million). The Group has no outstanding bank overdraft as at 31 March 2014 (2013: Nil).

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

CURRENT RATIO

As at 31 March 2014, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 1.8 (2013: approximately 2.2).

GEARING RATIO

As at 31 March 2014, the gearing ratio of the Group, based on total liabilities over total assets was approximately 29.1 per cent. (2013: approximately 25.9 per cent.).

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.

BANKING FACILITIES

As at 31 March 2014, the Company did not have any banking facilities.

CHARGES ON ASSETS

As of 31 March 2014, the Company and its subsidiaries pledged no asset to banks as security for bank loans and overdraft (2013: Nil).

CONTINGENT LIABILITIES

As at 31 March 2014, the Group did not have any significant contingent liabilities.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with transactions settled in Renminbi principally and did not have any significant exposure to foreign exchange risk during the year.

EMPLOYEES

As at 31 March 2014, the Group employed 8 and 31 staff in Hong Kong and the PRC respectively (2013: 8 in Hong Kong and 70 in the PRC). 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.

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

MOVEMENT OF WARRANTS

The Company has a total of 100,000,000 warrants outstanding at 31 March 2014 and its movement is as follows:

Date of issue	Outstanding at 1/4/2013	Issued during the year	Exercised/ lapsed during the year	Outstanding at 31/3/2014	Subscription period	Subscription price per share
23 December 2009	100,000,000	–	–	100,000,000	23 December 2009 to 22 December 2014	HK$0.90

Note:

On 23 December 2009, the Company placed a total of 100,000,000 unlisted warrants to certain independent third parties at the subscription price of HK$0.90 each. No warrants has been exercised during the year ended 31 March 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the financial year ended 31 March 2014. Neither the Company nor any of its subsidiaries purchased or sold any of the shares during the financial year ended 31 March 2014.

(1) CORPORATE GOVERNANCE PRACTICES

The Board and the senior management of the Company are committed to the principles of corporate governance and have dedicated significant efforts to provide transparency, accountability and independence.

During the year ended 31 March 2014 ("**Review Period**"), the Company has complied with all the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 15 of the GEM Listing Rules, except for the deviation from code provisions A.2.1, A.5.2, and E.1.2 as explained below.

Code provision A.2.1

Pursuant to code provision A.2.1 of the CG Code as set out in Appendix 15 of the GEM Listing Rules, the roles of the chairman of the Board and chief executive officer should be separate and should not be performed by the same individual.

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

Code provision A.5.2

Code provision A.5.2 stipulates that the nomination committee of the Board ("**Nomination Committee**") is required to make recommendations to the Board on the appointment of Directors.

A Nomination Committee meeting had not been held by the Nomination Committee members regarding the appointment of Mr. Zhang Shenxin as an executive Director and the vice-chairman of the Board with effect from 13 May 2013. Instead, his appointment was discussed and approved by the Directors at a board meeting of the Company held on 13 May 2013.

Code provision E.1.2

Under code provision E.1.2, 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 23 September 2013 ("**2013 AGM**"). Nevertheless, Mr. Tam Kam Biu, William, an independent non-executive Director, chairman of the audit committee of the Board, the Nomination Committee and the remuneration committee of the Board presided as the chairman at the 2013 AGM, and answered questions from the shareholders of the Company.

(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 internal controls system and compliance with relevant statutory requirements, rules and regulations. The management is required to present an annual budget and any proposals for major investment, addition of capital assets, and change in business strategies for the Board's approval.

BOARD COMPOSITION

The composition of the Board during the year ended 31 March 2014 and as at the date of this report is as follows:

Executive Directors:
Mr. Chiu Tung Ping (Chairman)
Mr. Zhang Shenxin (Vice-Chairman) (appointed on 13 May 2013)
Ms. Yuen Hing Lan
Mr. Hou Hsiao Bing
Mr. Hou Hsiao Wen
Ms. Hu Xin

Independent non-executive Directors:
Mr. Tam Kam Biu, William
Mr. Meng Xianglin
Mr. Dong Guangwu

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.

Mr. Hou Hsiao Bing, an executive Director, is the brother of Mr. Hou Hsiao Wen, an executive Director of the Company.

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

BOARD MEETING

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

Details of the attendance of meetings of the Board held during the year ended 31 March 2014 are as follows:

Name of Director	Number of board meetings attended/held during the Director's term of office in the year ended 31 March 2014	Attendance rate
Mr. Chiu Tung Ping	9/9	100%
Mr. Zhang Shenxin (appointed on 13 May 2013)	3/8	38%
Ms. Yuen Hing Lan	2/9	22%
Mr. Hou Hsiao Bing	6/9	67%
Mr. Hou Hsiao Wen	8/9	89%
Ms. Hu Xin	9/9	100%
Mr. Tam Kam Biu, William	8/9	89%
Mr. Meng Xianglin	5/9	56%
Mr. Dong Guangwu	2/9	22%

Directors are given notice of regular Board meetings of at least 14 days in advance. The Directors have received details of agenda items for decision 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 advises the Board on corporate governance and compliance matters.

The non-executive Directors have a well balance of 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 information technology field and/or solar power generation and related 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 Company's 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.

(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, 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 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. During the year ended 31 March 2014, the Audit Committee comprises three independent non-executive Directors, namely, (i) Mr. Tam Kam Biu, William; (ii) Mr. Meng Xianglin; and (iii) Mr. Dong Guangwu, with Mr. Tam Kam Biu, William as the chairman of the Audit Committee. 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 senior management and at least twice a year with the Company's auditors for the Company's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to the GEM Listing Rules, internal and audit control, and budget and cash flow forecast.

The Group's unaudited quarterly and interim results and audited annual results during the year ended 31 March 2014 have been reviewed by the Audit Committee, in which the Audit Committee is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

(b) Remuneration Committee

The remuneration committee of the Company ("**Remuneration Committee**") was established in June 2005.

The Remuneration Committee was established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference followed the requirement of Code Provision B.1.2. During the year ended 31 March 2014, the Remuneration Committee comprised three independent non-executive Directors, namely, (i) Mr. Tam Kam Biu, William; (ii) Mr. Meng Xianglin; and (iii) Mr. Dong Guangwu, with Mr. Tam Kam Biu, William as the chairman of the Remuneration Committee.

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

– reviewing and fixing the remuneration of individual Directors and senior management; and

– making recommendations to the Board to establish a more formal and transparent procedure for determining the remuneration packages of individual senior management.

The policies for the remuneration of the Directors are:

- to ensure that none of the Directors should determine their 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 responsibility of the individual.

(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 following the requirements of Code Provision A.5.2 of the CG Code.

During the year ended 31 March 2014, the Nomination Committee comprised three independent non-executive Directors, namely, (i) Mr. Tam Kam Biu, William; (ii) Mr. Meng Xianglin; and (iii) Mr. Dong Guangwu, with Mr. Tam Kam Biu, William as the chairman of the Nomination Committee.

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

A board diversity policy ("**Board Diversity Policy**") has been reviewed and recommended by the Nomination Committee and subsequently adopted by the Board on 28 August 2013. 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. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

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 will bring to the Board. Since the adoption of the Board Diversity Policy on 28 August 2013, there has not been any change in the composition of the Board. Pursuant to the articles of association, one-third of all the Directors including independent non-executive Directors shall retire from office by rotation at the upcoming annual general meeting and shall be eligible and offer themselves for re-election. The Nomination Committee, in considering the re-election of these Directors, has considered and taken into account the objectives set out in the Board Diversity Policy.

During the Review Period, the Nomination Committee has held two meetings and the committee performed the following duties:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3 to assess the independence of independent non-executive Directors;

4. to make 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; and

5. to consider 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.

During the period from 1 April 2013 to 13 May 2013, the Corporate Governance Committee comprised five executive Directors, namely, Mr. Chiu Tung Ping, Ms. Yuen Hing Lan, Mr. Hou Hsiao Bing, Mr. Hou Hsiao Wen and Ms. Hu Xin, with Mr. Chiu Tung Ping as the chairman of the Corporate Governance Committee.

Following the appointment of Mr. Zhang Shenxin as an executive Director on 13 May 2013, the Corporate Governance Committee comprised six executive Directors, namely, Mr. Chiu Tung Ping, Mr. Zhang Shenxin, Ms. Yuen Hing Lan, Mr. Hou Hsiao Bing, Mr. Hou Hsiao Wen and Ms. Hu Xin as members of the Corporate Governance Committee, with Mr. Chiu Tung Ping 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. The Corporate Governance Committee has held one meeting during the Review Period to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board is responsible for the corporate governance functions with the following duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in the 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 Committee meetings

The attendance of each Director at Board committees meetings during the year ended 31 March 2014 was as follows:

Attendance out of number of meetings

	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Executive Directors				
Mr. Chiu Tung Ping	–	–	–	1/1
Mr. Zhang Shenxin (appointed on 13 May 2013)	–	–	–	1/1
Ms. Yuen Hing Lan	–	–	–	1/1
Mr. Hou Hsiao Bing	–	–	–	1/1
Mr. Hou Hsiao Wen	–	–	–	1/1
Ms. Hu Xin	–	–	–	1/1
Independent non-executive Directors				
Mr. Tam Kam Biu, William	4/4	1/1	2/2	–
Mr. Meng Xianglin	4/4	1/1	2/2	–
Mr. Dong Guangwu	2/4	1/1	1/2	–

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Starting from 13 July 2012, Mr. Chiu Tung Ping acted both as Chairman and Chief Executive Officer of the Company. 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 change in the separation of the roles of Chairman and Chief Executive Officer is necessary.

(5) DIRECTORS' AND AUDITOR'S RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statement 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 acknowledge 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 auditor's statement about reporting responsibility is set out on page 36.

(6) TRAINING FOR DIRECTORS

Each newly appointed Director receives comprehensive, formal and tailored induction on his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his 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 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 which came into effect on 1 April 2012 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 for the year ended 31 March 2014 to the Company.

During the year ended 31 March 2014, the Directors had participated in the following trainings:

Name of Director	Type of training
Chiu Tung Ping	B
Zhang Shenxin (appointed on 13 May 2013)	B
Yuen Hing Lan	B
Hou Hsiao Bing	B
Hou Hsiao Wen	B
Hu Xin	B
Tam Kam Biu, William	A,B
Meng Xianglin	B
Dong Guangwu	B

A attending seminars and/or conferences and/or forums

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

(7) COMPANY SECRETARY

As at 31 March 2014, the company secretary of the Company ("**Company Secretary**"), Ms. Chan Mi Ling, Anita, fulfills the requirement under the GEM Listing Rules 5.14 and 5.15. The company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. She has attended not less than 15 hours of relevant professional training during the Review Period. Her biography is set out in the "Directors and Senior Management" section of this annual report.

(8) NON-EXECUTIVE DIRECTORS

Code provision A.4.1 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 Company's articles of association.

(9) COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by Directors 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 securities transactions adopted by the Company throughout the twelve months ended 31 March 2014.

(10) AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment of the independent auditor. During the year under review, the Group has incurred an aggregate of HK$370,000 to the independent auditor for its services of auditing and taxation.

The fees paid/payable to the Company's independent auditors in respect of audit and non-audit services for the year ended 31 March 2014 are as follows:

Nature of Services	Amount (HK$)
Audit services	370,000
Non-audit services	–

(11) INTERNAL CONTROLS

The Board recognizes that a sound and effective internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations.

The management of the Group has established the Group's internal control policies and guidance for monitoring the internal control system of the Group.

The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. Qualified personnel and individual department heads throughout the Group maintain and monitor the compliance to these controls on an ongoing basis and report variance to senior management.

Based on the assessment and review made by the Board and senior management on the effectiveness of the internal control system of the Group, the Audit Committee is satisfied that:

- the internal controls and accounting systems of the Group are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorisation and the accounts are reliable for publication; and

- there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

(12) DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management 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 shareholders communication policy with objective of ensuring that the shareholders of the Company ("**Shareholders**") and potential investors 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, quarterly reports, interim reports and circulars are issued in printed form and are available on the GEM website at www.hkgem.com and the Company's website at www.chinatechsolar.com;

(ii) periodic announcements are made through the Stock Exchange and 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 to make comments and exchange views with the Directors and senior management; and

(v) the Hong Kong branch share registrar of the Company serves the Shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing 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 shareholders' meetings 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.

GENERAL MEETING

During the Review Period, 2013 AGM was held and the attendance of each director is set out as follows:

Directors	Attendance of the 2013 AGM
Executive Directors	
Mr. Chiu Tung Ping	0/1
Mr. Zhang Shenxin (appointed on 13 May 2013)	0/1
Ms. Yuen Hing Lan	0/1
Mr. Hou Hsiao Bing	0/1
Mr. Hou Hsiao Wen	0/1
Ms. Hu Xin	0/1
Independent non-executive Directors	
Mr. Tam Kam Biu, William	1/1
Mr. Meng Xianglin	0/1
Mr. Dong Guangwu	0/1

Code provision E.1.2

Under code provision E.1.2, 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 2013 AGM. Nevertheless, Mr. Tam Kam Biu, William, an independent non-executive Director, chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company presided as the chairman at the 2013 AGM, and answered questions from the Shareholders.

(15) SHAREHOLDERS' RIGHTS

In accordance with the Company's Article 64, the Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company, shall at all times have the right, by written requisition to the Directors or the Company Secretary, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fails 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 ("**Policy**") was adopted by the Company in March 2012 to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing the Policy and reviewing the Policy on a regular basis to ensure its effectiveness.

CORPORATE SOCIAL RESPONSIBILITY

From the Company's founding in 2000, the Company has believed in treating our staff, our stakeholders and the wider community with care and respect. Care and respect are at the heart of every business decision we make and every project we embark upon.

The trust of our staff, the support of our stakeholders and the continuing health of the communities and environment that surround and sustain us have been crucial to the Group's development.

CORPORATE SOCIAL RESPONSIBILITY POLICY

The five core objectives, people, place, profit, planet and professionalism, has become the foundation of a robust Corporate Social Responsibility ("**CSR**") policy, which will continue to grow and evolve as we fine-tune our initiatives.

CSR COMMITMENT STATEMENT

People

We commit to protecting the human rights of our staff all over the world, and to ensuring a safe, clean, respectful and inclusive workplace for every employee.

Place

We commit to the communities where we are based, through building strong local links, using local suppliers and service companies.

Profit

We commit to our stakeholders by complying with both the letter and spirit of the laws and regulations in the countries in which we operate, and by conducting business with honesty and transparency. We commit to our shareholders by ensuring that we maximise returns in a sustainable way. We commit to ensuring efficiency and cost savings through rigorous, transparent corporate governance.

Planet

We commit to the principles of sustainable development by reducing the environmental impact of our business operations wherever possible, and by establishing and developing our policies to ensure that our business activities safeguard our planet for future generations.

Professionalism

We commit to working with our business partners in a mutually respectful relationships. We commit to putting our best effort into creating the best result for our clients and our stakeholders.

Through these commitments, the Group aims to create a better world for our people, our stakeholders and our planet.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 40 to the consolidated financial statements.

An analysis of the Group's performance for the financial year by business segments is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 March 2014 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 37.

No interim dividend have been paid or declared by the Company during the financial year. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: Nil).

DISTRIBUTABLE RESERVES

As at 31 March 2014, the Group did not have any reserves available for distribution to shareholders.

RESERVES

Movements in the reserves of the Group and the Company during the financial year are set out on page 39 and page 98 respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital are set out in note 32 to the consolidated financial statements.

DIRECTORS

The Directors during the financial year ended 31 March 2014 and up to the date of this report were:

Mr. Chiu Tung Ping (Chairman)
Mr. Zhang Shenxin (Vice-Chairman) (appointed on 13 May 2013)
Ms. Yuen Hing Lan
Mr. Hou Hsiao Bing
Mr. Hou Hsiao Wen
Ms. Hu Xin
Mr. Tam Kam Biu, William*
Mr. Meng Xianglin*
Mr. Dong Guangwu*

* *Independent non-executive Directors*

Detailed information of the Directors standing for re-election will be set out in the circular in relation to the forthcoming annual general meeting of the Company to be despatched to the shareholders.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE GROUP

EXECUTIVE DIRECTORS

Mr. Chiu Tung Ping, aged 62, is the Chairman of the Board and is appointed as the Chief Executive Officer of the Company 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 is a standing committee member of the 11th Plenary of the Chinese People's Political Consultative Conference Gansu Committee (中國人民政治協商會議甘肅省第十一屆委員會常務委員). Mr. Chiu was also the vice-chairperson of 甘肅省工商業聯合會 (unofficial English translation being Gansu Province Industrial and Commercial Industry Association). Mr. Chiu is the honourary president of the Hong Kong General Association of International Investment (香港國際投資總商會). Mr. Chiu is the spouse of Ms. Yuen Hing Lan, an executive Director. Mr. Chiu was appointed as an executive Director on 8 June 2011.

Mr. Zhang Shenxin, aged 49, is the Vice-Chairman of the Board. He studied business administration at California State University in 1987 and graduated with a bachelor degree in business administration in 1991. Mr. Zhang has been working for several companies since 1986 in various industries, from construction industry, transportation industry, photography to child education. Mr. Zhang has extensive experience in project management and corporate management. Mr. Zhang is currently a member of the executive committee of Jiangsu Province National People's Congress (江蘇省人大常委), standing committee member of the Chinese People's Political Consultative Conference of Nantong City (南通市政協常委), the vice-chairman of the federation of industry and commerce of Chong Chuan District of Nantong City (南通市崇川區工商業聯合會) and a council member of Nantong City Overseas Friendship Association (南通市海外聯誼會). Mr. Zhang was appointed as an executive Director and Vice-Chairman of the Board on 13 May 2013.

Ms. Yuen Hing Lan, aged 58, 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 the spouse of Mr. Chiu Tung Ping, an executive Director and the Chairman.

Mr. Hou Hsiao Bing, aged 59, the elder brother of Mr. Hou Hsiao Wen, an executive Director. Prior to joining the Group in April 2000, Mr. Hou was the managing director of a private company focusing on selling satellite TV products network in the PRC. He has more than 33 years' experience in China business. Mr. Hou graduated from the Hong Kong Polytechnic University with a Diploma in Marketing.

Mr. Hou Hsiao Wen, aged 54, 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 has over 27 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 ("**US**"). Prior to joining the Group in January 2000, 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.

Ms. Hu Xin, aged 31, is the compliance officer and one of the authorized representatives of the Company starting from 13 July 2012. She obtained her Bachelor of Management in Accounting from 重慶工學院 (unofficial English translation being Chongqing Institute of Technology, presently known as Chongqing University of Technology (重慶科技大學)). Ms. Hu has been the general accountant (總帳會計) of ST Electronics (Software Services) Ltd. (新鈳信息系统(深圳)有限公司) and involved in financial management. Ms. Hu has extensive experience in new energy power system data estimates. Ms. Hu joined the Group on 19 March 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam Kam Biu, William, aged 58, is an associate member of the Hong Kong Institute of Certified Public Accountants since 1987 and an associate member of the Association of Chartered Certified Accountants since 1988. He graduated from the York University of Canada and holds a Master Degree of Business Administration major in finance and a Bachelor Degree of Business Administration major in accounting. He has got more than 19 years' experience taking the positions as chief financial officer in a number of large listed companies and is currently a non-executive director of ViaGOLD Capital Limited, a company incorporated in Bermuda whose securities are listed on The Australian Stock Exchange Limited. Mr. Tam was an executive director and the company secretary of China Bio Cassava Holdings Limited (Stock Code: 8129), a company incorporated in the Cayman Islands whose securities are listed on GEM until 7 April 2014. He was also an independent non-executive director of China Solar Energy Holdings Limited (Stock Code: 155), a company incorporated in Bermuda whose securities are listed on the Main Board of the Stock Exchange until 5 May 2011.

Mr. Meng Xianglin, aged 50, graduated from Beijing College of Economics (北京經濟學院) (currently known as Capital University of Economics and Business) and obtained a bachelor degree in economics in 1987. After his graduation, Mr. Meng worked as a committee member 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 and 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 People's Republic of China ("**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 42, graduated from Gangsu Agricultural University 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) 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 14 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

Ms. Chan Mi Ling, Anita, is the chief financial officer, the qualified accountant, company secretary and one of the authorised representatives of the Group. 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 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 22 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. Cao Ming Zhe, is the chief technical engineer of a subsidiary of the Group responsible for the implementation and maintenance of solar energy projects. He holds a bachelor degree in Computer Science and Technology of the University of Qinghai with the professional qualification of information system supervisor. He has about 10 years of experience in the photovoltaic industry, and had been the technical chief engineer responsible for the implementation and maintenance of Qinghai solar energy project jointly financed by the PRC and Germany, as well as, various photovoltaic power stations projects. He also participated in the research and compilation of articles on the subjects of various photovoltaic industry projects. He is familiar with solar energy industry requirements and standards, and thus is able to design a photovoltaic power station independently in accordance with the requirements. Mr. Cao joined the Group in June 2011.

DIRECTORS' SERVICE CONTRACTS AND VARIATIONS TO REMUNERATIONS

On 15 June 2010, each of Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen, both being executive Directors, has entered into a new service contract with the Company for an initial term of three years commencing from 15 June 2010 (which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other). Pursuant to such service contracts, the monthly salary of each of Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen is HK$76,667 and HK$83,333 respectively. With effect from 1 April 2011, the monthly salary of Mr. Hou Hsiao Bing has been increased from HK$76,667 to HK$125,000 and the monthly salary of Mr. Hou Hsiao Wen has been increased from HK$83,333 to HK$125,000. Mr. Hou Hsiao Bing had waived his emoluments of approximately HK$1.5 million during the year ended 31 March 2014.

On 13 May 2013, Mr. Zhang Shenxin and the Company has entered into a service contract, pursuant to which Mr. Zhang is appointed as the executive Director for a term of two years. Mr. Zhang's Director fee would be HK$52,000 per month and the Company would pay for Mr. Zhang's personal income tax. Mr. Zhang's remuneration was determined with reference to the prevailing market rate, his role and responsibilities.

Starting from 1 July 2013, the remuneration of Ms. Hu Xin, an executive Director, is HK$15,000 per month which was determined by the remuneration committee of the Board with reference to the prevailing market conditions, her roles and responsibilities.

Mr. Chiu Tung Ping, an executive Director, had waived his emoluments of approximately HK$0.4 million during the year ended 31 March 2014.

Save as disclosed herein, there are no existing or proposed service contracts with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

CONNECTED TRANSACTIONS

The related party transactions undertaken by the Group as set out in note 37 to the financial statements constituted continuing connected transactions. However, such transactions are exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in this report, no contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

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 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

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

Name of Directors	Capacity	Number and class of securities (Note 1)	Percentage shareholding in the same class of securities (Note 2)
Mr. Chiu Tung Ping *(Executive Director)*	Interests of controlled corporation (Note 3)	217,766,038 ordinary shares (L) (Note 4)	21.76%
Ms. Yuen Hing Lan *(Executive Director)*	Interests of spouse (Note 3)	217,766,038 ordinary shares (L) (Note 4)	21.76%
Mr. Hou Hsiao Bing *(Executive Director)*	Beneficial owner	131,150,000 ordinary shares (L)	13.10%
Mr. Hou Hsiao Wen *(Executive Director)*	Beneficial owner	25,370,000 ordinary shares (L)	2.53%

Notes:

1. The letter "L" represents the Directors' long positions in the interests in the shares and underlying shares of the Company.

2. As at 31 March 2014, the entire issued share capital of the Company is 1,000,792,072 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 the shares of the Company held by Good Million Investments Limited.

4. Included in these shares are 177,766,038 shares of the Company held by Good Million Investments Limited and 40,000,000 shares of the Company to be issued to Good Million Investments Limited upon exercise of convertible bonds issued by the Company.

(B) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS/SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY'S ASSOCIATED CORPORATIONS

Name of Director	Name of associated corporations	Number of shares interested	Nature of interest	Approximate percentage holding of the non-voting deferred shares
Mr. Hou Hsiao Bing *(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.

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

As at 31 March 2014, the following persons or entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Number of ordinary shares interested (Note 1)	Capacity	Approximate percentage of the Company's issued share capital as at 31 March 2014 (Note 2)
Good Million Investments Limited	217,766,038 (L) (Note 6)	Beneficial owner (Note 3)	21.76%
Mr. Qin Zhongde	88,000,000 (L) (Note 7)	Beneficial owner (Note 4)	8.79%
China Technology Development Group Corporation	57,313,962 (L)	Beneficial owner (Note 5)	5.73%

Notes:

1. The letter "L" represents the long position in the shares and underlying shares of the Company.

2. As at 31 March 2014, the entire issued share capital of the Company is 1,000,792,072 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. Huang Xiulan is the spouse of Mr. Qin Zhongde. Accordingly, Ms. Huang Xiulan is deemed, by virtue of SFO, to be interested in all the shares in which Mr. Qin Zhongde is interested.

5. BHL Solar Technology Company Limited is wholly-owned by China Technology Development Group Corporation.

6. Included in these shares are 177,766,038 shares of the Company held by Good Million Investments Limited and 40,000,000 shares of the Company to be issued to Good Million Investments Limited upon exercise of convertible bonds issued by the Company.

7. According to the register of bondholders maintained by the Company, Mr. Qin Zhongde is the holder of the convertible bond issued by the Company in the principal amount of HK$32,000,000, convertible into 64,000,000 shares of the Company.

Save as disclosed above, as at 31 March 2014, 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.

SHARE OPTION SCHEME

SHARE OPTION SCHEME ADOPTED AS AT 30 JULY 2004

The Company has adopted a share option scheme ("**Share Option Scheme**") which became effective on 30 July 2004.

The principal terms of the Share Option Scheme is set out as follows:

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.

Participants under the Share Option Scheme include directors and employees of the Group or any entity ("**Invested Entity**") in which the Group holds an equity interest; any suppliers, customers, advisers or consultants of the Group or any Invested Entity; any persons or entities that provide research development or other technological support to the Group or any Invested Entity; any holders of securities issued by any member of the Group or any Invested Entity; and any other groups or classes of participants whom the Board considers have contributed or will contribute to the Group.

The maximum number of shares to 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 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 schemes 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 the basis that there were a total of 452,612,072 shares in issue as at the date of passing of the relevant resolution of the Share Option Scheme on 30 July 2004, the Directors were allowed to grant options carrying rights to subscribe for a maximum of 45,261,207 shares under the General Scheme Limit.

Up to the date of this report, no options were granted or exercised under the Share Option Scheme. The total number of securities available was 45,261,207 shares, representing approximately 4.52% of the Company's shares in issue as at 31 March 2014.

The maximum number of shares issued and to be issued upon exercise of the options granted to each eligible participant (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued shares from time to time.

An option may be accepted by a participant within 21 days from the date of the offer for grant of the option.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to grantees, 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 shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares 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 shares as stated in the Stock Exchange's daily quotations sheet for five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, i.e. until 29 July 2014.

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.

MAJOR CUSTOMERS AND SUPPLIERS

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

PURCHASES

• the largest supplier:	Approximately 58.6 per cent.
• five largest suppliers in aggregate:	Approximately 86.1 per cent.

SALES

• the largest customer:	Approximately 87.9 per cent.
• five largest customers in aggregate:	Approximately 94.1 per cent.

None of the Directors or their respective associates (as defined in the GEM Listing Rules) or shareholders which to the knowledge of the Directors, owns more than 5 per cent. of the Company's issued share capital, had any interest in the major suppliers or customers noted above.

EVENTS AFTER THE REPORTING PERIOD

ACQUISITION OF CHINA WESTERN ENERGY HOLDINGS LIMITED

On 1 April 2014 (after trading hours), City Max International Limited, a wholly-owned subsidiary of the Company, ("**City Max**") as the purchaser and Soar Ocean Holdings Limited ("**Soar Ocean**") as the vendor entered into the sale and purchase agreement ("**Sale and Purchase Agreement**") pursuant to which City Max has conditionally agreed to acquire and Soar Ocean has conditionally agreed to dispose of the entire issued share capital of China Western Energy Holdings Limited ("**China Western Energy**"), a company incorporated in the British Virgin Islands with limited liability, at the consideration of not less than HK$16,000,000 and not more than HK$32,000,000, the final amount of which will be determined based on the audited net profit after tax of China Western Energy and its subsidiary for the year ending 31 December 2014 multiplied by a price-earnings ratio of 5.33. The total consideration ("**Consideration**") will in any event not exceed HK$32,000,000.

Pursuant to the Sale and Purchase Agreement, the Consideration shall be satisfied by the issue of consideration shares ("**Consideration Shares**") at the issue price of HK$0.175 per Consideration Share to Soar Ocean. The Consideration Shares will be allotted and issued under the general mandate granted to the Directors to allot and issue up to 185,318,414 new shares by the shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 September 2013.

The Board is pleased to announce that all the conditions precedent under the Sale and Purchase Agreement were fulfilled on 8 April 2014. Accordingly, Completion took place on 10 April 2014 and 91,428,571 Consideration Shares for the initial payment have been allotted and issued in accordance with the terms and conditions of the Sale and Purchase Agreement at the issue price of HK$0.175 per Consideration Share by the Company to Soar Ocean.

Please refer to the announcements dated 1 April 2014 and 10 April 2014 for details of the acquisition.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, although there are no restrictions against such rights under the laws in the Cayman Islands.

FIVE YEARS FINANCIAL SUMMARY

	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results:					
Revenue	**74,516**	52,349	31,938	31,878	27,966
Profit/(loss) attributable to shareholders	**10,065**	578	(49,691)	(36,352)	(28,625)
Assets and liabilities					
Total assets	**354,009**	303,242	461,594	131,683	60,570
Total liabilities	**(103,167)**	(78,552)	(243,160)	(33,139)	(5,296)
Net assets	**250,842**	224,690	218,434	98,544	55,274

DIRECTORS' INTEREST IN COMPETING BUSINESS

After Mr. Tam Kam Biu, William, an independent non-executive Director, resigned on 7 April 2014 as the executive director of China Bio Cassava Holdings Limited (Stock Code: 8129), a company which is engaged in business related to research and development of information technology and may be in competition with the Group, none of the Directors of the Company has an interest in a business which compete or may compete with the business of the Group.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on page 12 to 23 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issue of the annual report.

AUDITORS

The audited financial statements of the Company for the year ended 31 March 2014 have been audited by W.H. Tang & Partners CPA Limited, who will retire and being eligible, offer themselves for reappointment as auditor at the forthcoming annual general meeting of the Company. There is no change to the auditors of the Company in the preceding 3 years.

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

Hong Kong, 23 June 2014

INDEPENDENT AUDITORS' REPORT

鄧偉雄會計師事務所有限公司

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7 Lau Li Street,
Causeway Bay, Hong Kong.

香港銅鑼灣琉璃街七號
栢景中心七樓

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W.H. TANG & PARTNERS CPA LIMITED

To the shareholders of China Technology Solar Power Holdings Limited
(incorporated in the Cayman Islands with limited liability)

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 37 to 101, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2014 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

W.H. Tang & Partners CPA Limited
Certified Public Accountants (Practising)
CHOW Chi Kit

Practising Certificate Number: P03546
Hong Kong, 23 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Continuing operations			
Revenue	8	**74,516**	52,349
Cost of sales		**(46,808)**	(34,330)
Gross profit		**27,708**	18,019
Other revenue	8	**228**	16,431
Selling expenses		**(2,441)**	(3,219)
Change in fair value of financial assets at fair value through profit or loss		**4,739**	(6,076)
Administrative expenses		**(13,487)**	(13,927)
Finance costs	9	**(5,680)**	(7,596)
Profit before taxation	10	**11,067**	3,632
Income tax expenses	11	**(1,002)**	(46)
Profit for the year from continuing operations		**10,065**	3,586
Discontinued operations			
Loss for the year from discontinued operations	12	**–**	(3,008)
Profit for the year		**10,065**	578
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**961**	232
Total comprehensive income for the year		**11,026**	810
Profit for the year attributable to:			
Equity holders of the Company		**10,065**	578
Total comprehensive income attributable to:			
Equity holders of the Company		**11,026**	810
Dividend	13	**–**	–
Earnings per share			
From continuing and discontinued operations			
– Basic (HK cents)	15	**1.06**	0.06
– Diluted	15	**N/A**	N/A
From continuing operations			
– Basic (HK cents)	15	**1.06**	0.39
– Diluted	15	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	18	**1,312**	855
Available-for-sale financial assets	19	**–**	–
Goodwill	20	**235,999**	235,999
		237,311	236,854
Current assets			
Inventories	21	**1,573**	7,276
Accounts receivables	22	**52,124**	20,817
Other receivables, deposits and prepayments	23	**47,360**	30,368
Held-to-maturity financial assets	24	**5,044**	–
Financial assets at fair value through profit or loss	25	**5,051**	312
Bank balances and cash	26	**5,546**	7,615
		116,698	66,388
Current liabilities			
Accounts payables	27	**32,280**	2,833
Other payables and accruals	28	**15,677**	12,557
Other loan	29	**16,140**	13,624
Receipt in advance		**47**	401
Tax payable		**811**	126
		64,955	29,541
Net current assets		**51,743**	36,847
Total assets less current liabilities		**289,054**	273,701
Non-current liabilities			
Convertible bonds	30	**29,051**	34,477
Deferred tax liabilities	31	**9,161**	14,534
		38,212	49,011
Net assets		**250,842**	224,690
Capital and reserves			
Share capital	32	**100,079**	92,659
Reserves		**150,763**	132,031
		250,842	224,690

The consolidated financial statements on pages 37 to 101 were approved and authorized for issue by the board of directors on 23 June 2014 and are signed on its behalf by:

Chiu Tung Ping *Director*	**Hou Hsiao Bing** *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2014

	Equity attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Warrant reserve HK$'000 (Note (a))	Reserve arising from reorganisation HK$'000 (Note (b))	Exchange reserve HK$'000	Convertible bonds reserve HK$'000	Retained profits (Deficit) HK$'000	Discontinued operation HK$'000	Total HK$'000
At 1 April 2012	92,659	142,148	9,680	(24,317)	10,214	91,767	(104,293)	576	218,434
Profit for the year	–	–	–	–	–	–	578	–	578
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	232	–	–	–	232
Total comprehensive income for the year	–	–	–	–	232	–	578	–	810
Cancellation of convertible bonds (Note (c))	–	–	–	–	–	(30,696)	30,696	–	–
Release of deferred tax liabilities on cancellation of convertible bonds	–	–	–	–	–	–	6,066	–	6,066
Transfer to discontinued operation	–	–	–	–	(44)	–	–	44	–
Disposal of a subsidiary	–	–	–	–	–	–	–	(620)	(620)
	–	–	–	–	(44)	(30,696)	36,762	(576)	5,446
At 31 March 2013 and 1 April 2013	92,659	142,148	9,680	(24,317)	10,402	61,071	(66,953)	–	224,690
Profit for the year	–	–	–	–	–	–	10,065	–	10,065
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	961	–	–	–	961
Total comprehensive income for the year	–	–	–	–	961	–	10,065	–	11,026
Issue of shares on exercise of convertible bonds (Note (d))	7,420	29,680	–	–	–	(27,454)	–	–	9,646
Release of deferred tax liabilities on exercise of convertible bonds	–	–	–	–	–	5,480	–	–	5,480
	7,420	29,680	–	–	–	(21,974)	–	–	15,126
At 31 March 2014	100,079	171,828	9,680	(24,317)	11,363	39,097	(56,888)	–	250,842

Notes:

(a) For the year ended 31 March 2010, the Company issued 100,000,000 warrant at HK$0.10 each for cash. Net proceeds from the issuance of warrant of approximately HK$9,680,000 was recognized as warrant reserve.

(b) The reserve arising from reorganization of approximately HK$24,317,000 represents the difference between the nominal value of the share capital of subsidiaries acquired and the cost of investments in these subsidiaries incurred by the Company in exchange thereof, and has been debited to the reserve of the Group.

(c) On 6 November 2012, there is a cancellation of convertible bonds with a principal amount of HK$50,000,000. Equity component of the convertible bonds of approximately HK$30,696,000 was released to deficit.

(d) On 25 November 2013, HK$37,100,000 convertible bonds were exercised and 74,200,000 ordinary shares were issued.

(e) The exchange reserve comprises:

   (i) The foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the functional currency of the Company.

   (ii) The exchange differences on monetary items which form part of the Group's net investment in the foreign subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Profit (Loss) before taxation			
Continuing operations		**11,067**	3,632
Discontinued operation		**–**	(1,839)
		11,067	1,793
Adjustment for:			
Depreciation		**331**	4,460
Interest income		**(46)**	(45)
Finance costs		**5,680**	11,337
Bad debts written off		**–**	(607)
Gain on cancellation of convertible bonds		**–**	(15,844)
Change in fair value of financial assets at fair value through profit or loss		**(4,739)**	6,076
Loss on disposal of subsidiaries		**–**	4,407
Provision for obsolete stocks		**2,166**	–
Written off of other receivables		**500**	–
Operating cash flows before movements in working capital		**14,959**	11,577
Decrease in inventories		**3,537**	1,949
Increase in accounts receivables		**(31,307)**	(32,941)
Increase in other receivables, deposits and prepayments		**(17,492)**	(52,518)
Increase in accounts payables		**29,447**	2,882
Increase (Decrease) in other payables and accruals		**1,890**	(6,867)
(Decrease) Increase in receipt in advance		**(354)**	78
Cash from (used in) operations		**680**	(75,840)
Interest paid		**(231)**	(2,723)
Overseas taxation paid		**(224)**	(1,189)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**225**	(79,752)
INVESTING ACTIVITIES			
Interest received		**46**	45
Purchase of property, plant and equipment		**(775)**	(38)
Net cash inflow on disposal of subsidiaries	36	**–**	43,640
Purchase of held-to-maturity financial assets		**(5,044)**	–
Sales proceeds of disposal of available-for-sale financial assets		**–**	10,610
Sales proceeds of disposal of held-to-maturity financial assets		**–**	11,103
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(5,773)**	65,360
FINANCING ACTIVITIES			
Raised of other loan		**10,550**	15,171
Repayment of other loan		**(8,049)**	–
NET CASH FROM FINANCING ACTIVITIES		**2,501**	15,171
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(3,047)**	779
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**7,615**	6,393
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**978**	443
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**5,546**	7,615
Represented by:			
Bank balances and cash		**5,546**	7,615

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at Room 1801, 18/F., Kai Tak Commercial Building, 317 & 319 Des Voeux Road Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the sale of electronic banking systems, printing systems and provision of hardware and software technical support services of computer communication systems, technical development of network communication, development and design of system software and power system integration business.

The consolidated financial statements on pages 37 to 101 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(IFRIC)-Int, HK(SIC)-Int and HK-Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(I) NEW AND REVISED HKFRSs EFFECTIVE IN THE CURRENT YEAR

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the other new or revised HKFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

New and revised standards on consolidation, joint arrangement, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(I) NEW AND REVISED HKFRSs EFFECTIVE IN THE CURRENT YEAR *(Continued)*

New and revised standards on consolidation, joint arrangement, associates and disclosures (Continued)

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. April 2013) and concluded that the adoption of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with the investees as at 1 April 2013.

Impact of the application of HKFRS 11 and HKFRS 12

The directors of the Company reviewed and assessed the impact of application of HKFRS 11 and HKFRS 12 and conclude that the application of these new standards had no impact on the Group's results of operations or financial position.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively and the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(I) NEW AND REVISED HKFRSs EFFECTIVE IN THE CURRENT YEAR *(Continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories:

(a) items that will not be reclassified subsequently to profit or loss; and

(b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(II) NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[6]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[6]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC) - Int 21	Levies[1]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(II) NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 July 2014

[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

[5] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

[6] Effective for annual periods beginning on or after 1 January 2016

The directors of the Company anticipate that, except as described below, the application of the above new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "*Financial Instruments: Recognition and Measurement*" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have an impact on the amount reported in respect of the Group's financial instruments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values 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.

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 characteristic 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 net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purpose, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 into 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.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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 acquire and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION (Continued)

BUSINESS COMBINATIONS (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or sharebased payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts 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 recognized immediately in profit or loss as a bargain purchase gain.

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

NON-CURRENT ASSETS HELD FOR SALE

(a) Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the reclassification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets and explained below), or disposal groups, are recognized at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company concerned are deferred tax assets and financial assets (other than investments in subsidiaries). These assets, even if held for sale would continue to be measured in accordance with the policies set out elsewhere in Note 3.

Non-current assets (and disposal group) classified as held for sale are measured at the lower of their previous carry amount and fair value less costs to sell.

(b) *Discontinued operations*

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operation, or a part of single coordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

Classification as discontinued operations occurs upon disposal or when the operations meet the criteria to be classified as held for sale (as referred to in (a) above), if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face on the consolidated statement of profit or loss and other comprehensive income, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognized on the measurement of fair value less costs to sell, or on the disposal of the assets or disposal group(s) constituting the discontinued operations.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when goods are delivered and titled has passed, at which time all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the provision of technical support services, technology consultation and design services and power system integration business is recognized when the services are rendered. The unrecognized portion is recorded as receipt in advance when deposits and instalment payments are received.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset 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 on the financial asset to that asset's net carrying amount on initial recognition.

GOVERNMENT GRANTS

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprising leasehold improvements, office equipment, furniture and fixtures and motor vehicles are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The principal annual rates are as follows:

Leasehold improvements	20% – 50%
Office equipment, furniture and fixtures	20%
Motor vehicles	20%

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.

An item of property, plant and equipment is derecognized 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 property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

INVENTORIES

Inventories, comprising merchandise and spare parts, are stated at the lower of cost and net realizable value. Cost, calculated on the first-in, first-out basis, comprises cost of purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

EMPLOYEE BENEFITS

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. The refunded contribution is recognized in the consolidated statement of profit or loss and other comprehensive income to offset the current year contribution made.

The subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes, organized by the relevant local government authorities. The subsidiaries are required to make contributions to the retirement schemes, at a rate of 11.0 per cent. to 22.5 per cent. Of the basic salary of their employees and there will be no other future obligations of the Group towards the employees' retirement benefits.

LEASING

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

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 profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 recognized 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION (Continued)

The carrying amount of deferred tax assets is reviewed at the ended 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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, 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.

Current and deferred tax is recognized in profit or loss, except when it related to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

BORROWING COSTS

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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 recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting date, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FOREIGN CURRENCIES (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operating is disposed of.

DIVIDENDS

Dividends proposed or declared after the end of reporting date is not recognized as a liability at the end of the reporting period.

IMPAIRMENT LOSS ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("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 fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The financial assets of the Group are mainly financial assets at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale financial assets. 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 recognized and derecognized 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.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on 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, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognized on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of 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 measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS (Continued)

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 receivables, other receivables, deposits and prepayments, bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

- those that the Group upon initial recognition designated as at FVTPL; or
- those that the Group designates as available-for-sale; and
- those that meet the definition of loans and receivables

Held-to-maturity investments are subsequently measured at amortised cost using effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

At the end of each reporting period, subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where 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 an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial asset, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrowing will enter bankruptcy or financial re-organization; or

– the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as accounts receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment of 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 credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an accounts 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS (Continued)

Impairment of financial assets (Continued)

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities including accounts payables, other payables and accruals, receipt in advance and other loan are subsequently measured at amortized cost, using the effective interest method.

Convertible bonds issued by the Company

Convertible bonds issued by the Company contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instruments. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Convertible bonds issued by the Company *(Continued)*

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

In subsequent period, the liability component of the convertible bonds is carried at amortized cost using the effective interest method. The equity component, representing the option to convert the liability component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the accumulated losses. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period of the convertible bonds using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the assets' carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity.

The resultant asset is amortized on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortization and any accumulated impairment losses.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

RELATED PARTIES

A person, or a close member of that person's family, is related to the Group if that person:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are disclosed in Note 3, 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 following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

USEFUL LIVES AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

ALLOWANCE FOR INVENTORIES

The management of the Group reviews an ageing analysis at the end of each reporting date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realizable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting date and makes allowance for obsolete and slow moving items.

ALLOWANCE FOR DOUBTFUL DEBTS

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realizable of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, addition allowance may be required.

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than previously estimated, a material impairment loss may arise. As at 31 March 2014, the carrying amount of goodwill from continuing operations is approximately HK$235,999,000 (2013: approximately HK$235,999,000), The Group did not recognize any impairment loss in relation to goodwill arising from the acquisition of subsidiaries. Details of the recoverable amount calculation are disclosed in Note 20.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes convertible bonds as disclosed in Note 30, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

6A. CATEGORIES OF FINANCIAL INSTRUMENTS

	2014 **HK$'000**	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**105,030**	58,800
Held-to-maturity financial assets	**5,044**	–
Financial assets at fair value through profit or loss	**5,051**	312
Available-for-sale financial assets	**–**	–

	2014 **HK$'000**	2013 HK$'000
Financial liabilities		
Amortized cost	**93,195**	63,892

6. FINANCIAL INSTRUMENTS *(Continued)*

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments to raise finance for the Group's operations comprise convertible bonds. The Group has various other financial instruments such as accounts receivables, financial assets at fair value through profit or loss, other receivables, deposits and prepayments, bank balances, held-to-maturity financial assets, available-for-sale financial assets, accounts payables, other payables and accruals, other loan, receipt in advance and convertible bonds which arise directly from its operations. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

CREDIT RISK

The Group's credit risk is primarily attributable to its accounts receivables, other receivables and bank balances.

At the end of respective reporting dates, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognized financial assets stated in the consolidated statement of financial position.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are authorized banks of good standing.

FOREIGN CURRENCY RISK

The Group's revenue are denominated and settled in Renminbi ("RMB"), in addition, incurred most of the expenditures for operating purposed as well as capital expenditures in RMB. Most of the subsidiaries' monetary assets and liabilities are also denominated in RMB. Future exchange rate of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also affected by economic developments and political changes domestically and internationally, and supply and demand of RMB. The appreciation or devaluation of RMB against foreign currencies may have positive or negative impact on the result of operations of the Group.

6. FINANCIAL INSTRUMENTS *(Continued)*

6B. *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)*

FOREIGN 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**109,048**	65,545	**35,993**	13,885
United States dollars ("USD")	**7,424**	344	**2,340**	2,326
	116,472	65,889	**38,333**	16,211

The Group and the Company 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 and Company's sensitivity to a 5% (2013: 5%) increase and decrease in HK$ against RMB 5% (2013: 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 currency denominated monetary items and adjusts their translation at the reporting date for a 5% (2013: 5%) change in foreign currency rates. A positive number below indicates an increase in profit or equity where the HK$ weakening 10% against the relevant currency. For a 10% strengthens of the HK$ against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

6. FINANCIAL INSTRUMENTS *(Continued)*

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FOREIGN CURRENCY RISK (Continued)

Sensitivity analysis *(Continued)*

	Profit or loss		Equity	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**827**	409	**3,654**	2,583

No sensitivity analysis has been presented as the directors consider that the Group's exposure to USD is insignificant on the grounds that Hong Kong dollars is pegged to USD.

INTEREST RATE RISK

The Group borrowed loan in fixed interest rate to minimize the exposure on cash flow interest rate risk. The Group has exposed to cash flow interest rate risk in relation to bank deposits that carrying interest at variable rates. The Group does not have an interest rate hedging policy. However, the management monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors consider the Group's exposure to cash flow interest rate risk of bank deposit is not significant, hence no sensitivity analysis is presented for the year ended 31 March 2014 and 2013.

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 utilization 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 summarizes the maturity profile of the Group's financial liabilities as at the end of reporting date, based on the contracted undiscounted payments. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

6. FINANCIAL INSTRUMENTS *(Continued)*

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

LIQUIDITY RISK (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period:

2014

	Carrying amounts HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demands HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000
Accounts payables	**32,280**	**32,280**	**32,280**	**–**	**–**	**–**
Other payables and accruals	**15,677**	**15,677**	**15,677**	**–**	**–**	**–**
Other loan	**16,140**	**18,077**	**18,077**	**–**	**–**	**–**
Receipt in advance	**47**	**47**	**47**	**–**	**–**	**–**
Convertible bonds	**29,051**	**64,000**	**3,115**	**3,777**	**14,175**	**42,933**
	93,195	**130,081**	**69,196**	**3,777**	**14,175**	**42,933**

2013

	Carrying amounts HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demands HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000
Accounts payables	2,833	2,833	2,833	–	–	–
Other payables and accruals	12,557	12,557	12,557	–	–	–
Other loan	13,624	15,018	15,018	–	–	–
Receipt in advance	401	401	401	–	–	–
Convertible bonds	34,477	101,100	4,848	5,537	21,815	68,900
	63,892	131,909	35,657	5,537	21,815	68,900

6. FINANCIAL INSTRUMENTS *(Continued)*

6C. FAIR VALUE

The fair value of financial assets and financial liabilities are determined as follows:

– the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximated their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Asset measured at fair value

	31 March 2014 HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Financial assets at fair value through profit or loss	**5,051**	**5,051**	**–**	**–**
	5,051	**5,051**	**–**	**–**

	31 March 2013 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Financial assets at fair value through profit or loss	312	312	–	–
	312	312	–	–

7. SEGMENT INFORMATION

The Group is organized on the basis of the type of goods or services delivered or provided. Information reported to the Executive Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

The Group has internal reports about the sales of self-service automatic teller machine ("ATM") systems and printing systems, and the provision of hardware and software technical support services and solar energy generation and power system integration business in the PRC that are regularly reviewed by the Executive Directors of the Company and accordingly, they are considered as four separate operating segments.

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

CONTINUING OPERATIONS

(a) Sales of self-service automatic teller machine systems and printing system;

(b) Provision of hardware and software technical support services; and

(c) Power system integration business

DISCONTINUED OPERATION

(a) Solar energy generation

SEGMENT REVENUE AND RESULTS

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

Year ended 31 March 2014

	Continuing operations				Discontinued operation	
	Power system integration business HK$'000	Sales of goods HK$'000	Rendering of services HK$'000	Total HK$'000	Solar energy generation HK$'000	Consolidated HK$'000
Revenue from external customers	63,708	6,207	4,601	74,516	–	74,516
Segment result	23,897	(5,102)	(190)	18,605	–	18,605
Other revenue						48
Unallocated cost						(6,645)
Change in fair values of financial assets at fair value through profit or loss						4,739
Profit from operations						16,747
Finance costs						(5,680)
Profit before taxation						11,067
Income tax expenses						(1,002)
Profit for the year						10,065

7. SEGMENT INFORMATION *(Continued)*

SEGMENT REVENUE AND RESULTS (Continued)

Year ended 31 March 2013

	Continuing operations				Discontinued operation	
	Power system integration business HK$'000	Sales of goods HK$'000	Rendering of services HK$'000	Total HK$'000	Solar energy generation HK$'000	Consolidated HK$'000
Revenue from external customers	9,488	35,026	7,835	52,349	13,699	66,048
Segment result	6,738	406	1,175	8,319	6,326	14,645
Other revenue						16,714
Unallocated cost						(7,446)
Change in fair values of financial assets at fair value through profit or loss						(6,076)
Loss on disposal of a subsidiary					(4,707)	(4,707)
Profit from operations						13,130
Finance costs						(11,337)
Profit before taxation						1,793
Income tax expenses						(1,215)
Profit for the year						578

SEGMENT ASSETS AND LIABILITIES

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

Year ended 31 March 2014

	Continuing operations				**Discontinued operation**	
	Power system integration business HK$'000	**Sales of goods HK$'000**	**Rendering of services HK$'000**	**Total HK$'000**	**Solar energy generation HK$'000**	**Consolidated HK$'000**
Segment assets	**306,829**	**35,937**	**4,470**	**347,236**	**–**	**347,236**
Property, plant and equipment (for corporate)						**763**
Other receivables, deposits and prepayments (for corporate)						**286**
Financial assets at fair value through profit or loss (for corporate)						**5,051**
Bank balances and cash (for corporate)						**673**
Consolidated assets						**354,009**
Segment liabilities	**33,035**	**1,891**	**1,045**	**35,971**	**–**	**35,971**
Other payables and accruals (for corporate)						**14,271**
Other loan (for corporate)						**16,140**
Convertible bonds (for corporate)						**29,051**
Deferred tax liabilities (for corporate)						**7,734**
Consolidated liabilities						**103,167**

7. SEGMENT INFORMATION *(Continued)*

SEGMENT ASSETS AND LIABILITIES (Continued)

Year ended 31 March 2013

	Continuing operations				Discontinued operation	
	Power system integration business HK$'000	Sales of goods HK$'000	Rendering of services HK$'000	Total HK$'000	Solar energy generation HK$'000	Consolidated HK$'000
Segment assets	247,575	47,346	6,670	301,591	–	301,591
Property, plant and equipment (for corporate)						157
Other receivables, deposits and prepayments (for corporate)						392
Financial assets at fair value through profit or loss (for corporate)						312
Bank balances and cash (for corporate)						790
Consolidated assets						303,242
Segment liabilities	2,427	10,074	1,363	13,864	–	13,864
Other payables and accruals (for corporate)						11,429
Other loan (for corporate)						5,576
Convertible bonds (for corporate)						34,477
Deferred tax liabilities (for corporate)						13,206
Consolidated liabilities						78,552

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

– all assets are allocated to reportable-segments, other than goodwill and 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, convertible bonds for corporate.

7. SEGMENT INFORMATION *(Continued)*

OTHER SEGMENTS INFORMATION

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

Year ended 31 March 2014

	Continuing operations				Discontinued operation	
	Power system integration business HK$'000	Sales of goods HK$'000	Rendering of services HK$'000	Total HK$'000	Solar energy generation HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	3	64	93	160	–	160
Provision for obsolete stocks	–	634	–	634	–	634
Written off of other receivables	–	235	265	500	–	500

Year ended 31 March 2013

	Continuing operations				Discontinued operation	
	Power system integration business HK$'000	Sales of goods HK$'000	Rendering of services HK$'000	Total HK$'000	Solar energy generation HK$'000	Consolidated HK$'000
Additions to property, plant and equipment	16	–	5	21	17	38
Depreciation of property, plant and equipment	–	67	335	402	4,003	4,405
Bad debts written off	–	197	391	588	19	607

GEOGRAPHICAL INFORMATION

No geographical analysis is provided as less than 10% of the consolidated revenue and less than 10% of the operating results of the Group are attributable to markets outside the PRC. Therefore, no geographical information is presented.

Information about major customers

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

	2014 HK$'000	2013 HK$'000
Customer A – Rendering of services	–	9,488
Customer B – Sales of goods	1,316	8,728
Customer B – Rendering of services	744	600
Customer C – Rendering of services	63,708	–

8. REVENUE AND OTHER REVENUE

	Continuing operations		Discontinued operation		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue						
Sales of goods	**6,207**	35,026	**–**	–	**6,207**	35,026
Rendering of services	**68,309**	17,323	**–**	13,699	**68,309**	31,022
	74,516	52,349	**–**	13,699	**74,516**	66,048
Other revenue						
Bank interest income	**46**	43	**–**	2	**46**	45
Government subsidy for business development	**86**	77	**–**	–	**86**	77
Gain on trading in financial instrument	**49**	121	**–**	–	**49**	121
Gain on disposal of a subsidiary (Note 36)	**–**	300	**–**	–	**–**	300
Gain on cancellation of convertible bonds	**–**	15,844	**–**	–	**–**	15,844
Others	**47**	46	**–**	281	**47**	327
	228	16,431	**–**	283	**228**	16,714
Total revenue	**74,744**	68,780	**–**	13,982	**74,744**	82,762

9. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Imputed finance costs on convertible bonds	**4,220**	5,475	**–**	–	**4,220**	5,475
Interest on other loan	**1,460**	2,121	**–**	3,741	**1,460**	5,862
	5,680	7,596	**–**	3,741	**5,680**	11,337

10. PROFIT BEFORE TAXATION

Profit before taxation is stated after crediting and charging the following:

	Continuing operations		Discontinued operation		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Crediting:						
Net foreign exchange gains (losses)	**76**	18	**–**	(6)	**76**	12
Charging:						
Auditors' remuneration	**380**	400	**–**	–	**380**	400
Bad debts written off	**–**	588	**–**	19	**–**	607
Cost of inventories	**4,847**	27,289	**–**	–	**4,847**	27,289
Depreciation	**331**	457	**–**	4,003	**331**	4,460
Change in fair value of financial assets at fair value through profit or loss	**(4,739)**	6,076	**–**	–	**(4,739)**	6,076
(Gain) Loss on disposal of subsidiaries	**–**	(300)	**–**	4,707	**–**	4,407
Operating leases for land and building	**1,467**	1,240	**–**	83	**1,467**	1,323
Provision for obsolete stocks	**2,166**	–	**–**	–	**2,166**	–
Research and development costs	**108**	106	**–**	–	**108**	106
Staff costs (including directors' emoluments and research and development costs)	**7,925**	8,765	**–**	669	**7,925**	9,434
Written off of other receivables	**500**	–	**–**	–	**500**	–

11. INCOME TAX EXPENSES

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands is incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, is exempted from payment of the British Virgin Islands income taxes.

The Company's subsidiaries established in the PRC are subject to Enterprise Income Tax rate of 25% (2013: 25%).

No provision for Hong Kong Profits Tax has been made as there is no assessable profit (2013: Nil) for the subsidiaries operating in Hong Kong during the year ended 31 March 2014.

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

	Continuing operations		Discontinued operation		Consolidated	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Current income tax:						
– Hong Kong Profits Tax	**–**	–	**–**	–	**–**	–
– PRC Enterprise Income Tax	**909**	146	**–**	1,169	**909**	1,315
Deferred taxation (Note 31)	**93**	(100)	**–**	–	**93**	(100)
Income tax expenses	**1,002**	46	**–**	1,169	**1,002**	1,215

The income tax expenses can be reconciled to the profit before taxation as per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
Profit before taxation		
Continuing operations	**11,067**	3,632
Discontinued operation	**–**	(1,839)
	11,067	1,793
Calculated at a rate of income tax of 16.5% (2013: 16.5%)	**1,826**	296
Effect of difference rate of income tax in other countries	**1,562**	2,112
Tax effect on income not subject to tax	**(12,077)**	(16,744)
Tax effect on expenses not deductible for taxation purposes	**6,848**	16,006
Tax effect of temporary differences	**(93)**	–
Tax effect of tax loss not previously recognized	**1,365**	–
Tax effect of utilization of tax loss not previously recognized	**1,478**	(355)
Others	**93**	(100)
	1,002	1,215

12. DISCONTINUED OPERATION

For the year ended 31 March 2013, the Group disposed 100% equity interest in Qinghai Baike Solar Power Co., Limited ("Qinghai Baike"). Qinghai Baike is engaged in the business of solar energy generation. Details of assets and liabilities of Qinghai Baike disposed are disclosed in Note 36. The disposal was completed on 20 November 2012.

The results and cash flows of the discontinued operation (solar energy generation) included in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows are set out below:

	From 1 April 2012 to 20 November 2012 HK$'000
Loss for the period from discontinued operation	
Revenue and other revenue	13,982
Expenses	(11,114)
Loss on disposal of a subsidiary	(4,707)
Loss before taxation	(1,839)
Income tax expenses	(1,169)
Loss for the period from discontinued operation	(3,008)
Cash flows from discontinued operation	
Net cash outflows from operating activities	(5,966)
Net cash inflows from investing activities	44,725
Net cash inflows from financing activities	2,546
Net cash inflows	41,305

13. DIVIDEND

No dividend was paid or proposed during the two years ended 31 March 2014 and 2013 nor has any dividend been proposed since the end of reporting date.

14. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of approximately HK$80,592,000 (2013: approximately HK$30,232,000).

15. EARNINGS PER SHARE

FROM CONTINUING AND DISCONTINUED OPERATIONS

The calculation of the basic and diluted earnings per share from continuing and discontinued operations attributable to the ordinary equity holders of the Company is based on the following data:

	2014 **HK$'000**	2013 HK$'000
Profit		
Profit for the year attributable to the equity holders of the Company	**10,065**	578

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**952,003,031**	926,592,072
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**952,003,031**	926,592,072

Outstanding warrants and convertible bonds of the Company are anti-dilutive since their exercise or conversion would result in an increase in basic earnings per share for the year ended 31 March 2014.

15. EARNINGS PER SHARE *(Continued)*

FROM CONTINUING OPERATIONS

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2014	2013
	HK$'000	HK$'000
Profit for the year attributable to the equity holders of the Company	**10,065**	578
Less: Loss for the year attributable to the equity holders of the Company from discontinued operation	**–**	(3,008)
Profit for the purpose of basic earnings per share from continuing operations	**10,065**	3,586

Outstanding warrants and convertible bonds of the Company are anti-dilutive since their exercise or conversion would result in an increase in basic earnings per share from continuing operations for the year ended 31 March 2014.

FROM DISCONTINUED OPERATION

Basic earnings per share from discontinued operation is Nil HK cent per share (2013: loss per share HK0.32 cents), based on the profit for the year from the discontinued operation of approximately HK$Nil (2013: loss for the year approximately HK$3,008,000) and the denominators detailed above for basic earnings per share.

Diluted loss per share from discontinued operation is Nil HK cent per share (2013: HK0.83 cents), based on the profit for the year from discontinued operation of approximately HK$Nil (2013: loss for the year approximately HK$3,008,000) and weighted average number of ordinary shares for the purpose of diluted loss per share.

16. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Continuing operations		**Discontinued operation**		**Consolidated**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Wages and salaries	**7,856**	8,262	**–**	669	**7,856**	8,931
Pension costs – defined contribution plans	**69**	503	**–**	–	**69**	503
	7,925	8,765	**–**	669	**7,925**	9,434

17. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

Emoluments paid or payable to each of the nine (2013: eleven) directors of the Company during the year were as follows:

2014	Fee	Salaries and other emoluments	Contribution to retirement benefit scheme	Performance-based bonus (Note 2)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Chiu Tung Ping	–	30	–	–	30
Hou Hsiao Bing	–	12	15	–	27
Hou Hsiao Wen	–	1,500	15	–	1,515
Hu Xin	–	152	–	–	152
Yuen Hing Lan	–	120	–	–	120
Zhang Shenxin (Note 1)	–	552	–	–	552
Independent non-executive directors:					
Tam Kam Biu, William	–	120	–	–	120
Dong Guangwu	–	120	–	–	120
Meng Xianglin	–	120	–	–	120
	–	2,726	30	–	2,756

Note 1: Zhang Shenxin was appointed as executive director on 13 May 2013.

Note 2: The performance-based bonus is determined by the performance of each individual director for the relevant year.

17. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(A) DIRECTORS' EMOLUMENTS (Continued)

2013	Fee HK$'000	Salaries and other emoluments HK$'000	Contribution to retirement benefit scheme HK$'000	Performance-based bonus (Note 7) HK$'000	Total HK$'000
Executive directors:					
Chiu Tung Ping	–	360	–	–	360
Hou Hsiao Bing	–	71	–	–	71
Hou Hsiao Wen	–	1,500	15	–	1,515
Hu Xin	–	120	–	–	120
Leung King Pak (Note 1)	–	34	–	–	34
Yuen Hing Lan	–	120	–	–	120
Independent non-executive directors:					
Tam Kam Biu, William	–	120	–	–	120
Dong Guangwu (Note 2)	–	41	–	–	41
Meng Xianglin (Note 3)	–	41	–	–	41
Yang Guocai (Note 4)	–	66	–	–	66
Zhou Jing (Note 5)	–	66	–	–	66
	–	2,539	15	–	2,554

Note 1: Leung King Pak was resigned as executive director on 13 July 2012.

Note 2: Dong Guangwu was appointed as independent non-executive director on 27 November 2012.

Note 3: Meng Xianglin was appointed as independent non-executive director on 27 November 2012.

Note 4: Yang Guocai was resigned as independent non-executive director on 27 November 2012.

Note 5: Zhou Jing was resigned as independent non-executive director on 27 November 2012.

Note 6: Zhang Shenxin was subsequent appointed as executive director on 13 May 2013.

Note 7: The performance-based bonus is determined by the performance of each individual director for the relevant year.

17. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include two (2013: two) directors whose emoluments have been disclosed in the preceding paragraph. The emoluments payable to the remaining three (2013: three) individuals during the year are as follows:

	2014 HK$'000	2013 HK$'000
Basic salaries, allowances and benefits in kind	**1,029**	1,249
Pension costs-defined contribution plans	**26**	24
	1,055	1,273

The emoluments fell within the following bands:

	Number of Individuals	
	2014	2013
Emoluments bands		
Nil – HK$1,000,000	**3**	**3**

During the year ended 31 March 2014, no emoluments have been paid by the Group to the directors and the highest paid individuals other than the directors above as bonus, as inducement to join the Group or as compensation for loss of office (2013: Nil).

During the year, the following directors waived their emolument and details are as follows:

	2014 HK$'000	2013 HK$'000
Executive directors		
Chiu Tung Ping	**360**	–
Hou Hsiao Bing	**1,488**	1,429

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 April 2012	1,579	5,584	915	8,078
Additions	–	21	–	21
Exchange adjustment	6	9	1	16
At 31 March 2013 and At 1 April 2013	1,585	5,614	916	8,115
Additions	–	–	775	775
Disposal	–	–	(340)	(340)
Exchange adjustment	29	44	6	79
At 31 March 2014	**1,614**	**5,658**	**1,357**	**8,629**
Accumulated depreciation				
At 1 April 2012	1,341	5,009	439	6,789
Charge for the year	238	110	109	457
Exchange adjustment	6	7	1	14
At 31 March 2013 and At 1 April 2013	1,585	5,126	549	7,260
Charge for the year	–	105	226	331
Disposal	–	–	(340)	(340)
Exchange adjustment	29	35	2	66
At 31 March 2014	**1,614**	**5,266**	**437**	**7,317**
Net book values				
At 31 March 2014	**–**	**392**	**920**	**1,312**
At 31 March 2013	–	488	367	855

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are comprised of:

	2014 HK$'000	2013 HK$'000
Unlisted investment, at cost (Note)	**190**	190
	190	190
Less: Impairment loss	**(190)**	(190)
At 31 March	**–**	–
Analysed for:		
Non-current assets	**–**	–
Current assets	**–**	–
	–	–

Note: This is investment in an unlisted private entity incorporated in the PRC. Its fair value information is not disclosed because the related fair value cannot be measured reliably.

20. GOODWILL

	Power system integration business HK$'000
COST	
At 1 April 2012, 31 March 2013, 1 April 2013 and **At 31 March 2014**	**235,999**
IMPAIRMENT	
At 1 April 2012	–
Impairment loss recognized for the year	–
At 31 March 2013 and 1 April 2013	
Impairment loss recognized for the year	–
At 31 March 2014	**–**
CARRYING VALUES	
At 31 March 2014	**235,999**
At 31 March 2013	235,999

20. GOODWILL *(Continued)*

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

For the year ended 31 March 2014, the goodwill is approximately HK$235,999,000 (2013: approximately HK$235,999,000).

The recoverable amounts of cash generating units ("CGUs") are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year ended 31 March 2014, the Group did not recognized any impairment loss (2013: Nil) in relation to goodwill arising on acquisition of subsidiaries.

The key assumption used for cash flow projections for the power system integration business are as follows:

Power system integration business

			Year		
	2015	2016	2017	2018	2019
Growth rate	571%	262%	(49%)	(38%)	(48%)
Discount rate	9.43%	9.43%	9.43%	9.43%	9.43%

The management estimated the growth rate by reference to the project being under negotiation and the estimated project revenue.

The management believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

21. INVENTORIES

	2014 HK$'000	2013 HK$'000
Merchandize for re-sale	**5,126**	8,335
Spare parts	**2,113**	2,441
	7,239	10,776
Less: Provision for slow moving and obsolete inventories	**(5,666)**	(3,500)
	1,573	7,276

22. ACCOUNTS RECEIVABLES

	2014 HK$'000	2013 HK$'000
Accounts receivables	**56,900**	25,591
Less: Allowance for doubtful debts	**(4,776)**	(4,774)
	52,124	20,817

The majority of the Group's sales are on open account in accordance with terms specified in the contracts governing relevant transactions. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

At 31 March 2014 the ageing analysis of the Group's accounts receivables was as follows:

	2014 HK$'000	2013 HK$'000
Current to 60 days	**48,759**	11,209
61 – 90 days	**40**	1,340
Over 90 days	**8,101**	13,042
	56,900	25,591
Less: Allowance for doubtful debts	**(4,776)**	(4,774)
	52,124	20,817

As at 31 March 2014, the top five customers accounted for 87.34% (2013: 50.5%) of the Group's accounts receivables.

22. ACCOUNTS RECEIVABLES *(Continued)*

AGING OF OVERDUE TRADE RECEIVABLES BUT NOT IMPAIRED

The Group has credit policies in place to review the credit worthiness of all existing and potential customers. Credit terms range between 30 and 90 days. As at 31 March 2014, trade receivables of approximately HK$3,325,000 (2013: approximately HK$8,268,000) were overdue but not impaired. Management assessed the credit quality of this HK$3,325,000 by reference to the repayment history and current financial position of the customers. Management believes that no provision for impairment is necessary and these balances are expected to be fully recovered. The Group does not hold any collateral over these balances. The aging of these overdue trade receivables but not impaired is as follows:

	2014	2013
	HK$'000	HK$'000
91 to 120 days	**612**	1,947
121 – 150 days	**298**	395
Over 150 days	**2,415**	5,926
	3,325	8,268

Movement in the allowance for doubtful debts:

	2014	2013
	HK$'000	HK$'000
Balance at the beginning of the year	**4,774**	4,774
Exchange adjustment	**2**	–
Balance at end of the year	**4,776**	4,774

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments included the following:

(a) Deposit of approximately HK$26,470,000 (2013: approximately HK$23,685,000) for purchase of trading goods.

(b) Loan receivable of approximately HK$17,843,000 (2013: approximately HK$862,000). The loan is unsecured, interest free and repayable within one year.

(c) Loan receivable of approximately HK$Nil (2013: approximately HK$477,000), of which approximately HK$Nil (2013: approximately HK$248,000) is unsecured, interest bearing on 6% per annum and repayable within one year. Amounting to HK$Nil (2013: HK$229,000) is unsecured, interest bearing on 12% per annum and repayable within one year.

24. HELD-TO-MATURITY FINANCIAL ASSETS

	2014 **HK$'000**	2013 HK$'000
The movement in held-to-maturity investments is summarized as follow:		
At the beginning of the year	**–**	11,103
Additions	**5,044**	–
Disposed during the year	**–**	(11,103)
At the end of the year	**5,044**	–

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 **HK$'000**	2013 HK$'000
Listed securities held for trading:		
Market value of equity securities listed in New York		
Cost	**24,250**	24,250
Change in fair value	**(19,199)**	(23,938)
31 March	**5,051**	312

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

26. BANK BALANCES AND CASH

	2014 **HK$'000**	2013 HK$'000
Cash at bank and on hand	**5,546**	7,615
Bank balances and cash in the consolidated statement of financial position and in the consolidated statement of cash flows	**5,546**	7,615

26. BANK BALANCES AND CASH *(Continued)*

	2014 **HK$'000**	2013 HK$'000
Cash and bank deposits denominated in:		
Hong Kong dollars	**539**	789
Chinese Renminbi	**2,634**	6,796
United States dollars	**2,373**	30
	5,546	7,615

Included in the balance was approximately HK$2,474,000 (2013: approximately HK$6,773,000), representing bank deposits denominated in Renminbi placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

The effective interest rates on bank deposits ranged from 0.05% to 0.39% (2013: from 0.05% to 0.35%) per annum.

27. ACCOUNTS PAYABLES

	2014 **HK$'000**	2013 HK$'000
Accounts payables	**32,280**	2,833

At 31 March 2014, the ageing analysis of the Group's accounts payables was as follows:

	2014 **HK$'000**	2013 HK$'000
Current to 60 days	**3,873**	2,820
61 – 90 days	**28,394**	–
Over 90 days	**13**	13
	32,280	2,833

28. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals, there are amounts due to executive directors, Mr. Hou Hsiao Wen, Mr. Hou Hsiao Bing and Mr. Chiu Tung Ping, the amounts are approximately HK$3,365,000 (2013: approximately HK$3,275,000), approximately HK$1,882,000 (2013: approximately HK$1,737,000) and approximately HK$676,000 (2013: HK$Nil) respectively. The amounts are unsecured, interest free and have no fixed repayment terms.

There is amount due to Dynatek Limited amounting to HK$720,000 (2013: HK$360,000). The amount is unsecured, interest free and has no fixed repayment term.

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

29. OTHER LOAN

	2014	2013
	HK$'000	HK$'000
Other loan (note a)	**16,140**	13,624

(a) Other loan amounting to approximately HK$Nil (2013: HK$8,048,000) is interest bearing on 9% per annum, unsecured and repayable on demand.

Other loan amounting to approximately HK$16,140,000 (2013: HK$5,576,000) is interest bearing on 12% per annum, unsecured and repayable on demand.

Borrowings are repayable as follows:

	2014	2013
	HK$'000	HK$'000
On demand or within one year	**16,140**	13,624
Less: Amount shown under non-current liabilities	**–**	–
Amount shown under current liabilities	**16,140**	13,624

30. CONVERTIBLE BONDS

2011 CONVERTIBLE BONDS ("2011 CB")

On 1 June 2011 ("Issue Date"), the Company issued the ten-year zero coupon convertible bonds at par with a nominal value of HK$163,100,000 to the vendor, in acquiring of the entire issued share capital of CTSP (BVI) and its subsidiaries. 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$113,000,000 and HK$50,000,000 respectively. For Tranche I CB, the CB holders are not subject to any restriction for exercising the conversion of Tranche I CB into share. For Tranche II CB, the amount should be subject to change in restrict to a profit guarantee made by the vendor to the Company. Refer to a supplementary agreement made between the vendor and the Company on 30 January 2012, the amount of profit guarantee was increased to HK$40,000,000 and the guarantee period was extended to 30 September 2012. In the event that the profit guarantee could not be achieved, the principal amount of the Tranche II CB will be adjusted to HK$0 if the profit guarantee is equivalent to or less than HK$15,000,000 or a loss.

The Tranche II CB shall be held under escrow pursuant to an escrow agent agreement to be executed by the Company and the vendor for the purpose of effectuating the downward adjustment of consideration in the event that the target profit could not be achieved.

On 2 September 2012, City Max International Limited, the Company, Good Million Investments Limited, Mr. Chiu Tung Ping and Ms. Yuen Hing Lan entered into the second supplemental agreement ("Second Supplemental Agreement") to amend certain terms of the Agreement (as supplemented and amended by the Supplemental Agreement). Under the Second Supplemental Agreement, it was proposed that the Target Profit Period would be deferred to cover the period of 12 months ending on 31 March 2013. The Second Supplemental Agreement was terminated by the parties by a termination agreement dated 24 September 2012, details of which were set out in the announcement of the Company dated 24 September 2012.

Based on the audited consolidated financial statements of CTSP (BVI) and its subsidiaries ("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 Agreement (as supplemented by the Supplemental Agreement) was not achieved and the principal amount of the Tranche II CB in the principal amount of HK$50,000,000 was adjusted to HK$0.

For the year ended 31 March 2012, Tranche I CB with a nominal value of HK$12,000,000 were converted by the bondholders into 24,000,000 ordinary shares at a conversion price of HK$0.5 per ordinary share.

For the year ended 31 March 2014, Tranche 1 CB with a nominal value of HK$37,100,000 were converted by the bondholders into 74,200,000 ordinary shares at a conversion price of HK$0.5 per ordinary share.

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

30. CONVERTIBLE BONDS *(Continued)*

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

The fair value of the liability component of the convertible bonds at the issue date was valued by an independent 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.

2014

	Tranche I HK$'000	Tranche II HK$'000	Total HK$'000
Equity component of convertible bonds at the beginning of the year	61,071	–	61,071
Release on conversion to ordinary shares	(27,454)	–	(27,454)
Release of deferred tax liabilities on conversion of convertible bonds	5,480	–	5,480
Equity component at 31 March	39,097	–	39,097
Liability component at the beginning of the year	34,477	–	34,477
Imputed finance costs (Note 9)	4,220	–	4,220
Release on conversion of convertible bonds	(9,646)	–	(9,646)
Liability component at 31 March	29,051	–	29,051

2013

	Tranche I HK$'000	Tranche II HK$'000	Total HK$'000
Equity component of convertible bonds at the beginning of the year	61,071	30,696	91,767
Release of convertible bonds reserve due to the cancellation of convertible bonds	–	(30,696)	(30,696)
Equity component at 31 March	61,071	–	61,071
Liability component at the beginning of the year	30,141	14,704	44,845
Imputed finance costs (Note 9)	4,336	1,139	5,475
Release of convertible bonds liability due to the cancellation of convertible bonds	–	(15,843)	(15,843)
Liability component at 31 March	34,477	–	34,477

31. DEFERRED TAXATION

The movement on the deferred tax liabilities account is as follows:

	2014 HK$'000	2013 HK$'000
At 1 April	**14,534**	20,697
Exchange adjustment	**14**	3
Deferred taxation released on cancellation of convertible bonds	**–**	(6,066)
Deferred taxation released on exercise of convertible bonds	**(5,480)**	–
Deferred taxation debited (credited) to consolidated statement of profit or loss and other comprehensive income (Note 11)	**93**	(100)
At 31 March	**9,161**	14,534

Deferred tax assets are recognized for tax losses carry forwards to the extent that the realization of related tax benefits through the future taxable profits is probable. The Group did not recognize deferred tax assets of approximately HK$6,782,000 (2013: approximately HK$6,176,000) that can be carried forward against future taxable income. Losses amounting to approximately HK$41,101,000 (2013: approximately HK$37,431,000). The tax losses of approximately HK$6,065,000 (2013: approximately HK$2,394,000) that will expire within 1-5 years from the year origination. Other losses may be carried forward indefinitely.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

DEFERRED TAX LIABILITIES

	Accelerated tax depreciation		Other temporary difference		Total	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
At 1 April	**–**	–	**15,420**	21,272	**15,420**	21,272
Exchange adjustment	**–**	–	**25**	5	**25**	5
Release on exercise of convertible bonds	**–**	–	**(5,480)**	–	**(5,480)**	–
Release on cancellation of convertible bonds	**–**	–	**–**	(6,066)	**–**	(6,066)
(Credited) Charged to consolidated statement of profit or loss and other comprehensive income	**–**	–	**(128)**	209	**(128)**	209
At 31 March	**–**	–	**9,837**	15,420	**9,837**	15,420

31. DEFERRED TAXATION *(Continued)*

DEFERRED TAX ASSETS

	Provision		Tax losses		Other temporary differences		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
At 1 April	**–**	–	**–**	–	**886**	575	**886**	575
Exchange adjustment	**–**	–	**–**	–	**11**	2	**11**	2
(Charged) Credited to consolidated statement of profit or loss and other comprehensive income	**–**	–	**–**	–	**(221)**	309	**(221)**	309
At 31 March	**–**	–	**–**	–	**676**	886	**676**	886

	2014 HK$'000	2013 HK$'000
Deferred tax assets	**676**	886
Deferred tax liabilities	**(9,837)**	(15,420)
	(9,161)	(14,534)

Deferred tax liabilities are to be recovered and settled after more than 12 months.

32. SHARE CAPITAL

	Authorized Ordinary shares of HK$0.1 each No. of shares	HK$'000
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	2,500,000,000	250,000

	Issued and fully paid Ordinary shares of HK$0.1 each No. of shares	HK$'000
At 1 April 2012, 31 March 2013 and 1 April 2013	926,592,072	92,659
Shares issued pursuant to exercise of convertible bonds	74,200,000	7,420
At 31 March 2014	1,000,792,072	100,079

For the year ended 31 March 2014, the movements in share capital were as follows:

32. SHARE CAPITAL *(Continued)*

(A) SHARES ISSUED ON EXERCISE OF CONVERTIBLE BONDS

For the year ended 31 March 2014, Tranche I convertible bonds with an aggregate principal amount of HK$37,100,000 were converted into 74,200,000 ordinary shares of HK$0.1 each in the Company at the conversion price of HK$0.5 per share.

All new ordinary shares rank pari passu in all respects with other ordinary shares in issue.

ISSUANCE OF UNLISTED WARRANTS

On 23 December 2009, 100,000,000 unlisted warrants of HK$0.1 each for cash had been issued. The total proceeds and net proceeds from the placing of warrants, after deducting all related expenses, were approximately HK$10,000,000 and HK$9,680,000. The Company has utilized the net proceed as general working capital. During the year, no warrant was exercised.

SHARE OPTIONS

The Company has adopted a new share option scheme ("New Scheme") by shareholders' resolutions passed at its Annual General Meeting held on 30 July 2004. The New Scheme became effective on 30 July 2004. No option shares have been granted under the New Scheme to any person since its adoption (2013: Nil).

33. BANKING FACILITIES

As at 31 March 2014, the Group did not have any banking facilities (2013: Nil).

34. COMMITMENTS UNDER OPERATING LEASES – LAND AND BUILDINGS

At 31 March 2014, the Group had future aggregate minimum lease payments under operating leases as follows:

CONTINUING OPERATIONS

	2014 **HK$'000**	2013 HK$'000
Not later than one year	**455**	785
Later than one year and not later than five years	**265**	302
	720	1,087

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

The Group did not have significant lease commitment for discontinued operation.

35. CAPITAL COMMITMENTS

	2014 **HK$'000**	2013 HK$'000
CONTINUING OPERATIONS		
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– capital injection to subsidiaries	–	13,260

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

DISPOSAL OF INTEREST IN SUBSIDIARIES

For the year ended 31 March 2013, the Company disposed investments in subsidiaries, Qinghai Baike Solar Power Co., Limited ("Qinghai Baike") and Oceania City Investment Company Limited ("Oceania"). Details of the disposal was summarized as follows:

	Qinghai Baike HK$'000	**Oceania** HK$'000	**Total** HK$'000
NET ASSETS DISPOSED			
Property, plant and equipment	124,568	–	124,568
Construction in progress	2,904	–	2,904
Goodwill	24,000	–	24,000
Trade and bills receivable	20,335	–	20,335
Prepayment, deposits and other receivable	36,343	–	36,343
Bank balances and cash	1,403	–	1,403
Trade payables	(98,769)	–	(98,769)
Accrued liabilities and other payable	(31,398)	–	(31,398)
Other loan	(29,316)	–	(29,316)
Net assets	50,070	–	50,070
Less: Release of translation reserve	(620)	–	(620)
(Loss) Gain on disposal	(4,707)	300	(4,407)
Total consideration	44,743	300	45,043
Net cash inflow arising on disposal:			
Total consideration	44,743	300	45,043
Bank balances and cash	(1,403)	–	(1,403)
	43,340	300	43,640

37. RELATED PARTY TRANSACTIONS

During the year, the Group undertook the following material transactions with the directors and/or related parties, some of which are also deemed to be connected persons pursuant to the GEM Listing Rules. The transactions during the year are as follows:

(A) TRANSACTIONS WITH CONNECTED OR RELATED PARTIES

	Notes	2014 HK$'000	2013 HK$'000
Rental paid to directors	(i)	**44**	22
Rental paid to the related parties	(ii)	**511**	508
Disposal of a subsidiary to a related party	(iii)	**–**	390

Note:

(i) The Group leased an office premise from Mr. Hou Hsiao Wen (an executive director) and Ms. Chung Yuk Hung (a relative of Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen), in Beijing of the PRC for the Group's use.

(ii) The Group leased office premises from Dynatek Limited ("Dynatek") in Hong Kong at an annual rental of HK$360,000 (2013: HK$360,000) for the Group's use for the year ended 31 March 2014. Besides, the Group leased office premises from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC, at an annual rental of approximately HK$151,000 (2013: approximately HK$148,000) for the Group's use. Dynatek is owned by Mr. Hou Hsiao Bing, the executive director of the Group. Ms. Tsou Lo Nien is a relative of Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen and Ms. Chung Po Chu is the mother of Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen.

(iii) For the year ended 31 March 2013, the Company disposed a subsidiary, China Technology Solar Power Limited, a company incorporated in the British Virgin Islands, to Eternal Reach Investments Limited at HK$390,000, of which Mr. Chiu Tung Ping has interest.

(B) BALANCES WITH RELATED PARTIES

Included in other payables and accruals, there are amounts due to executive directors, Mr. Hou Hsiao Wen, Mr. Hou Hsiao Bing and Mr. Chiu Tung Ping, the amounts are HK$3,365,000 (2013: HK$3,275,000), approximately HK$1,882,000 (2013: approximately HK$1,737,000) and HK$676,000 (2013: HK$Nil) respectively. The amounts are unsecured, interest free and have no fixed repayment terms.

There is also amount due to Dynatek Limited amounting to HK$720,000 (2013:HK$360,000). The amount is unsecured, interest free and has no fixed repayment term.

(C) COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	2014 HK$'000	2013 HK$'000
Short-term benefits	**2,991**	2,920
Post-employment benefits	**46**	29
	3,037	2,949

38. MAJOR NON-CASH TRANSACTIONS

During the year, the Group incurred imputed finance costs on convertible bonds of approximately HK$4,220,000 (2013: approximately HK$5,475,000).

39. SUMMARIZED STATEMENT OF FINANCIAL INFORMATION OF THE COMPANY

(A) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK$'000	2013 HK$'000
Non-current assets		
Interests in subsidiaries	**242,284**	323,249
Current assets		
Other receivables, deposits and prepayments	**224**	277
Financial assets at fair value through profit or loss	**5,051**	312
Bank balances and cash	**29**	29
	5,304	618
Current liabilities		
Other payables and accruals	**1,579**	1,486
Amount due to a subsidiary	**390**	390
	1,969	1,876
Net current assets (liabilities)	**3,335**	(1,258)
Total assets less current liabilities	**245,619**	321,991
Non-current liabilities		
Deferred tax liabilities	**7,726**	13,206
Convertible bonds	**29,051**	34,477
	36,777	47,683
Net assets	**208,842**	274,308
Capital and reserves		
Share capital	**100,079**	92,659
Reserves	**108,763**	181,649
Shareholders' funds	**208,842**	274,308

39. SUMMARIZED STATEMENT OF FINANCIAL INFORMATION OF THE COMPANY
(Continued)

(B) RESERVES OF THE COMPANY

	Share premium HK$'000	Warrant reserve HK$'000	Convertible bonds reserve HK$'000	Retained profits (Deficit) HK$'000	Total HK$'000
At 1 April 2012	142,148	9,680	91,767	(37,780)	205,815
Total comprehensive expenses for the year	–	–	–	(30,232)	(30,232)
Cancellation of convertible bonds	–	–	(30,696)	30,696	–
Release of deferred tax liabilities on cancellation of convertible bonds	–	–	–	6,066	6,066
	–	–	(30,696)	36,762	6,066
At 31 March 2013 and 1 April 2013	142,148	9,680	61,071	(31,250)	181,649
Total comprehensive expenses for the year	–	–	–	(80,592)	(80,592)
Issue of shares on exercise of convertible bonds	29,680	–	(27,454)	–	2,226
Release of deferred tax liabilities on exercise of convertible bonds	–	–	5,480	–	5,480
	29,680	–	(21,974)	–	7,706
At 31 March 2014	171,828	9,680	39,097	(111,842)	108,763

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The following is a list of subsidiaries as at 31 March 2014:

Name of company	Place of incorporation/ establishment/ operation and type of legal entity	Principal activities	Particular of issued shares capital/ Registered capital	Interest held %
Subsidiary held directly:				
Soluteck (BVI) Holdings Limited	British Virgin Islands ("BVI"), limited liability company	Investment holding	1,000 ordinary shares of US$1 each	100
Delight Value Limited	BVI, limited liability company	Investment holding	1 ordinary shares of US$1 each	100
City Max International Limited	BVI, limited liability company	Investment holding	1 ordinary shares of US$1 each	100
Unison Ever Limited	BVI, limited liability company	Investment holding	50,000 ordinary shares of US$1 each	100
Subsidiary held indirectly:				
Soluteck Investments Limited	Hong Kong, limited liability company	Investment holding	2 ordinary shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	100
Truth Honour Electronic Limited	Hong Kong, limited liability company	Investment holding	2 ordinary shares of HK$1 each and 3,000,000 non-voting deferred shares of HK$1 each	100
Truth Honour Electronic (GFTZ) Limited	People's Republic of China ("PRC"), limited liability company	Inactive	Registered capital of US$200,000	100

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of company	Place of incorporation/ establishment/ operation and type of legal entity	Principal activities	Particular of issued shares capital/ Registered capital	Interest held %
Truth Honour (BVI) Holdings Limited	BVI, limited liability company	Investment holding	100 ordinary shares of US$1 each	100
Delta International Development Limited	Hong Kong, limited liability company	Inactive	1 ordinary share of HK$1 each	100
北京金聯通信息技術有限公司	PRC, limited liability company	Inactive	Registered capital of US$150,000	100
信興電子技術(成都)有限公司	PRC, limited liability company	Inactive	Registered capital of US$150,000	100
一創信興(上海)計算機技術有限公司	PRC, limited liability company	Provision of technical support of computer communication systems, technical development of network communication, development and design of system software, sales of self-produced products and provision of related technical and consultation services	Registered capital of US$1,300,000	100
信興通(北京)信息技術有限公司	PRC, limited liability company	Inactive	Registered capital of US$150,000	100
China Technology Solar Power Holdings Limited	BVI, limited liability company	Investment holding	2 ordinary shares of US$1 each	100

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of company	Place of incorporation/ establishment/ operation and type of legal entity	Principal activities	Particular of issued shares capital/ Registered capital	Interest held %
中科光電控股有限公司	Hong Kong, limited liability company	Inactive	1 ordinary share of HK$1 each	100
一創信興(上海)電子技術有限公司	PRC, limited liability company	Sale of self-services ATM systems and printing systems and provision of related hardware and software technical support services	Registered capital of US$1,400,000	100
青海宏科新能源集成科技有限公司	PRC, limited liability company	Inactive	Registered capital of US$1,000,000	100
陝西百科新能源科技發展有限公司	PRC, limited liability company	Power system integration	Registered capital of US$1,000,000	100
China Technology Solar Power Energy Limited	BVI, limited liability company	Inactive	50,000 ordinary shares of US$1 each	100
China Technology Solar Power New Energy Group Limited	BVI, limited liability company	Inactive	50,000 ordinary shares of US$1 each	100

41. EVENTS AFTER THE REPORTING PERIOD

On 1 April 2014, a wholly owned subsidiary of the Company entered into a sale and purchase agreement to acquire the entire issued share capital of China Western Energy Holdings Limited, a company incorporated in the British Virgin Islands with limited liability at a consideration of not less than HK$16,000,000 and not more than HK$32,000,000. The final amount of the acquisition will be determined based on the audited net profit after tax of China Western Energy Holdings Limited and its subsidiary for the year ending 31 December 2014 multiplied by a price-earnings ratio of 5.33. The total consideration will in any event not exceed HK$32,000,000. The acquisition was completed on 10 April 2014 and 91,428,751 consideration shares for the initial payments has been allotted and issued at the issue price of HK$0.175.

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors of the company on 23 June 2014.