



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, colorful network diagram is centered on the page. It features a central white circle containing the text '2018 | Third Quarterly Report'. The diagram consists of numerous small, colored dots (in shades of blue, green, red, yellow, and purple) connected by thin, light blue lines, forming a complex, interconnected network. The background is a soft, multi-colored gradient of blue, purple, and orange, with a subtle pattern of light rays emanating from the center.

2018 | **Third
Quarterly
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.

QUARTERLY RESULTS HIGHLIGHTS

The loss attributable to owners of the Company for the nine months ended 31 December 2018 was approximately HK\$1.0 million (the loss attributable to owners of the Company for the nine months ended 31 December 2017 (“**2017-Q3**”) was approximately HK\$4.0 million.

The revenue of the Group for the nine months ended 31 December 2018 was approximately HK\$106.8 million, representing an increase of approximately 93.7 per cent. as compared with approximately HK\$55.2 million recorded for 2017-Q3.

Gross profit margin of the Group was approximately 27.5 per cent. in the nine months ended 31 December 2018, as compared to approximately 33.1 per cent. for 2017-Q3.

Basic loss per share for the nine months ended 31 December 2018 was approximately HK0.06 cents (basic loss per share for 2017-Q3 was approximately HK0.28 cents).

The Directors do not recommend the payment of a quarterly dividend for the nine months ended 31 December 2018 (2017-Q3: Nil).

The board of Directors announces the unaudited consolidated results of the Group for the nine months ended 31 December 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was principally engaged in (i) sales of solar power related products; (ii) new energy power system integration business; (iii) sales of self-service automatic teller machine (“**ATM**”) systems and printing systems, and (iv) provision of hardware and software technical support services in the People's Republic of China (“**PRC**” or “**China**”) during the nine months ended 31 December 2018.

The Group recorded a loss attributable to owners of the Company of approximately HK\$1.0 million for the nine months ended 31 December 2018 (2017-Q3: loss attributable to owners of the Company of approximately HK\$4.0 million). The decrease in loss was mainly attributable to the increase in revenue of the Group.

The Group's revenue amounted to approximately HK\$106.8 million for the nine months ended 31 December 2018, representing an increase of approximately 93.7 per cent., as compared with approximately HK\$55.2 million recorded for 2017-Q3. Such increase was attributable to the increase in revenue generated from the sales of solar power related products and new energy power system integration business by approximately HK\$27.1 million and HK\$24.6 million respectively during the nine months ended 31 December 2018, as compared with 2017-Q3.

The Group's gross profit margin was approximately 27.5 per cent. for the nine months ended 31 December 2018, as compared to approximately 33.1 per cent. for 2017-Q3. The decrease in gross profit margin was because (1) approximately 71.0 per cent. of the total revenue amounting to approximately HK\$75.9 million was derived from the sales of solar power related products business for which the gross profit margin decreased from approximately 24.5 per cent. from 2017-Q3 to approximately 19.7 per cent. during the nine months ended 31 December 2018; and (2) approximately 29.0 per cent. of the total revenue amounting to approximately HK\$30.9 million was derived from the new energy power system integration business for which the gross profit margin decreased from approximately 99.0 per cent. to approximately 46.8 per cent. during the nine months ended 31 December 2018.

Selling expenses incurred by the Group for the nine months ended 31 December 2018 amounted to approximately HK\$2.4 million (2017-Q3: approximately HK\$2.6 million), representing a decrease of approximately 9.1 per cent. because of the Group's policy on cost control.

Administrative expenses incurred by the Group for the nine months ended 31 December 2018 amounted to approximately HK\$11.6 million (2017-Q3: approximately HK\$10.2 million), representing an increase of approximately 13.6 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 HK0.06 cents for the nine months ended 31 December 2018, as compared with the basic loss per share of approximately HK0.28 cents for 2017-Q3.

SALES OF SOLAR POWER RELATED PRODUCTS

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

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

During the nine months ended 31 December 2018, the Group was able to secure new contracts with its clients and the Group's sales of solar power related products have increased remarkably as compared to that of 2017-Q3. The revenue generated from the sales of solar power related products was approximately HK\$75.9 million for the nine months ended 31 December 2018 (2017-Q3: approximately HK\$48.8 million), accounted for approximately 71.0 per cent. (2017-Q3: approximately 88.4 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.

In October 2018, Shaanxi Baike New Energy Technology Development Co., Ltd.* (陝西百科新能源科技發展有限公司) (“**Shaanxi Baike**”), an indirect wholly-owned subsidiary of the Company, and an engineering company in Sichuan province of the PRC (“**Sichuan Company**”) jointly entered into a subcontractor contract (“**Subcontractor Contract**”) with PowerChina Hebei Engineering Corporation Limited for the provision of contractor services for the construction of a photovoltaic power station in Erquanjing Xiang, Zhangbei county of the PRC at a contract price of RMB380 million (“**Zhangbei Project**”). The Zhangbei Project has a designed capacity of 500MWp. The Subcontractor Contract is for the construction of 100MWp of the first phase of the Zhangbei Project of 240MWp. Shaanxi Baike and Sichuan Company also entered into an engineering consultancy contract (“**Engineering Consultancy Contract**”) pursuant to which Shaanxi Baike agreed to provide engineering consulting services in relation to the first phase of the Zhangbei Project at a contract price of RMB30 million. As at the date of this report, the construction of the Zhangbei Project has already commenced, and of which approximately 10.0 per cent. and 0.6 per cent. of the Subcontractor Contract and Engineering Consultancy Contract respectively have been completed during the nine months ended 31 December 2018.

The revenue generated from the new energy power system integration business was approximately HK\$30.9 million during the nine months ended 31 December 2018 (2017-3Q: HK\$6.4 million). Such increase was attributable to the (i) revenue of approximately HK\$30.7 million arising from the Subcontractor Contract and (ii) revenue of approximately HK\$0.2 million arising from the Engineering Consultancy Contract during the period under review.

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 nine months ended 31 December 2018 (2017-Q3: 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 nine months ended 31 December 2018 (2017-Q3: 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.

LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

As at 31 December 2018, the Group had cash and bank balances amounting to a total of approximately HK\$4.7 million (31 March 2018: approximately HK\$29.7 million). The Group had no outstanding bank overdraft as at 31 December 2018 (31 March 2018: Nil).

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

QUARTERLY DIVIDEND

The Directors do not recommend the payment of a quarterly dividend for the period under review (2017-Q3: Nil).

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 nine months ended 31 December 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 31 December 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	(31,220,000)	-	78,000,000

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.

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FUND RAISING EXERCISE DURING THE YEAR

During the nine months ended 31 December 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

Considering the PRC government’s encouragement on distributed photovoltaic power generation, the Group will continue to look for other solar energy generation projects and new energy power system integration services. The Group has been negotiating and securing new contracts for the new energy power system integration business during the period under review.

The Group has been identifying and exploring other business opportunities so as to diversify the Group’s business into the downstream of solar energy business with growth potential and to broaden its sources of income to bring return to the Group and its shareholders.

The business of sales of solar power related products will continue to enhance the competitive strength of the Group as well as to seize market opportunities in the solar energy industry.

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.

QUARTERLY RESULTS (UNAUDITED)

The board of Directors announces the unaudited consolidated results of the Group for the three months and nine months ended 31 December 2018 together with the comparative unaudited consolidated results of the Group for the corresponding periods in 2017 as follows:

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

	Notes	From 1 October 2018 to 31 December 2018 HK\$'000	From 1 April 2018 to 31 December 2018 HK\$'000	From 1 October 2017 to 31 December 2017 HK\$'000	From 1 April 2017 to 31 December 2017 HK\$'000
Revenue	2	75,323	106,842	23,038	55,160
Cost of sales		(53,127)	(77,427)	(16,495)	(36,922)
Gross profit		22,196	29,415	6,543	18,238
Other revenue	2	40	122	17	585
Selling expenses		(719)	(2,369)	(1,042)	(2,606)
Change in fair value of financial assets at fair value through profit or loss	3	(118)	(1,522)	1,132	1,266
Administrative expenses		(3,649)	(11,631)	(3,790)	(10,235)
Finance costs	4	(1,112)	(4,221)	(1,612)	(4,736)
Profit before taxation	3	16,638	9,794	1,248	2,512
Income tax	5	(4,247)	(8,598)	(1,742)	(2,603)
Profit (Loss) for the period		12,391	1,196	(494)	(91)
Other comprehensive income (expense)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of financial statements of foreign operations		221	(8,748)	1,695	5,031
Total comprehensive income (expense) for the period		12,612	(7,552)	1,201	4,940
Profit (Loss) attributable to:					
Owners of the Company		12,469	(1,004)	(2,562)	(3,987)
Non-controlling interests		(78)	2,200	2,068	3,896
Profit (Loss) for the period		12,391	1,196	(494)	(91)
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		12,596	(9,114)	(1,072)	397
Non-controlling interests		16	1,562	2,273	4,543
Total comprehensive income (expense) for the period		12,612	(7,552)	1,201	4,940
Dividend		–	–	–	–
		HK cents	HK cents	HK cents	HK cents
Earnings (Loss) per share attributable to owners of the Company during the period					
– Basic	6	0.72 cents	(0.06 cents)	(0.18 cents)	(0.28 cents)
– Diluted	6	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to owners of the Company							Total	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	-	-	-	-	-	(3,987)	-	(3,987)	3,896	(91)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	4,384	-	-	-	4,384	647	5,031
Total comprehensive income (expense) for the period	-	-	-	4,384	-	(3,987)	-	397	4,543	4,940
At 31 December 2017	143,001	215,968	(24,317)	2,621	27,997	(308,180)	-	57,090	12,310	69,400
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	-	-	-	-	-	(1,004)	-	(1,004)	2,200	1,196
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	-	-	-	(8,110)	-	-	-	(8,110)	(638)	(8,748)
Total comprehensive (expense) income for the period	-	-	-	(8,110)	-	(1,004)	2,382	(6,732)	1,562	(5,170)
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)
Shares issued on exercise of options	3,122	-	-	-	-	681	(681)	3,122	-	3,122
	32,722	3,209	-	-	(2,875)	681	(681)	33,056	-	33,056
At 31 December 2018	175,723	219,177	(24,317)	(1,286)	25,122	(322,095)	1,701	74,025	14,517	88,542

Notes:

- (a) The reserve arising from reorganisation of approximately HK\$24,317,000 represents the difference between the nominal value of the share capital of subsidiaries acquired and the cost of investments in these subsidiaries incurred by the Company in exchange thereof, and has been debited to the reserve of the Group.
- (b) The exchange reserve comprises:
 - (i) The foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the functional currency of the Company.
 - (ii) The exchange differences on monetary items which form part of the Group's net investment in the foreign subsidiaries.
- (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.

NOTES TO THE UNAUDITED CONSOLIDATED RESULTS:–

1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) and Hong Kong Accounting Standards (“**HKAS**”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules.

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

The accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2018, except for adoption of new and revised HKFRSs and HKAS issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 April 2018. The adoption of the new HKFRSs and HKAS has no material impact on the Group’s results and financial position for the current or prior periods.

The consolidated results of the Group for the nine months ended 31 December 2018 are unaudited but have been reviewed by the audit committee of the Company (“**Audit Committee**”).

2. REVENUE

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

Revenues recognised during the period are as follows: –

	From 1 October 2018 to 31 December 2018 (unaudited) HK\$’000	From 1 April 2018 to 31 December 2018 (unaudited) HK\$’000	From 1 October 2017 to 31 December 2017 (unaudited) HK\$’000	From 1 April 2017 to 31 December 2017 (unaudited) HK\$’000
Revenue				
Sales of solar power related products	44,379	75,898	22,987	48,788
New energy power system integration business	30,994	30,944	51	6,350
Sales of self-service ATM systems and printing systems	–	–	–	–
Provision of hardware and software technical support services	–	–	–	22
	75,373	106,842	23,038	55,160
Other revenue				
Bank interest income	3	18	4	21
Gain on disposal of held-for-trading financial assets	–	–	–	459
Gain on disposal of subsidiaries	–	23	–	–
Gain on disposal of property, plant and equipment	37	80	–	–
Others	–	1	13	105
	40	122	17	585
Total revenue	75,413	106,964	23,055	55,745

3. PROFIT BEFORE TAXATION

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

	From 1 October 2018 to 31 December 2018 (unaudited) HK\$'000	From 1 April 2018 to 31 December 2018 (unaudited) HK\$'000	From 1 October 2017 to 31 December 2017 (unaudited) HK\$'000	From 1 April 2017 to 31 December 2017 (unaudited) HK\$'000
Cost of inventories sold	36,667	60,967	16,495	36,922
Depreciation	5	90	65	470
Change in fair value of financial assets at fair value through profit or loss	118	1,522	(1,132)	(1,266)

4. FINANCE COSTS

	From 1 October 2018 to 31 December 2018 (unaudited) HK\$'000	From 1 April 2018 to 31 December 2018 (unaudited) HK\$'000	From 1 October 2017 to 31 December 2017 (unaudited) HK\$'000	From 1 April 2017 to 31 December 2017 (unaudited) HK\$'000
Imputed finance costs on convertible bonds	1,041	3,135	1,016	2,950
Interest on other loans	71	1,086	596	1,786
	1,112	4,221	1,612	4,736

5. INCOME TAX

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

The Company's subsidiaries established in the PRC are subject to PRC Enterprise Income Tax rate of 25% (2017-Q3: 25%). Pursuant to the relevant laws and regulations in the PRC, the Group's certain subsidiaries are entitled to tax preference from PRC Enterprise Income Tax.

The increase in the provision of PRC Enterprise Income Tax for the period under review as compared with 2017-Q3 was attributable to (i) the increase in profit before taxation of the Group for the period under review as compared to that of 2017-Q3; and (ii) the provision of PRC Enterprise Income Tax made in the period under review in respect of certain income of Shaanxi Baike New Energy Technology Development Co., Ltd.* (陝西百科新能源科技發展有限公司) ("Shaanxi Baike") (the Group's subsidiary in the PRC) recognised in previous years subsequent to the verbal advice from the PRC Tax Bureau that Shaanxi Baike might not meet the requirements of the relevant tax regulations on certain tax preferential treatments from the PRC Enterprise Income Tax. Please refer to further details as disclosed in the announcement of the Company dated 21 August 2018.

There was no provision for Hong Kong profits tax as the Group had no assessable profit for the nine months ended 31 December 2018 (2017-Q3: Nil).

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

	From 1 October 2018 to 31 December 2018 (unaudited) HK\$'000	From 1 April 2018 to 31 December 2018 (unaudited) HK\$'000	From 1 October 2017 to 31 December 2017 (unaudited) HK\$'000	From 1 April 2017 to 31 December 2017 (unaudited) HK\$'000
Current income tax:				
– Hong Kong profits tax	–	–	–	–
– PRC Enterprise Income Tax	4,247	8,598	1,742	2,603
Income tax	4,247	8,598	1,742	2,603

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6. EARNINGS (LOSS) PER SHARE

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

	From 1 October 2018 to 31 December 2018 (unaudited) HK\$'000	From 1 April 2018 to 31 December 2018 (unaudited) HK\$'000	From 1 October 2017 to 31 December 2017 (unaudited) HK\$'000	From 1 April 2017 to 31 December 2017 (unaudited) HK\$'000
Profit (Loss)				
Profit (Loss) for the year attributable to the owners of the Company	12,469	(1,004)	(2,562)	(3,987)
	From 1 October 2018 to 31 December 2018	From 1 April 2018 to 31 December 2018	From 1 October 2017 to 31 December 2017	From 1 April 2017 to 31 December 2017
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,735,175,241	1,582,139,905	1,430,012,850	1,430,012,850
Effect of dilution-weighted average number of ordinary shares:				
Share option scheme	(9,443,946)	747,002	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	1,725,731,295	1,582,886,907	1,430,012,850	1,430,012,850
	HK cents	HK cents	HK cents	HK cents
Basic earnings (loss) per share	0.72 cents	(0.06 cents)	(0.18 cents)	(0.28 cents)
Diluted earnings (loss) per share	N/A	N/A	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 nine months ended 31 December 2018 and 31 December 2017.

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

As at 31 December 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 31 December 2018 (Note 2)
Mr. Chiu Tung Ping (Executive Director)	Interest in a controlled corporation (Note 3)	217,766,038 ordinary shares (L)	12.39%
Ms. Yuen Hing Lan (Executive Director)	Interest of spouse (Note 3)	217,766,038 ordinary shares (L)	12.39%
Mr. Hou Hsiao Bing (Executive Director)	Beneficial owner	131,140,000 ordinary shares (L)	7.46%

Notes:

- The letter "L" represents long positions in the shares or underlying shares of the Company.
- As at 31 December 2018, the issued share capital of the Company was 1,757,232,850 ordinary shares of HK\$0.1 each.
- Mr. Chiu Tung Ping and Ms. Yuen Hing Lan held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited. Ms. Yuen Hing Lan is the spouse of Mr. Chiu Tung Ping, and hence both Mr. Chiu Tung Ping and Ms. Yuen Hing Lan were deemed to be interested in all the shares of the Company held by Good Million Investments Limited.

(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 31 December 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 31 December 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 31 December 2018 (Note 2)
Good Million Investments Limited	217,766,038 (L) (Note 3)	Beneficial owner (Note 3)	12.39%
Mr. Qin Zhongde	88,000,000 (L) (Note 4)	Beneficial owner (Note 5)	5.01%
Creation Moral Limited	216,363,636 (L)	Beneficial owner (Note 6)	12.31%
Ms. Sun Aihui	216,363,636 (L)	Interest in a controlled corporation (Note 6)	12.31%

Notes:

- The letter "L" represents long position in the shares or underlying shares of the Company.
- As at 31 December 2018, the issued share capital of the Company was 1,757,232,850 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.

Saves as disclosed above, as at 31 December 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 Company (“**Audit Committee**”) was formed on 13 December 2000. The written terms of reference (revised in December 2018) which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for Effective Audit Committee” published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company’s auditors in matters coming within the scope of the Audit Committee’s terms of reference. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. As at 31 December 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 as the chairman. The unaudited consolidated results of the Group for the nine months ended 31 December 2018 have been reviewed and approved by the Audit Committee.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

As at 31 December 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 31 December 2018 and as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF SHARES BY THE COMPANY OR ANY OF ITS SUBSIDIARIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the nine months ended 31 December 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.

On behalf of the Board

Chiu Tung Ping

Chairman and executive Director

Hong Kong, 11 February 2019

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