



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)

A large, abstract graphic dominates the center of the page. It features a central white circle containing the text '2018 | INTERIM REPORT'. The circle is surrounded by a complex network of blue lines connecting various colored dots (red, orange, green, blue, purple, pink) of different sizes. The background is a soft, gradient of light blue and pink, with a subtle pattern of light rays emanating from the center.

**2018 | INTERIM
REPORT**

* For identification purpose only

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*This report, for which the directors (“**Directors**”) of China Technology Solar Power Holdings Limited (“**Company**” together with its subsidiaries, the “**Group**”), collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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.*

INTERIM RESULTS HIGHLIGHTS

The loss attributable to owners of the Company for the six months ended 30 September 2018 was approximately HK\$13.5 million (loss attributable to owners of the Company for the six months ended 30 September 2017 (“**2017-1H**”): approximately HK\$1.4 million).

The revenue of the Group for the six months ended 30 September 2018 was approximately HK\$31.5 million, representing a decrease of approximately 1.9 per cent. as compared with approximately HK\$32.1 million recorded for 2017-1H.

Gross profit margin of the Group was approximately 22.9 per cent. for the six months ended 30 September 2018, as compared to approximately 36.4 per cent. for 2017-1H.

Basic loss per share for the six months ended 30 September 2018 was approximately HK0.9 cents (2017-1H: basic loss per share of approximately HK0.10 cents).

The Directors do not recommend the payment of a dividend for the six months ended 30 September 2018 (2017-1H: Nil).

INTERIM RESULTS (UNAUDITED)

The board of Directors announces the unaudited consolidated results of the Group for the six months ended 30 September 2018 as follows:

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

	Notes	From 1 July 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 April 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 July 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000
Revenue	3	30,400	31,519	14,519	32,122
Cost of sales		(23,564)	(24,300)	(11,281)	(20,427)
Gross profit		6,836	7,219	3,238	11,695
Other revenue	3	70	82	103	568
Selling expenses		(809)	(1,650)	(952)	(1,564)
Change in fair value of financial assets at fair value through profit or loss	15	(140)	(1,404)	(109)	134
Administrative expenses		(3,356)	(7,982)	(3,129)	(6,445)
Finance costs	6	(1,428)	(3,109)	(1,578)	(3,124)
Profit (Loss) before taxation	5	1,173	(6,844)	(2,427)	1,264
Income tax	7	(914)	(4,351)	(41)	(861)
Profit (Loss) for the period		259	(11,195)	(2,468)	403
Other comprehensive (expense) income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of financial statements of foreign operations		(4,117)	(8,969)	2,076	3,336
Total comprehensive (expense) income for the period		(3,858)	(20,164)	(392)	3,739
(Loss) Profit attributable to:					
– Owners of the Company		(1,953)	(13,473)	(3,620)	(1,425)
– Non-controlling interests		2,212	2,278	1,152	1,828
Profit (Loss) for the period		259	(11,195)	(2,468)	403
Total comprehensive (expense) income for the period attributable to:					
– Owners of the Company		(5,450)	(21,710)	(290)	1,469
– Non-controlling interests		1,592	1,546	(102)	2,270
		(3,858)	(20,164)	(392)	3,739
Dividend	24	–	–	–	–
Loss per share					
– Basic (HK cents)	8	(0.12 cents)	(0.9 cents)	(0.25 cents)	(0.10 cents)
– Diluted	8	(0.12 cents)	(0.9 cents)	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	64	177
Available-for-sale financial assets	10	–	–
Goodwill	11	40,676	40,676
		40,740	40,853
Current assets			
Inventories	12	–	–
Accounts and bills receivables	13	94,583	82,077
Other receivables, deposits and prepayments	14	14,683	16,069
Financial assets at fair value through profit or loss	15	1,140	2,544
Bank balances and cash	16	16,415	29,723
		126,821	130,413
Current liabilities			
Accounts payables	17	28,194	19,103
Other payables and accruals	18	13,640	20,507
Other loans	19	9,340	26,840
Taxation		1,133	1,545
Receipt in advance		46	47
		52,353	68,042
Net current assets		74,468	62,371
Total assets less current liabilities		115,208	103,224
Non-current liabilities			
Convertible bonds	20	40,602	39,808
Deferred tax liabilities		1,798	2,760
		42,400	42,568
Net assets		72,808	60,656
Capital and reserves			
Share capital	21	172,601	143,001
Reserves		(114,294)	(95,300)
Equity attributable to owners of the Company		58,307	47,701
Non-controlling interests		14,501	12,955
Total equity		72,808	60,656

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Reserve arising from reorganisation	Exchange reserve	Convertible bond reserve	Retained profits (Deficit)	Share-based payment reserve			
	HK\$'000	HK\$'000	(Note (a)) HK\$'000	(Note (b)) HK\$'000	HK\$'000	HK\$'000	(Note (c)) HK\$'000			
At 1 April 2017	143,001	215,968	(24,317)	(1,763)	27,997	(304,193)	-	56,693	7,767	64,460
(Loss) Profit for the period	-	-	-	-	-	(1,425)	-	(1,425)	1,828	403
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	2,894	-	-	-	2,894	442	3,336
Total comprehensive income (expense) for the period	-	-	-	2,894	-	(1,425)	-	1,469	2,270	3,739
At 30 September 2017	143,001	215,968	(24,317)	1,131	27,997	(305,618)	-	58,162	10,037	68,199
At 1 April 2018	143,001	215,968	(24,317)	6,824	27,997	(321,772)	-	47,701	12,955	60,656
(Loss) Profit for the period	-	-	-	-	-	(13,473)	-	(13,473)	2,278	(11,195)
Equity-settled share-based payments of the Company	-	-	-	-	-	-	2,382	2,382	-	2,382
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	(8,237)	-	-	-	(8,237)	(732)	(8,969)
Total comprehensive (expense) income for the period	-	-	-	(8,237)	-	(13,473)	2,382	(19,328)	1,546	(17,782)
Issue of shares on exercise of convertible bonds (Note (d))	1,000	4,000	-	-	(3,700)	-	-	1,300	-	1,300
Release of deferred tax liabilities on exercise of convertible bonds	-	-	-	-	825	-	-	825	-	825
Issue of shares	28,600	-	-	-	-	-	-	28,600	-	28,600
Transaction cost on issue of shares	-	(791)	-	-	-	-	-	(791)	-	(791)
	29,600	3,209	-	-	(2,875)	-	-	29,934	-	29,934
At 30 September 2018	172,601	219,177	(24,317)	(1,413)	25,122	(335,245)	2,382	58,307	14,501	72,808

Notes:

- (a) The reserve arising from reorganisation of approximately HK\$24,317,000 represents the difference between the nominal value of the share capital of subsidiaries acquired and the cost of investments in these subsidiaries incurred by the Company in exchange thereof, and has been debited to the reserve of the Group.
- (b) The exchange reserve comprises:
- The foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the functional currency of the Company.
 - The exchange differences on monetary items which form part of the Group's net investment in the foreign subsidiaries.
- (c) On 10 April 2018, the Company granted share options to subscribe for up to 109,220,000 ordinary shares of HK\$0.1 each in the share capital of the Company to nine eligible participants, all being employees of the Group, under the Share Option Scheme.
- (d) On 4 July 2018, HK\$5,000,000 convertible bonds were exercised and 10,000,000 ordinary shares were issued.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
OPERATING ACTIVITIES		
(Loss) Profit before taxation	(6,844)	1,264
Adjustment for:		
Gain on disposal of held-for-trading financial assets	–	(459)
Gain on disposal of subsidiaries	(23)	–
Gain on disposal of property, plant and equipment	(43)	–
Depreciation	85	405
Interest income	(15)	(17)
Finance costs	3,109	3,124
Change in fair value of financial assets at fair value through profit or loss	1,404	(134)
Operating cash flows before movements in working capital	(2,327)	4,183
Increase in inventories	–	(3,705)
Increase in accounts and bills receivables	(7,775)	(8,493)
Increase in other receivables, deposits and prepayments	(1,070)	(10,228)
Increase (Decrease) in accounts payable	9,091	(10,622)
(Decrease) Increase in other payables and accruals	(7,882)	2,389
(Decrease) Increase in receipt in advance	(1)	2
Cash used in operations	(9,964)	(26,474)
Overseas taxation paid	(4,763)	(10,940)
NET CASH USED IN OPERATING ACTIVITIES	(14,727)	(37,414)
INVESTING ACTIVITIES		
Sales proceeds on disposal of held-for-trading financial assets	–	22,695
Net cash outflow on disposal of subsidiaries (Note 25)	(7)	–
Sales proceeds of disposal of property, plant and equipment	71	–
Interest received	15	17
Purchase of property, plant and equipment	–	(22)
NET CASH FROM INVESTING ACTIVITIES	79	22,690
FINANCING ACTIVITIES		
Proceeds from issue of equity shares	28,600	–
Transaction cost on issue of equity shares	(791)	–
Raised of other loan	–	1,500
Repayment of other loan	(17,500)	–
NET CASH FROM FINANCING ACTIVITIES	10,309	1,500
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,339)	(13,224)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	29,723	13,180
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(8,969)	3,336
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16,415	3,292
Represented by:		
Bank balances and cash	16,415	3,292
	16,415	3,292

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION:–

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The amounts included in the unaudited condensed consolidated interim financial information for the six months ended 30 September 2018 have been computed based on the recognition and measurement requirements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and accounting principles generally accepted in Hong Kong. The financial information also complies with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The unaudited condensed consolidated interim financial information have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The accounting policies used in the preparation of the unaudited condensed consolidated interim financial information for the six months ended 30 September 2018 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 March 2018.

The condensed consolidated interim financial information for the six months ended 30 September 2018 were unaudited but have been reviewed by the audit committee of the Company.

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

The Group has applied all the standards, amendments and interpretations issued by HKICPA, which are effective for the Group’s financial year beginning on 1 April 2018. The adoption of these new and revised HKFRSs and HKAS did not result in significant changes to the Group’s accounting policies and presentation of the Group’s unaudited consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in (i) sales of solar power related products; (ii) new energy power system integration business; (iii) sales of self-service automatic teller machine (“**ATM**”) systems and printing systems; and (iv) provision of hardware and software technical support services in the People’s Republic of China (“**PRC**” or “**China**”).

Revenue recognised during the periods are as follows:–

	From 1 July 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 April 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 July 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000
Revenue				
Sales of solar power related products	30,400	31,519	14,476	25,801
New energy power system integration business	–	–	42	6,299
Sales of self-service ATM systems and printing systems	–	–	–	–
Provision of hardware and software technical support services	–	–	1	22
	30,400	31,519	14,519	32,122
Other revenue				
Bank interest income	3	15	11	17
Gain on disposal of held-for-trading financial assets	–	–	–	459
Gain on disposal of subsidiaries (Note 25)	23	23	–	–
Gain on disposal of property, plant and equipment	43	43	–	–
Others	1	1	92	92
	70	82	103	568
Total revenue	30,470	31,601	14,622	32,690

4. SEGMENT INFORMATION

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

The Group has internal reports about the sales of solar power related products, new energy power system integration business, sales of self-service ATM systems and printing systems and the provision of hardware and software technical support services in the PRC that are regularly reviewed by the executive Directors and accordingly, they are considered as four separate operating segments.

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

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

SEGMENT REVENUE AND RESULTS

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

Six months ended 30 September 2018

	Sales of solar power related products (unaudited) HK\$'000	New energy power system integration business (unaudited) HK\$'000	Sales of self-service ATM systems and printing systems (unaudited) HK\$'000	Provision of hardware and software technical support services (unaudited) HK\$'000	Total (unaudited) HK\$'000
Revenue from external customers	31,519	–	–	–	31,519
Segment results	6,710	(1,499)	(316)	(211)	4,684
Gain on disposal of subsidiaries					23
Gain on disposal of property, plant and equipment					43
Other revenue					16
Change in fair value of financial assets at fair value through profit or loss					(1,404)
Unallocated cost					(7,097)
Loss from operations					(3,735)
Finance costs					(3,109)
Loss before taxation					(6,844)
Income tax					(4,351)
Loss for the period					(11,195)

Six months ended 30 September 2017

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

SEGMENT ASSETS AND LIABILITIES

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

As at 30 September 2018

	Sales of solar power related products (unaudited) HK\$'000	New energy power system integration business (unaudited) HK\$'000	Sales of self-service ATM systems and printing systems (unaudited) HK\$'000	Provision of hardware and software technical support services (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment assets	93,100	64,574	7,813	421	165,908
Property, plant and equipment (for corporate)					–
Other receivables, deposits and prepayments (for corporate)					208
Financial assets at fair value through profit or loss (for corporate)					1,140
Bank balances and cash (for corporate)					305
Total assets					167,561
Segment liabilities	25,021	3,973	3,668	882	33,544
Other payables and accruals (for corporate)					10,575
Other loan (for corporate)					9,340
Convertible bonds (for corporate)					39,777
Deferred tax liabilities (for corporate)					1,517
Total liabilities					94,753

As at 31 March 2018

	Sales of solar power related products (audited) HK\$'000	New energy power system integration business (audited) HK\$'000	Sales of self-service ATM systems and printing systems (audited) HK\$'000	Provision of hardware and software technical support services (audited) HK\$'000	Total (audited) HK\$'000
Segment assets	81,531	74,480	8,878	705	165,594
Property, plant and equipment (for corporate)					39
Other receivables, deposits and prepayments (for corporate)					309
Financial assets at fair value through profit or loss (for corporate)					2,544
Bank balances and cash (for corporate)					2,780
Total assets					171,266
Segment liabilities	3,588	16,100	4,156	758	24,602
Other payables and accruals (for corporate)					17,947
Other loan (for corporate)					26,840
Convertible bonds (for corporate)					39,808
Deferred tax liabilities (for corporate)					1,413
Total liabilities					110,610

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

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

OTHER SEGMENTS INFORMATION

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

Six months ended 30 September 2018

	Sales of solar power related products (unaudited) HK\$'000	New energy power system integration business (unaudited) HK\$'000	Sales of self-service ATM systems and printing systems (unaudited) HK\$'000	Provision of hardware and software technical support services (unaudited) HK\$'000	Total (unaudited) HK\$'000
Additions to property, plant and equipment	-	-	-	-	-
Depreciation of property, plant and equipment	-	40	-	-	40

Six months ended 30 September 2017

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

GEOGRAPHICAL INFORMATION

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

Information about major customers

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

	From 1 April 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000
Customer A – Sales of solar power related products	28,076	17,808
Customer B – Sales of solar power related products	–	7,993
Customer C – New energy power system integration business	–	6,299

5. PROFIT (LOSS) BEFORE TAXATION

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

	From 1 July 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 April 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 July 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000
Cost of inventories sold	23,564	24,300	11,281	20,427
Depreciation	19	85	67	405
Change in fair value of financial assets at fair value through profit or loss	140	1,404	109	(134)

6. FINANCE COSTS

	From 1 July 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 April 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 July 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000
Imputed finance costs on convertible bonds	1,008	2,094	983	1,934
Interests on other loans	420	1,015	595	1,190
	1,428	3,109	1,578	3,124

7. INCOME TAX

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

The Company's subsidiaries established in the PRC are subject to Enterprise Income Tax rate of 25% (2017-1H: 25%). Pursuant to the relevant laws and regulations in the PRC, the Group's certain subsidiaries are entitled to tax preference from PRC Enterprise Income Tax.

There was no provision for Hong Kong Profits Tax as the Group had no assessable profit in Hong Kong for the six months ended 30 September 2018 (2017-1H: Nil).

	From 1 July 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 April 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 July 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000
Current income tax:				
– Hong Kong Profits Tax	–	–	–	–
– PRC Enterprise Income Tax	914	4,351	41	861
Income Tax	914	4,351	41	861

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	From 1 July 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 April 2018 to 30 September 2018 (unaudited) HK\$'000	From 1 July 2017 to 30 September 2017 (unaudited) HK\$'000	From 1 April 2017 to 30 September 2017 (unaudited) HK\$'000
Loss				
Loss for the year attributable to the owners of the Company	(1,953)	(13,473)	(3,620)	(1,425)
	From 1 July 2018 to 30 September 2018	From 1 April 2018 to 30 September 2018	From 1 July 2017 to 30 September 2017	From 1 April 2017 to 30 September 2017
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	1,579,578,067	1,505,204,107	1,430,012,850	1,430,012,850
Effect of dilution-weighted average number of ordinary shares:				
Share option scheme	(13,223,946)	(8,785,450)	-	-
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	1,566,354,121	1,496,418,657	1,430,012,850	1,430,012,850
	HK cents	HK cents	HK cents	HK cents
Basic loss per share	(0.12 cents)	(0.9 cents)	(0.25 cents)	(0.10 cents)
Diluted loss per share	(0.12 cents)	(0.9 cents)	N/A	N/A

Outstanding convertible bonds of the Company are anti-dilutive since their exercise or conversion would result in a decrease in basic loss per share for the six months ended 30 September 2018 and 30 September 2017.

9. PROPERTY, PLANT AND EQUIPMENT

The Group had not acquired any property, plant and equipment during the period under review (2017-1H: HK\$22,000).

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are comprised of:

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Unlisted investment, at cost (Note)	190	190
Less: Impairment loss	(190)	(190)
At the end of the period	–	–
Analysed for:		
Non-current assets	–	–
Current assets	–	–
	–	–

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

11. GOODWILL

	New energy power system integration business HK\$'000	Sales of solar power related products HK\$'000	Total HK\$'000
COST			
At 31 March 2018, 1 April 2018 and 30 September 2018	260,079	51,476	311,555
IMPAIRMENT			
At 31 March 2018 and 1 April 2018	260,079	10,800	270,879
Impairment loss recognised for the period	–	–	–
At 30 September 2018	260,079	10,800	270,879
CARRYING VALUES			
At 30 September 2018	–	40,676	40,676
At 31 March 2018	–	40,676	40,676

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

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

During the six months ended 30 September 2018, the Group did not recognise any impairment loss (2017-1H: Nil) in relation to goodwill arising from acquisition of subsidiaries.

12. INVENTORIES

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Merchandise for re-sale	6,693	6,635
Spare parts	1,890	1,873
	8,583	8,508
Less: Provision for slow moving and obsolete inventories	(8,508)	(8,856)
Exchange adjustment	(75)	348
	—	—

13. ACCOUNTS AND BILLS RECEIVABLES

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Accounts receivables	121,686	106,688
Bills receivables	15,864	23,087
Less: Allowance for doubtful debts	(42,967)	(47,698)
	94,583	82,077

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

At 30 September 2018, the ageing analysis of the Group's accounts and bills receivables based on transaction date is as follows:

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Current to 60 days	46,752	15,722
61 – 90 days	3,256	–
Over 90 days	87,542	114,053
	137,550	129,775
Less: Allowance for doubtful debts	(42,967)	(47,698)
	94,583	82,077

AGEING OF OVERDUE ACCOUNTS RECEIVABLES BUT NOT IMPAIRED

The Group has credit policies in place to review the credit worthiness of all existing and potential customers. Credit terms range between 30 and 90 days. As at 30 September 2018, accounts receivables of approximately HK\$44,575,000 (31 March 2018: approximately HK\$66,355,000) were overdue but not impaired. Management assessed the credit quality by reference to the repayment history and current financial position of the customers. Management believes that no provision for impairment is necessary and these balances are expected to be fully recovered. The Group does not hold any collateral over these balances. The ageing analysis of these overdue but not impaired accounts receivables is as follows:

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
91 to 120 days	5,143	9,372
121 – 150 days	–	8,177
Over 150 days	39,432	48,806
	44,575	66,355

Movement in the allowance for doubtful debts:

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Balance at the beginning of the period/year	47,698	44,542
Allowance for doubtful debts	–	493
Reversal of allowance for doubtful debts	–	(1,215)
Exchange adjustment	(4,731)	3,878
Balance at the end of the period/year	42,967	47,698

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments included the deposit of approximately HK\$12,905,000 (31 March 2018: HK\$14,006,000) for purchase of trading goods.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Listed securities held for trading:		
Market value of equity securities listed in New York		
Cost	24,250	24,250
Change in fair value	(23,110)	(21,706)
	1,140	2,544

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

16. BANK BALANCES AND CASH

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Cash at bank and on hand	16,415	29,723
Bank balances and cash in the consolidated statement of financial position and in the consolidated statement of cash flows	16,415	29,723
Cash and bank deposits denominated in:		
Hong Kong dollars	437	2,779
Chinese Renminbi	15,959	26,693
United States dollars	19	251
	16,415	29,723

Included in the balances were bank deposits of approximately HK\$15,959,000 (31 March 2018: HK\$26,594,000) denominated in Renminbi placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

17. ACCOUNTS PAYABLES

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Accounts payables	28,194	19,103

As at 30 September 2018, the ageing analysis of the accounts payables based on transaction date is as follows:-

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Current to 60 days	22,114	2,585
61 – 90 days	–	7,678
Over 90 days	6,080	8,840
	28,194	19,103

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

18. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals, there are amounts due to executive directors, Mr. Hou Hsiao Bing, Ms. Yuen Hing Lan, Mr. Chiu Tung Ping and Ms. Hu Xin, the amounts are approximately HK\$1,009,000 (31 March 2018: approximately HK\$259,000), approximately HK\$770,000 (31 March 2018: approximately HK\$710,000), approximately HK\$1,599,000 (31 March 2018: approximately HK\$1,419,000) and approximately HK\$550,000 (31 March 2018: approximately HK\$550,000) respectively.

There is amount due to Dynatek Limited amounting to HK\$362,000 (31 March 2018: HK\$182,000). 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.

19. OTHER LOAN

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Other loan (note (a))	2,340	19,840
Other loan (note (b))	7,000	7,000
	9,340	26,840

- (a) Other loan amounting to HK\$2,340,000 (31 March 2018: HK\$19,840,000) is interest bearing at 12% per annum, unsecured and repayable on demand.
- (b) Other loan amounting to HK\$7,000,000 (31 March 2018: HK\$7,000,000) is due to an executive director, Chiu Tung Ping, the loan is non-interest bearing, unsecured and has no fixed repayment term.

Borrowings are repayable as follows:

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
On demand or within one year	9,340	26,840
Less: Amount shown under non-current liabilities	–	–
Amount shown under current liabilities	9,340	26,840

20. CONVERTIBLE BONDS

2011 CONVERTIBLE BONDS (“2011 CB”)

On 1 June 2011 (“**Issue Date**”), the Company issued the ten-year zero coupon convertible bonds at par with a nominal value of HK\$163,100,000 to the vendor, in acquiring of the entire issued share capital of China Technology Solar Power Holdings Limited, a company incorporated in the British Virgin Islands with limited liability (“**CTSP (BVI)**”), and its subsidiaries (“**Target Group**”). The convertible bonds are denominated in Hong Kong dollars. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date on 1 June 2021 (“**Maturity Date**”) at a conversion price of HK\$0.5 per share. If the bonds have not been converted, they will be redeemed on Maturity Date at par.

The 2011 CB was divided into Tranche I Convertible bonds (“**Tranche I CB**”) and Tranche II Convertible bonds (“**Tranche II CB**”) of HK\$113,100,000 and HK\$50,000,000 respectively. For Tranche I CB, the CB holders are not subject to any restriction for exercising the conversion of Tranche I CB into share. For Tranche II CB, the principal amount should be subject to change in relation to a profit guarantee made by the vendor to the Company. Referring to a supplementary agreement made between the vendor and the Company on 30 January 2012, the amount of profit guarantee was increased to HK\$40,000,000 and the guarantee period was extended to 30 September 2012. In the event that the profit guarantee could not be achieved, the principal amount of the Tranche II CB will be adjusted to HK\$0 if the profit guarantee is equivalent to or less than HK\$15,000,000 or a loss.

Based on the audited consolidated financial statements of the Target Group for the 12 months ended 30 September 2012, the Target Group recorded a loss of HK\$77,094. On such basis, the amended target profit of HK\$40,000,000 under the sale and purchase agreement (as supplemented by the supplemental agreement) was not achieved and the principal amount of the Tranche II CB of HK\$50,000,000 was adjusted to HK\$0.

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

On 22 March 2016, 30,000,000 Shares were issued by the Company as a result of the exercise of the conversion rights attached to Tranche I Convertible Bonds in the principal amount of HK\$15,000,000.

On 4 July 2018, 10,000,000 Shares were issued by the Company as a result of the exercise of the conversion rights attached to Tranche I Convertible Bonds in the principal amount of HK\$5,000,000.

On 4 July 2018, the aggregate outstanding principal amount of the 2011 CB was HK\$44,000,000.

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

For the six months ended 30 September 2018

	Tranche I HK\$'000
Equity component of convertible bonds as at 31 March 2018 and 1 April 2018	27,997
Release on conversion to ordinary shares	(3,700)
Release of deferred tax liabilities on conversion of convertible bonds	825
Equity component of convertible bonds as at 30 September 2018	25,122
Liability component as at 31 March 2018 and 1 April 2018	39,808
Imputed finance costs (Note 6)	2,094
Release on conversion of convertible bonds	(1,300)
Liability component at 30 September 2018	40,602

For the six months ended 30 September 2017

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

21. SHARE CAPITAL

	Authorised Ordinary shares of HK\$0.1 each	
	Number of shares	HK\$'000
At 31 March 2018, 1 April 2018 and 30 September 2018	2,500,000,000	250,000
	Issued and fully paid Ordinary shares of HK\$0.1 each	
	Number of shares	HK\$'000
At 31 March 2018 and 1 April 2018	1,430,012,850	143,001
Shares issued pursuant to exercise of convertible bonds	10,000,000	1,000
Shares issued pursuant to placing agreement	286,000,000	28,600
At 30 September 2018	1,726,012,850	172,601

The Shares issued during the period under review rank pari passu in all respects with other shares in issue.

22. COMMITMENTS UNDER OPERATING LEASES – LAND AND BUILDINGS

As at 30 September 2018, the Group had future aggregate minimum lease payments under operating leases as follows:

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Not later than one year	455	441
Later than one year and not later than five years	402	665
	857	1,106

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

23. CAPITAL COMMITMENTS

	As at 30 September 2018 (unaudited) HK\$'000	As at 31 March 2018 (audited) HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: – capital injection to subsidiaries	1,102	1,835

24. DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017-1H: Nil).

25. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

DISPOSAL OF INTEREST IN SUBSIDIARIES

For the six months 30 September 2018, the Company disposed investments in subsidiaries, Xi'an Xing Can Solar Photovoltaic Technology Company Limited* 西安星燦光電科技有限公司 (“**Xi'an Xing Can**”) and Gansu Zhongke New Energy Technology Limited* 甘肅眾科新能源科技有限公司 (“**Gansu Zhongke**”). Details of the disposal were summarized as follows:

	Xi'an Xing Can HK\$'000	Gansu Zhongke HK\$'000	Total HK\$'000
NET ASSETS (LIABILITIES) DISPOSED			
Other receivable	–	15	15
Bank balances and cash	9	214	223
Other payable	(14)	(31)	(45)
Net (liabilities) assets	(5)	198	193
Gain on disposal	5	18	23
Total consideration	–	216	216
Net cash inflow (outflow) arising on disposal:			
Total consideration	–	216	216
Bank balances and cash	(9)	(214)	(223)
	(9)	2	(7)

* For identification purpose only

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was principally engaged in (i) sales of solar power related products; (ii) new energy power system integration business; (iii) sales of self-service automatic teller machine ("ATM") systems and printing systems; and (iv) provision of hardware and software technical support services in the People's Republic of China ("PRC" or "China") during the six months ended 30 September 2018.

The Group recorded a loss attributable to owners of the Company of approximately HK\$13.5 million for the six months ended 30 September 2018 (six months ended 30 September 2017 ("2017 1H"): loss attributable to owners of the Company of approximately HK\$1.4 million).

The Group's revenue amounted to approximately HK\$31.5 million for the six months ended 30 September 2018, representing a decrease of approximately 1.9 per cent. as compared with approximately HK\$32.1 million recorded in 2017 1H. Although the Group has recorded an increase of approximately 22.2% in revenue generated from the sales of solar power related products business for the period under review as compared to that of 2017 1H, the gross profit of the Group for the six months ended 30 September 2018 has decreased as certain construction project of the new energy power system integration business was put on hold pending further fundraising from the owner of the project and there was no revenue recorded from this segment for the six months ended 30 September 2018. The Group's gross profit margin was approximately 22.9 per cent. for the six months ended 30 September 2018, as compared to approximately 36.4 per cent. for 2017 1H.

In addition, the increase in the loss attributable to owners of the Company recorded for the six months ended 30 September 2018 was attributable to (i) the loss in fair value of financial assets at fair value through profit or loss of approximately HK\$1.4 million being recorded for the six months ended 30 September 2018 (2017 1H: gain of HK\$0.13 million); and (ii) the provision of the PRC Enterprise Income Tax of approximately HK\$4.4 million being made for the six months ended 30 September 2018 (2017 1H: HK\$0.9 million) as the Group has ceased to be entitled to certain tax preferential treatment from the PRC Enterprise Income Tax in respect of certain income of the Group's subsidiary in the PRC.

Selling expenses incurred by the Group for the six months ended 30 September 2018 amounted to approximately HK\$1.7 million (2017-1H: approximately HK\$1.6 million), representing an increase of approximately 5.5 per cent. because the Group had allocated more resources to explore new business opportunities during the period under review, as compared to the same period of last year.

Administrative expenses incurred by the Group for the six months ended 30 September 2018 amounted to approximately HK\$8.0 million (2017-1H: approximately HK\$6.4 million), representing an increase of approximately 23.8 per cent. as a result of the equity-settled share-based payments of approximately HK\$2.4 million attributable to the grant of share options on 10 April 2018.

Basic loss per share was approximately HK0.9 cents for the six months ended 30 September 2018, as compared with the basic loss per share of approximately HK0.1 cents for 2017-1H.

SALES OF SOLAR POWER RELATED PRODUCTS

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

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

During the six months ended 30 September 2018, the Group was able to secure new contracts with its clients and the Group’s sales of solar power related products have increased as compared to that of 2017-1H. The revenue generated from the sales of solar power related products was approximately HK\$31.5 million for the six months ended 30 September 2018 (2017-1H: approximately HK\$25.8 million), accounted for approximately 100.0 per cent. (2017-1H: approximately 80.3 per cent.) of the Group’s total revenue.


NEW ENERGY POWER SYSTEM INTEGRATION BUSINESS

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

There is no revenue generated from the new energy power system integration business during the six months ended 30 September 2018 (2017-1H: HK\$6.3 million) as the Company was in the process of negotiating contracts relating to the provision of new energy power system integration services and technical consultation services and the construction projects previously confirmed were put on hold pending further fundraising by the owner of the projects during the period under review.

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

* For identification purpose only



Power system integration refers to the optimisation of technologies in the civil engineering system, electrical system and other ancillary system, database technologies, surveillance and software management. The Group shall source equipment and products from different vendors based on the scale and capacity of the respective new energy power stations and subsequently carry out integration of the separated equipment, functions and information into a connected, unified and coordinated system. Power system integration enables the utilisation of resources at their best to enhance optimisation of performance of the entire system and achieve centralised, high efficiency, balanced performance, substitutable and available for maintenance, as well as low cost management. The Group also offers subsequent system management services to the new energy power stations.

SALES OF SELF-SERVICE ATM SYSTEMS AND PRINTING SYSTEMS

There was no revenue generated from the sales of self-service ATM systems and printing systems during the six months ended 30 September 2018 (2017-1H: Nil) mainly as a result of the business restructuring during the period under review.

PROVISION OF HARDWARE AND SOFTWARE TECHNICAL SUPPORT SERVICES

There was no revenue generated from the provision of hardware and software technical support services during the six months ended 30 September 2018 (2017-1H: approximately HK\$22,000) mainly as a result of the business restructuring during the period under review.

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARY

There was no significant investment or material acquisition or disposal of subsidiary by the Group during the period under review.

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

As at 30 September 2018, the Group had cash and bank balances denominated in Hong Kong dollars, Renminbi and United States dollars amounting to a total of approximately HK\$16.4 million (31 March 2018: approximately HK\$29.7 million). The Group had no outstanding bank overdraft as at 30 September 2018 (31 March 2018: Nil).

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

During the period under review, the Group did not use any financial instrument for hedging purpose and did not have any outstanding hedging instrument as at 30 September 2018.

BANKING FACILITIES

As at 30 September 2018, the Group did not have any banking facilities.

LISTED SECURITIES HELD FOR TRADING

As at 30 September 2018, the fair value of equity securities listed in New York held by the Company was approximately HK\$1.1 million (31 March 2018: approximately HK\$2.5 million).

CURRENT RATIO

As at 30 September 2018, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 2.4 (31 March 2018: 1.9). The current ratio remained stable during the six months ended 30 September 2018.

GEARING RATIO

As at 30 September 2018, the gearing ratio of the Group, based on total liabilities over total assets was approximately 56.5 per cent. (31 March 2018: approximately 64.6 per cent.).

	As at 30 September 2018 HK\$'000	As at 31 March 2018 HK\$'000
Total assets	167,561	171,266
Total liabilities	94,753	110,610
Gearing ratio	56.5 per cent.	64.6 per cent.

There was an improvement in the gearing ratio during the six months ended 30 September 2018.

CHARGES ON ASSETS

As at 30 September 2018, the Group pledged no asset to secure borrowings granted to the Group (31 March 2018: Nil).

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any significant contingent liabilities.

EXPOSURE TO FOREIGN EXCHANGE RISK

Most of the transactions, income and expenditure of the Group are denominated in Renminbi. The Group may be exposed to foreign currency risks such as the PRC's government control on foreign currency conversion. During the six months ended 30 September 2018, the Group did not have a foreign currency hedging policy. However, the management will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES

As at 30 September 2018, the Group employed 28 and 5 staff in the PRC and Hong Kong respectively. The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Staff cost, including directors' emoluments, was approximately HK\$7.4 million for the six months ended 30 September 2018 (2017-1H: approximately HK\$4.2 million). The increase in staff cost by approximately HK\$3.2 million is mainly due to the equity-settled share-based payments of approximately HK\$2.4 million attributable to the grant of share options on 10 April 2018 and the staff salary annual increment.

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme (“**Share Option Scheme**”) which became effective on 26 August 2014.

Details of the share options granted by the Company under the Share Option Scheme to eligible persons and movement in such holding during the six months ended 30 September 2018 are as follows:

	Date of Grant	Exercise period	Exercise price per share HK\$	As at 1 April 2018	Number of share options			As at 30 September 2018
					Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	
Employees	10 April 2018	10 April 2018 to 9 April 2020 (both dates inclusive)	0.10	-	109,220,000	-	-	109,220,000

STRATEGIC COOPERATION AGREEMENT

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

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

* For identification purpose only

FUND RAISING EXERCISE DURING THE YEAR

During the six months ended 30 September 2018, the Company has successfully conducted one equity fund raising activity as follows:–

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 2 August 2018, the Company and a placing agent entered into a placing agreement pursuant to which the Company conditionally agreed to place through the placing agent, on a best effort basis, up to 286,000,000 new ordinary shares of the Company (each a “**Placing Share**”) at a price of HK\$0.1 per Placing Share with the aggregate nominal value of HK\$28,600,000 under a general mandate granted to the Directors at the annual general meeting of the Company held on 25 September 2017, to not less than six placees, who were independent individuals, corporates, professional or institutional investors or other investors and who and whose ultimate beneficial owners were independent third parties. The closing price per Share on 2 August 2018 as quoted on the Stock Exchange was HK\$0.095. The placing was completed on 17 August 2018 and the net proceeds (after deduction of the placing commission and other expenses incidental to the placing) were approximately HK\$27.80 million, representing net issue price of approximately HK\$0.0972 per Placing Share.

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

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

EVENTS OCCURRED AFTER THE PERIOD UNDER REVIEW

There is no important event affecting the Company and its subsidiaries which has occurred since the end of the period under review.

BUSINESS PROSPECTS

In recent years, China’s photovoltaic power generation construction has continued to expand. In order to promote the healthy and sustainable development of the photovoltaic industry, in May 2018, the National Development and Reform Commission of the PRC, Ministry of Finance of the PRC and National Energy Administration of the PRC Government issued new notice to regulate the development of photovoltaic power generation. According to such notice, among other measures, the PRC Government has announced measures to control the location, progress and scale of new photovoltaic power generation construction and to reduce the grid price of new photovoltaic power station.

The Company expects that as a result of these new measures, most photovoltaic companies are therefore on the sidelines, which has caused a temporary drop in the Group’s revenue from the sale of solar power related products and the new energy power system integration business.

Notwithstanding this, the Group will continue to negotiate and secure new contracts for the new energy power system integration business and seize other market opportunities in the solar energy industry.

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period under review (2017-1H: Nil).

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

As at 30 September 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules are as follows:

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

Name of Directors/ Chief executive	Capacity	Number and class of securities (Note 1)	Approximate percentage of the Company's issued share capital as at 30 September 2018 (Note 2)
Mr. Chiu Tung Ping (Executive Director)	Interest in a controlled corporation (Note 3)	217,766,038 ordinary shares (L)	12.62%
Ms. Yuen Hing Lan (Executive Director)	Interest of spouse (Note 3)	217,766,038 ordinary shares (L)	12.62%
Mr. Hou Hsiao Bing (Executive Director)	Beneficial owner	131,140,000 ordinary shares (L)	7.60%

Notes:

1. The letter "L" represents long positions in the shares or underlying shares of the Company.
2. As at 30 September 2018, the issued share capital of the Company was 1,726,012,850 ordinary shares of HK\$0.1 each.
3. Mr. Chiu Tung Ping and Ms. Yuen Hing Lan held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited. Ms. Yuen Hing Lan is the spouse of Mr. Chiu Tung Ping, and hence both Mr. Chiu Tung Ping and Ms. Yuen Hing Lan were deemed to be interested in all the shares of the Company held by Good Million Investments Limited.

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

Name of Director	Name of associated corporation	Number and class of securities	Capacity	Approximate percentage of the issued share capital of the associated corporation
Mr. Hou Hsiao Bing (Executive Director)	Truth Honour Electronic Limited	3,000,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares
Mr. Hou Hsiao Bing (Executive Director)	Soluteck Investments Limited	500,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares

Truth Honour Electronic Limited and Soluteck Investments Limited are subsidiaries of the Company and are thus associated corporations of the Company.

(C) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE DEBENTURES OF THE COMPANY

Name of Director	Capacity in which the debentures are held	Amount of debentures
Mr. Chiu Tung Ping (Executive Director)	Interest in a controlled corporation (Note 1)	HK\$5,000,000 (Note 2)
Ms. Yuen Hing Lan (Executive Director)	Interest of spouse (Note 1)	HK\$5,000,000 (Note 2)

Notes:

- Mr. Chiu Tung Ping and Ms. Yuen Hing Lan held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited. Ms. Yuen Hing Lan is the spouse of Mr. Chiu Tung Ping, and hence both Mr. Chiu Tung Ping and Ms. Yuen Hing Lan were deemed to be interested in the debentures of the Company held by Good Million Investments Limited.
- Convertible bonds with a principal amount of HK\$5,000,000 held by Good Million Investments Limited were converted into 10,000,000 shares of the Company as a result of the exercise of conversion rights attached to such convertible bonds by Good Million Investments Limited on 4 July 2018.

Save as disclosed above, as at 30 September 2018, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2018, the following persons or entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Number of ordinary shares (Note 1)	Capacity	Approximate percentage of the Company's issued share capital as at 30 September 2018 (Note 2)
Good Million Investments Limited	217,766,038 (L) (Note 3)	Beneficial owner (Note 3)	12.62%
Mr. Qin Zhongde	88,000,000 (L) (Note 4)	Beneficial owner (Note 5)	5.10%
Creation Moral Limited	216,363,636 (L)	Beneficial owner (Note 6)	12.54%
Ms. Sun Aihui	216,363,636 (L)	Interest in a controlled corporation (Note 6)	12.54%

Notes:

- The letter "L" represents long position in the shares or underlying shares of the Company.
- As at 30 September 2018, the issued share capital of the Company was 1,726,012,850 ordinary shares of HK\$0.1 each.
- Mr. Chiu Tung Ping and Ms. Yuen Hing Lan, both being executive Directors, held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited.
- According to the register of bondholders maintained by the Company, Mr. Qin Zhongde is the holder of the convertible bonds issued by the Company in the principal amount of HK\$32,000,000, convertible into 64,000,000 shares of the Company.
- Ms. Huang Xiulan is the spouse of Mr. Qin Zhongde. Accordingly, Ms. Huang Xiulan is deemed, by virtue of SFO, to be interested in all the shares in which Mr. Qin Zhongde is interested.
- Ms. Sun Aihui held 100% interest in the entire issued share capital of Creation Moral Limited. Hence, Ms. Sun Aihui was deemed to be interested in the shares of the Company held by Creation Moral Limited.

Save as disclosed above, as at 30 September 2018, no person or entity, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

AUDIT COMMITTEE

The audit committee of the Board ("**Audit Committee**") was formed on 13 December 2000. The written terms of reference (revised in March 2016) which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee meets at least four times a year to review with senior management and at least twice a year with the Company's auditors for the Company's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to the GEM Listing Rules, internal and audit control and budget and cash flow forecast.

As at 30 September 2018, the Audit Committee comprised three independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu, with Ms. Ma Xingqin acting as the chairman. The unaudited consolidated results of the Group for the six months ended 30 September 2018 have been reviewed and approved by the Audit Committee.

REMUNERATION COMMITTEE

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

The Remuneration Committee was established with specific written terms of reference which deals with its authorities and duties. Such terms of reference followed the requirement of code provision B.1.2 set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 15 to the GEM Listing Rules.

As at 30 September 2018, the Remuneration Committee comprised three independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu with Ms. Ma Xingqin acting as the chairman.

CORPORATE GOVERNANCE COMMITTEE

A corporate governance committee of the Board ("**Corporate Governance Committee**") has been established with effect from 28 March 2012 with written terms of reference following code provision D.3.1 of the CG Code.

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

NOMINATION COMMITTEE

A nomination committee of the Board ("**Nomination Committee**") has been established with effect from 28 March 2012, with written terms of reference following the requirements of code provision A.5.2 of the CG Code.

As at 30 September 2018, the Nomination Committee comprised three independent non-executive Directors, namely, Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu, with Ms. Ma Xingqin acting as the chairman of the Nomination Committee.

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 September 2018, none of the Directors or his/her close associates had an interest in a business which competes or may compete with the business of the Group.

The Company did not have controlling shareholder as at 30 September 2018 and as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the shares of the Company during the six months ended 30 September 2018.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the period under review.

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2018, the Company has complied with all the code provisions set out in the CG Code, except for the deviations from code provisions A.2.1 and E.1.2 as explained below.

CODE PROVISION A.2.1

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

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

CODE PROVISION E.1.2

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

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

Hong Kong, 9 November 2018

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

Executive Directors:

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

Independent non-executive Directors:

Ma Xingqin
Meng Xianglin
Dong Guangwu