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中科光電

# CHINA TECHNOLOGY SOLAR POWER HOLDINGS LIMITED
# 中科光電控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8111)

# 2017
# ANNUAL REPORT

* For identification purpose only

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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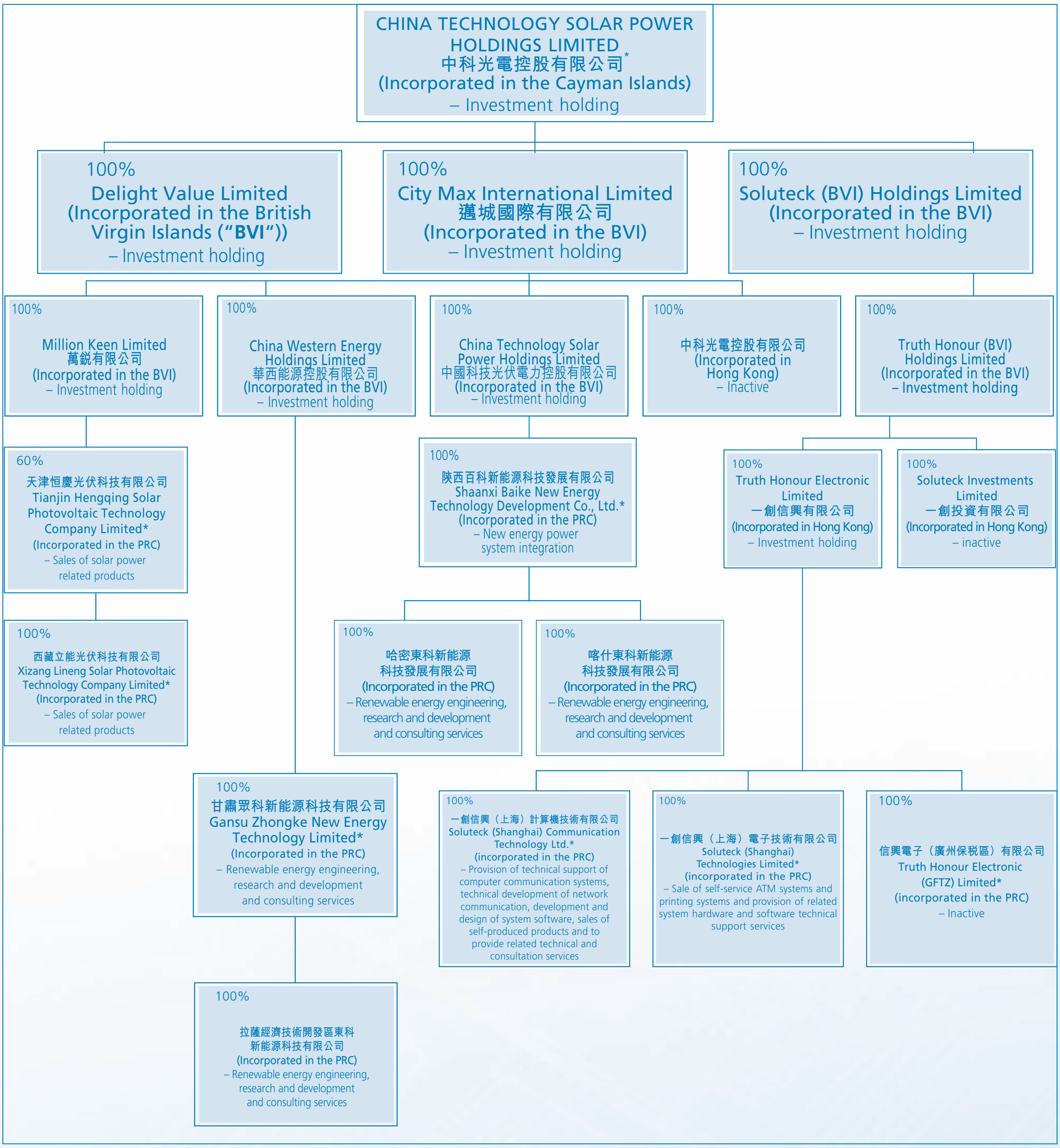
*This report, for which the directors ("**Directors**") of China Technology Solar Power Holdings Limited ("**Company**", and its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities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

# Contents

# Corporate Structure

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

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# Corporate Information

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

**Independent non-executive Directors**
Ms. Ma Xingqin *(appointed on 19 July 2016)*
Mr. Shi Huizhong *(resigned on 19 July 2016)*
Mr. Meng Xianglin
Mr. Dong Guangwu

**Company secretary**
Ms. Chan Mi Ling, Anita, FCCA, CPA, FCA

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

**Compliance officer**
Ms. Hu Xin

**Members of audit committee**
Ms. Ma Xingqin *(Chairman) (appointed on 19 July 2016)*
Mr. Shi Huizhong *(Chairman) (resigned on 19 July 2016)*
Mr. Meng Xianglin
Mr. Dong Guangwu

**Members of remuneration committee**
Ms. Ma Xingqin *(Chairman) (appointed on 19 July 2016)*
Mr. Shi Huizhong *(Chairman) (resigned on 19 July 2016)*
Mr. Meng Xianglin
Mr. Dong Guangwu

**Members of nomination committee**
Ms. Ma Xingqin *(Chairman) (appointed on 19 July 2016)*
Mr. Shi Huizhong *(Chairman) (resigned on 19 July 2016)*
Mr. Meng Xianglin
Mr. Dong Guangwu

**Members of corporate governance committee**
Mr. Chiu Tung Ping *(Chairman)*
Ms. Yuen Hing Lan
Mr. Hou Hsiao Bing
Ms. Hu Xin

**Auditors**
Sky Base Partners CPA Limited
Level 20, Parkview Centre
7 Lau Li Street
Causeway Bay, Hong Kong

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

**Head office and principal place of business in Hong Kong**
Room 1801, 18th Floor
Kai Tak Commercial Building
317 & 319 Des Voeux Road Central
Hong Kong

**Company website**
www.chinatechsolar.com

**Principal share registrar and transfer office**
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

**Hong Kong branch share registrar and transfer office**
Computershare Hong Kong Investor Services Limited
1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

**GEM stock code**
8111

## ANNUAL RESULTS HIGHLIGHTS

The loss attributable to owners of the Company for the year ended 31 March 2017 was approximately HK$333.1 million (2016: profit attributable to owners of the Company of approximately HK$46.5 million).

The revenue of the Group for the year ended 31 March 2017 was approximately HK$12.2 million, representing a decrease of approximately 93.6 per cent. as compared with the revenue of approximately HK$192.4 million for the year ended 31 March 2016.

Gross profit margin of the Group was approximately 28.9 per cent. for the year ended 31 March 2017, as compared to approximately 38.6 per cent. for the year ended 31 March 2016.

Basic loss per share for the year ended 31 March 2017 was approximately HK23.30 cents (2016: basic earnings per share of approximately HK3.59 cents).

The Directors do not recommend the payment of a dividend for the year ended 31 March 2017 (2016: Nil).

I am pleased to present the annual results of China Technology Solar Power Holdings Limited and its subsidiaries for the year ended 31 March 2017.

## BUSINESS REVIEW

The Group was principally engaged in (i) sales of solar power related products; (ii) new energy power system integration business; (iii) sales of self-service automatic teller machine ("**ATM**") systems and printing systems; and (iv) provision of hardware and software technical support services in the People's Republic of China ("**PRC**" or "**China**") during the year ended 31 March 2017.

The Group's revenue amounted to approximately HK$12.2 million for the year ended 31 March 2017, representing a decrease of approximately 93.6 per cent. as compared with the revenue of approximately HK$192.4 million recorded for the year ended 31 March 2016. The revenue dropped significantly mainly because (a) the delivery of some solar power related products was further delayed which caused the revenue from the sales of solar power related products to drop to approximately HK$11.6 million for the year ended 31 March 2017 (2016: approximately HK$48.2 million); (b) there was further delay in the commencement of large-scale new projects for the new energy power system integration business and only small-scale new project with revenue amounting to approximately HK$58,000 was commenced and completed in the year ended 31 March 2017 (2016: approximately HK$140.0 million); and (c) the revenue from the sales of self-service ATM systems and printing systems and provision of hardware and software technical support had dropped significantly to approximately HK$0.6 million for the year ended 31 March 2017 (2016: approximately HK$4.2 million) as a result of fierce competition in the PRC market.

The Group's gross profit margin was approximately 28.9 per cent. for the year ended 31 March 2017, as compared to approximately 38.6 per cent. for the year ended 31 March 2016. The decrease in the gross profit margin was mainly as a result of the significant drop in revenue generated form the new energy power system integration business. The new energy power system integration business has generated a higher gross profit margin of 100.0 per cent. during the year ended 31 March 2017 (2016: approximately 88.0 per cent.).

# Letter from the Chairman

The Group recorded a loss attributable to owners of the Company amounting to approximately HK$333.1 million for the year ended 31 March 2017 (2016: profit attributable to owners of the Company of approximately HK$46.5 million), mainly as a result of (i) the significant drop of revenue for the year ended 31 March 2017 as discussed above; (ii) the significant impairment loss of approximately HK$266.1 million recorded during the year ended 31 March 2017 in relation to goodwill arising from acquisition of subsidiaries engaging in new energy power system integration business and sales of solar power related products (2016: Nil); (iii) the significant impairment loss recorded during the year ended 31 March 2017 on accounts and bills receivables of approximately HK$37.1 million (2016: approximately HK$4.3 million) and; (iv) the absence of recognition of a gain on change in fair value of contingent consideration payable during the year under review (2016: gain on change in fair value of contingent consideration payable of approximately HK$16.8 million).

Basic loss per share was approximately HK23.30 cents for the year ended 31 March 2017, as compared with the basic earnings per share of approximately HK3.59 cents for the year ended 31 March 2016.

## SALES OF SOLAR POWER RELATED PRODUCTS

The revenue generated from the sales of solar power related products was approximately HK$11.6 million for the year ended 31 March 2017 (2016: approximately HK$48.2 million), accounted for approximately 94.4 per cent. of the Group's total revenue (2016: approximately 25.1 per cent.). The delivery of some solar power related products was further delayed which caused the revenue from the sales of solar power related products to drop in the year ended 31 March 2017.

## NEW ENERGY POWER SYSTEM INTEGRATION BUSINESS

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

In September 2013, the Group entered into a memorandum of understanding with an investment company ("**Investment Company**") for projects relating to construction of large-scale grid-connected solar photovoltaic power station and distributed power generation on rooftop, which are expected to have an aggregate designed capacity of 300MW ("**300MW Project**"). As part of the 300MW Project, the Group has entered into cooperation agreements with an energy company in Xi'an, and together with such energy company, jointly contracted with the wholly-owned subsidiaries of the Investment Company for the construction of solar photovoltaic power stations in Gansu province and Ningxia Hui Autonomous Region. Phases 1, 2 and 3 of the 300MW Project have been completed and the Group has obtained the system testing and satisfaction report from the Investment Company in respect of the 50MW power station in Gansu and the 50MW and 30MW power stations in Ningxia. However, phase 4 of the 300MW Project has been cancelled and the remaining parts of such project may not be able to commence.

The revenue generated from the new energy power system integration business was approximately HK$58,000 during the year ended 31 March 2017 (2016: approximately HK$140.0 million). The segment's revenue dropped significantly because there was further delay in the commencement of large-scale new project and only small-scale new projects was commenced and completed in the year ended 31 March 2017.

## SALES OF SELF-SERVICE ATM SYSTEMS AND PRINTING SYSTEMS

The Group remains recognised as a professional ATM software, hardware and service company in the ATM sector and a marketing agent for Fuji Xerox for its printing systems in China.

The Group offers a full range of banking and financial system solutions for the banking and financial sectors, and persists to put efforts on enhancing customer relationships, broadening business relationships and exploring new business opportunities in corporate outsourcing technical service sector.

## DIVIDEND

The board of Directors ("**Board**") does not recommend the payment of a dividend for the year ended 31 March 2017 (2016: Nil).

## APPRECIATION

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

**Mr. Chiu Tung Ping**
*Chairman and executive Director*

Hong Kong, 23 June 2017

## REVENUE

During the year ended 31 March 2017, 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 ATM systems and printing systems; and (iv) provision of hardware and software technical support services in the PRC.

Revenues recognised during the year under review are as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| **Revenue** | | |
| Sales of solar power related products | **11,565** | 48,234 |
| New energy power system integration service income | **58** | – |
| New energy power system integration contract revenue | **–** | 139,996 |
| Sales of self-service ATM systems and printing systems | **–** | 3,282 |
| Provision of hardware and software technical support services | **625** | 905 |
| | **12,248** | 192,417 |
| **Other revenue** | | |
| Bank interest income | **224** | 65 |
| Change in fair value of contingent consideration payable | **–** | 16,768 |
| Government subsidy for business development | **–** | 876 |
| Gain on trading in financial instrument | **–** | 51 |
| Others | **206** | 2,238 |
| | **430** | 19,998 |
| **Total revenue** | **12,678** | 212,415 |

## SALES OF SOLAR POWER RELATED PRODUCTS

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

The revenue generated from the sales of solar power related products was approximately HK$11.6 million for the year ended 31 March 2017 (2016: approximately HK$48.2 million), accounted for approximately 94.4 per cent. of the Group's total revenue (2016: approximately 25.1 per cent.). The delivery of some solar power related products was further delayed which caused the revenue from the sales of solar power related products to drop by approximately HK$36.7 million for the year ended 31 March 2017.

## NEW ENERGY POWER SYSTEM INTEGRATION BUSINESS

The revenue generated from the new energy power system integration business was approximately HK$58,000 during the year ended 31 March 2017 (2016: approximately HK$140.0 million). The segment's revenue dropped significantly because there was further delay in the commencement of large-scale new projects and only small-scale new project was commenced and completed in the year ended 31 March 2017.

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.

The Group aimed to expand its new energy power system integration services and technology consultancy services through securing more contracts for provision of such services to biomass energy, thermal power and solar energy generation companies and projects in the PRC. In September 2013, the Group entered into a memorandum of understanding with an investment company ("**Investment Company**") for projects relating to construction of large-scale grid-connected solar photovoltaic power station and distributed power generation on rooftop, which are expected to have an aggregate designed capacity of 300MW ("**300MW Project**"). As part of the 300MW Project, the Group has entered into cooperation agreements with an energy company in Xi'an, and together with such energy company, jointly contracted with the wholly-owned subsidiaries of the Investment Company for the construction of solar photovoltaic power stations in Gansu province and Ningxia Hui Autonomous Region. Phases 1, 2 and 3 of the 300MW Project have been completed and the Group has obtained the system testing and satisfaction report from the Investment Company in respect of the 50MW power station in Gansu and the 50MW and 30MW power stations in Ningxia. However, phase 4 of the 300MW Project has been cancelled and the remaining parts of such project may not be able to commence.

## SALES OF SELF-SERVICE ATM SYSTEMS AND PRINTING SYSTEMS

There was no revenue generated from the sales of self-service ATM systems and printing systems during the year ended 31 March 2017 (2016: approximately HK$3.3 million) mainly as a result of the fierce competition in the PRC market.

## PROVISION OF HARDWARE AND SOFTWARE TECHNICAL SUPPORT SERVICES

The provision of hardware and software technical support services accounted for approximately 5.1 per cent. of the Group's total revenue for the year ended 31 March 2017 (2016: approximately 0.5 per cent.). Revenue derived from the provision of hardware and software technical support services during the year ended 31 March 2017 decreased by approximately 30.9 per cent. as compared with that of the previous financial year, mainly as a result of the fierce competition in the PRC market.

## SELLING EXPENSES

Selling expenses incurred by the Group for the year ended 31 March 2017 amounted to approximately HK$3.1 million (2016: approximately HK$3.8 million), representing a decrease of approximately 18.0 per cent. as a result of the Group's policy on cost control and was in line with the decrease in revenue during the year under review.

## ADMINISTRATIVE EXPENSES

Administrative expenses incurred by the Group for the year ended 31 March 2017 amounted approximately HK$14.2 million (2016: approximately HK$27.5 million), mainly attributable to the absence of (i) an amortisation of intangible assets in the year under review (2016: approximately HK$11.4 million); and (ii) general provision for obsolete stocks in the year under review (2016: approximately HK$3.0 million).

The intangible assets represent new energy power system integration service contracts and sales of solar power related products contracts signed by the subsidiaries acquired or being acquired by the Company, and are valued by an independent professional valuer.

Staff costs (including Directors' emoluments) which were included in both selling expenses and administrative expenses increased by approximately 31.6 per cent. to approximately HK$9.0 million in aggregate (2016: approximately HK$6.9 million) mainly because Mr. Chiu Tung Ping, one of the Directors, had not waived his Director's remuneration of approximately HK$0.4 million during the year ended 31 March 2017 (2016: Mr. Chiu waived his emoluments of approximately HK$0.4 million) and staff salary annual increment.

## IMPAIRMENT LOSS ON GOODWILL

During the year ended 31 March 2017, the Group recognised impairment loss of approximately HK$260.1 million (2016: Nil) and HK$6.0 million (2016: Nil) in relation to goodwill arising from acquisition of subsidiaries engaging in new energy power system integration business and sales of solar power related products respectively, amounting to a total impairment loss on goodwill of approximately HK$266.1 million (2016: Nil).

## FINANCE COSTS

For the year ended 31 March 2017, the Group has incurred the following finance costs:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Imputed finance costs on convertible bonds | **3,484** | 3,705 |
| Interest on other loan | **2,381** | 2,447 |
| Interest on discounted bills | **–** | 146 |
| | **5,865** | 6,298 |

## INCOME TAX

The Group had an income tax expense for the year ended 31 March 2017 of approximately HK$10.1 million (2016: an income tax credit of approximately HK$0.9 million). Such increase was due to a decision on the tax treatment ("**Tax Decision**") relating to 哈密東科新能源科技發展有限公司 (unofficial English translation as Hami Dongke New Energy Technology Development Co., Ltd) (a wholly-owned subsidiary of the Company incorporated in the PRC) ("**Hami Dongke**") dated 3 May 2017 issued by 哈密市國家税務局稽查局 (Hami City State Taxation Bureau Inspection Bureau) ("**Hami Tax Bureau**").

According to the Tax Decision, after conducting inspection, Hami Tax Bureau ruled that (i) certain tax preferential treatments from the PRC Enterprise Income Tax previously enjoyed by Hami Dongke did not meet the requirements of the relevant tax regulations; (ii) Hami Tax Bureau did not agree to certain cost entry of Hami Dongke in year 2015; and (iii) as a result, Hami Dongke should pay the shortfall in the PRC Enterprise Income Tax for the year 2015 in the amount of RMB9,037,955 and the delinquency interests calculated at the daily rate of 0.05% ("**Tax Shortfall**") within 15 days from the receipt of the Tax Decision. As at the date of this report, the Group has settled the Tax Shortfall in an aggregate amount of RMB4,180,000.

## LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

As at 31 March 2017, the Group had bank balances and cash amounting to a total of approximately HK$13.2 million (2016: approximately HK$7.6 million) and denominated in Hong Kong dollars, Renminbi and United States dollars. The Group had no outstanding bank overdraft as at 31 March 2017 (31 March 2016: Nil).

The increase in bank balances and cash is mainly due to the raising of the other loan of HK$1.5 million during the year ended 31 March 2017 and the cash flows from operating activities of approximately HK$17.3 million, which was partly offset by the repayment of other loan of approximately HK$4.2 million and the effect of foreign exchange rate changes of approximately HK$8.9 million for the year ended 31 March 2017.

As at 31 March 2017, the Group had other loans made in Hong Kong dollars amounting to (i) approximately HK$19.8 million (2016: approximately HK$19.8 million), which was interest bearing at 12% per annum, unsecured and repayable on demand; and (ii) approximately HK$1.5 million, which was unsecured, non-interest bearing and had no fixed term of repayment. The other loan of approximately HK$4.2 million as at 31 March 2016 was settled during the year under review.

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

The Group did not use any financial instrument for hedging purpose during the year ended 31 March 2017, and did not have any outstanding hedging instrument as at 31 March 2017.

## BANKING FACILITIES

As at 31 March 2017, the Company did not have any banking facilities.

## CHARGES ON ASSETS

As of 31 March 2017, the Group pledged no asset to secure borrowings granted to the Group. As at 31 March 2016, bills receivable of the Company of approximately HK$4.2 million was pledged to secure against the other loan of approximately HK$4.2 million.

## CURRENT RATIO

As at 31 March 2017, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 1.7 (31 March 2016: approximately 1.9). The current ratio remained stable as compared to the current ratio as at 31 March 2016.

## GEARING RATIO

As at 31 March 2017, the gearing ratio of the Group, represented by the percentage of total liabilities over total assets was approximately 65.6 per cent. (2016: approximately 31.2 per cent.).

| | **31 March 2017** | 31 March 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Total assets | **187,539** | 587,956 |
| Total liabilities | **123,079** | 183,293 |
| Gearing ratio | **65.6 per cent.** | 31.2 per cent. |

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

(i) the substantial decrease in total assets of the Company by approximately HK$400.4 million as a result of the impairment loss on goodwill and accounts and bills receivables of approximately HK$266.1 million and approximately HK$37.1 million respectively, the settlement of the accounts and bills receivables of approximately HK$112.2 million and the decrease in other receivables, deposits and prepayment of approximately HK$12.3 million during the year ended 31 March 2017; and

(ii) the decrease in total liabilities of the Company by approximately HK$60.2 million which was due to the settlement of accounts payables by approximately HK$80.7 million, which was partly offset by the increase in other payables and accruals and taxation of approximately HK$11.0 million and HK$10.3 million respectively during the year ended 31 March 2017.

Since the decrease in total assets was larger than decrease in total liabilities as at 31 March 2017, the gearing ratio increased from approximately 31.2 per cent. as at 31 March 2016 to approximately 65.6 per cent. as at 31 March 2017.

## DIRECTORS' OPINION ON SUFFICIENCY OF WORKING CAPITAL

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

## CONTINGENT LIABILITIES

As at 31 March 2017, 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 year ended 31 March 2017, the Group did not have a foreign currency hedging policy. However, the management will closely monitor the Group's exposure to foreign exchange risks and will consider hedging significant foreign currency should the need arise.

## SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

### *TRANSFER OF LAND USE RIGHT AND COOPERATION AGREEMENT*

On 19 August 2016, 拉孜百科新能源科技有限公司 (unofficial English translation being Lazi Baike New Energy Technology Limited) ("**Lazi Baike**"), an indirect wholly-owned subsidiary of the Company, and Lazi County People's Government entered into a land use right transfer agreement pursuant to which the Lazi County People's Government agreed to transfer to Lazi Baike the land use right of a parcel of land ("**Tibet Land**") located in the Lazi County of the Tibet Autonomous region of the PRC with an area of approximately 550 mu at the price of RMB22.0 million.

On 19 August 2016, 陝西百科新能源科技發展有限公司 (unofficial English translation being Shaanxi Baike New Energy Technology Development Co., Ltd.) ("**Shaanxi Baike**"), an indirect wholly-owned subsidiary of the Company, and 喀什天慶光電科技有限公司 (unofficial English translation being Kashii Tianqing New Energy Co., Ltd) ("**Kashii Tianqing**") entered into a cooperation agreement ("**Cooperation Agreement**") pursuant to which, among other matters, Shaanxi Baike and Kashii Tianqing have agreed to cooperate in the construction of a large-scale grid-connected solar photovoltaic power station ("**Tibet Solar Power Station**") with an expected capacity of 20MW on the Tibet Land and Shaanxi Baike has agreed to transfer 100% interest in Lazi Baike to Kashii Tianqing after completion of the construction of the Tibet Solar Power Station and the power integration ("**Disposal**").

Laizi Baike was derecognised from a wholly-owned subsidiary of the Company upon signing of the Cooperation Agreement and was recorded as held-for-trading financial assets of the Company with a carrying value of approximately HK$22.4 million as at 31 March 2017.

On 22 May 2017, Kashii Tianqing, Shaanxi Baike and 西藏中核新能源有限公司 (unofficial English translation being Xizang Zhonghe New Energy Co., Ltd.) ("**Xizang Zhonghe**") entered into an assignment agreement pursuant to which Kashii Tianqing agreed to transfer all its rights and obligations under the Cooperation Agreement to Xizang Zhonghe.

The Disposal was completed in May 2017.

Further details of the purchase of the Tibet Land and the Cooperation Agreement are set out in the announcements of the Company dated 19 August 2016 and 22 May 2017.

Save as disclosed, there were no significant investments or material acquisition or disposal of subsidiaries by the Group during the year under review.

## EMPLOYEES

As at 31 March 2017, the Group employed 6 and 36 staff in Hong Kong and the PRC respectively (31 March 2016: 7 in Hong Kong and 49 in the PRC). The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Employee trainings are also provided as and when required.

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares of the Company during the year ended 31 March 2017.

## BUSINESS OUTLOOK

The Group will continue to look for other solar energy generation projects, new energy power system integration services and technology service projects.

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

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

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.

## PROPOSED TRANSFER OF LISTING

The Company has submitted a formal application ("**Application**") to the Stock Exchange on 29 July 2016 for the proposed transfer of listing of shares of the Company from GEM to Main Board of the Stock Exchange pursuant to Chapter 9A of the Main Board Listing Rules ("**Proposed Transfer of Listing**"). The Application has lapsed on 28 January 2017. After careful consideration by the Board, it was decided that the Company would not proceed with the Application. The Board considers that the lapse of the Application has no material adverse effect on the existing business and financial position of the Group. The Company will make further announcement to keep the shareholders and potential investors informed should the Company decide to make a new application for the Proposed Transfer of Listing in the future.

## EVENTS AFTER THE REPORTING PERIOD

On 3 May 2017, the Group has received the Tax Decision on the tax treatment relating to Hami Dongke. Further details of which are set out in the paragraphs headed "Income Tax" above in this section and the announcement of the Company dated 11 May 2017.

In May 2017, the Disposal of Lazi Baike was completed. Further details of which are set out in the paragraphs headed "Significant Investments Held and Material Acquisitions and Disposals of Subsidiaries" above in this section.

Due to an investigation conducted by the Independent Commission Against Corruption of Hong Kong ("**ICAC**") against Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen, Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen had volunteered, and the Board had agreed to suspend the day-to-day management duties of Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen with effect from 19 June 2015 until further notice. Mr. Hou Hsiao Bing has informed the Board that he and Mr. Hou Hsiao Wen have received written notifications from the ICAC dated 27 April 2017 stating that the investigation by the ICAC against them has come to an end and on the basis of the facts now known, no further investigation action in relation thereto will be pursued by the ICAC. As such, the day-to-day management duties of Mr. Hou Hsiao Bing as an executive Director have been resumed with effect from 23 June 2017. Further details of which are set out in the announcements of the Company dated 19 June 2015 and 23 June 2017.

Save as disclosed above, there are no other important events affecting the Company which have taken place after the end of the reporting period up to the date of this report.

## (1) CORPORATE GOVERNANCE PRACTICES

The Board and the senior management of the Company are committed to the principles of good corporate governance and have dedicated significant efforts to provide transparency, accountability and independence of their corporate governance practices. During the year ended 31 March 2017 ("**Review Period**"), the Company has applied the principles in the Corporate Governance Code ("**CG Code**") as contained in Appendix 15 to the GEM Listing Rules to its corporate governance structure and practices in the manner as described in this corporate governance report.

During the Review Period, the Company has complied with all the code provisions set out in the CG Code, except for the deviation from code provisions A.2.1, A.2.7 and E.1.2 as explained below.

### *Code provision A.2.1*

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

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

### *Code provision A.2.7*

Code Provision of A.2.7 of the CG Code requires the Chairman to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As the Chairman is also an executive Director, compliance with this code provision is infeasible.

### *Code provision E.1.2*

Under code provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Due to other commitments which must be attended by the Chairman, the Chairman was unable to attend the annual general meeting of the Company held on 20 September 2016 ("**2016 AGM**"). Nevertheless, Ms. Hu Xin, an executive Director, presided as the chairman at the 2016 AGM to answer questions from the shareholders of the Company.

## (2) BOARD OF DIRECTORS

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

### *BOARD COMPOSITION*

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

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

*Independent non-executive Directors:*
Mr. Shi Huizhong (resigned on 19 July 2016)
Ms. Ma Xingqin (appointed on 19 July 2016)
Mr. Meng Xianglin
Mr. Dong Guangwu

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

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

## BOARD MEETING

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

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

| Name of Director | Number of board meetings attended/held during the Director's term of office in the Review Period | Attendance rate |
|---|---|---|
| Mr. Chiu Tung Ping | 8/8 | 100% |
| Ms. Yuen Hing Lan | 3/8 | 38% |
| Mr. Hou Hsiao Bing | 1/8 | 13% |
| Ms. Hu Xin | 8/8 | 100% |
| Mr. Shi Huizhong (resigned on 19 July 2016) | 0/1 | 0% |
| Ms. Ma Xingqin (appointed on 19 July 2016) | 5/7 | 71% |
| Mr. Meng Xianglin | 7/8 | 88% |
| Mr. Dong Guangwu | 3/8 | 38% |

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

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

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

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

## (3) THE FOUR COMMITTEES OF THE BOARD

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

### *(a) Audit Committee*

The Company established an audit committee ("**Audit Committee**") on 13 December 2000 with written terms of reference (revised in March 2016) made in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules and posted on the websites of the Company and the Stock Exchange. During the period from 1 April 2016 to 19 July 2016, the Audit Committee comprised three independent non-executive Directors, namely (i) Mr. Shi Huizhong; (ii) Mr. Meng Xianglin; and (iii) Mr. Dong Guangwu, with Mr. Shi Huizhong acted as the chairman of the Audit Committee. Following the appointment of Ms. Ma Xingqin and the resignation of Mr. Shi Huizhong as an independent non-executive Director on 19 July 2016, the Audit Committee comprised three independent non-executive Directors, namely (i) Ms. Ma Xingqin; (ii) Mr. Meng Xianglin; and (iii) Mr. Dong Guangwu, with Ms. Ma Xingqin acting as the chairman of the Audit Committee.

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

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

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

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

### *(b) Remuneration Committee*

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

The Remuneration Committee was established with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference followed the requirements of Code Provision B.1.2 of the CG Code and was posted on the websites of the Company and the Stock Exchange. During the period from 1 April 2016 to 19 July 2016, the Remuneration Committee comprised three independent non-executive Directors, namely (i) Mr. Shi Huizhong; (ii) Mr. Meng Xianglin; and (iii) Mr. Dong Guangwu, with Mr. Shi Huizhong acted as the chairman of the Remuneration Committee. Following the appointment of Ms. Ma Xingqin and resignation of Mr. Shi Huizhong as an independent non-executive Director on 19 July 2016, the Remuneration Committee comprised three independent non-executive Directors namely (i) Ms. Ma Xingqin; (ii) Mr. Meng Xianglin; and (iii) Mr. Dong Guangwu, with Ms. Ma Xingqin acting as the chairman of the Remuneration Committee.

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

During the Review Period, the Remuneration Committee held two meetings and performed the following duties:

– determined, with delegated responsibility from the Board, the remuneration of individual executive Directors and senior management by assessing their performance and approved the terms of their service contracts (if any); and

– made recommendations to the Board to establish a more formal and transparent procedure for determining the remuneration policy.

The policies for the remuneration of the Directors are:

- to ensure that none of the Directors should determine his/her own remuneration;

- the remuneration should be broadly aligned with companies with which the Company competes for human resources;

- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies while taking into account individual performance; and

- the remuneration should reflect the performance, complexity of duties and responsibility of the individual Director.

### (c) Nomination Committee

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

During the period from 1 April 2016 to 19 July 2016, the Nomination Committee comprised three independent non-executive Directors, namely (i) Mr. Shi Huizhong; (ii) Mr. Meng Xianglin; and (iii) Mr. Dong Guangwu, with Mr. Shi Huizhong acted as the chairman of the Nomination Committee. Following the appointment of Ms. Ma Xingqin and the resignation of Mr. Shi Huizhong as an independent non-executive Director on 19 July 2016, the Nomination Committee comprised three independent non-executive Directors namely (i) Ms. Ma Xingqin; (ii) Mr. Meng Xianglin; and (iii) Mr. Dong Guangwu, with Ms. Ma Xingqin acting as the chairman of the Nomination Committee

The Nomination Committee is responsible for considering suitable candidates to serve as Directors and making recommendations on the appointment and termination of service of Directors. During the Review Period, the Nomination Committee's nomination policy was to select and nominate candidates based on whether they possess the skills and experience required by the Group's development.

A board diversity policy ("**Board Diversity Policy**") has been reviewed and recommended by the Nomination Committee and was subsequently adopted by the Board on 28 August 2013. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria having due regard for the benefits of diversity on the Board.

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

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

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

2. identified individuals suitably qualified to become Board members and made recommendations to the Board on the selection of individuals nominated for directorships;

3 assessed the independence of independent non-executive Directors;

4. made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer; and

5. considered other topics as defined by the Board.

## *(d) Corporate Governance Committee*

A corporate governance committee of the Board ("**Corporate Governance Committee**") has been established with effect from 28 March 2012 with written terms of reference following Code Provision D.3.1 of the CG Code and posted on the websites of the Company and the Stock Exchange.

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

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

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

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

### *Attendance of Board committees meetings*

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

| | Audit Committee | Remuneration Committee | Nomination Committee | Corporate Governance Committee |
|---|---|---|---|---|
| *Executive Directors* | | | | |
| Mr. Chiu Tung Ping | – | – | – | 1/1 |
| Ms. Yuen Hing Lan | – | – | – | 0/1 |
| Mr. Hou Hsiao Bing | – | – | – | 1/1 |
| Ms. Hu Xin | – | – | – | 1/1 |
| *Independent non-executive Directors* | | | | |
| Mr. Shi Huizhong (resigned on 19 July 2016) | 0/1 | 0/1 | 0/1 | – |
| Ms. Ma Xingqin (appointed on 19 July 2016) | 3/3 | 1/1 | 1/1 | |
| Mr. Meng Xianglin | 4/4 | 2/2 | 2/2 | – |
| Mr. Dong Guangwu | 1/4 | 2/2 | 2/2 | – |

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

## (4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Since 13 July 2012, Mr. Chiu Tung Ping acted as both the Chairman and Chief Executive Officer. The Directors consider that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group.

The Directors will continue to review the effectiveness of the current structure and assess whether separation of the roles of the Chairman and the Chief Executive Officer is necessary.

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

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

The external auditors' statement about reporting responsibility is set out on pages 51 to 55.

## (6) TRAINING FOR DIRECTORS

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

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

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

During the Review Period, the Directors had participated in the following trainings:

| Name of Director | Type of training |
|---|---|
| Chiu Tung Ping | A, B |
| Yuen Hing Lan | A, B |
| Hou Hsiao Bing | A, B |
| Hu Xin | A, B |
| Shi Huizhong (resigned on 19 July 2016) | A |
| Ma Xingqin (appointed on 19 July 2016) | A, B |
| Meng Xianglin | A, B |
| Dong Guangwu | A, B |

Note:

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

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

## (7) COMPANY SECRETARY

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

## (8) NON-EXECUTIVE DIRECTORS

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

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

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

## (10) AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditors. For the Review Period, the remuneration of the external auditor of the Company amounted to HK$480,000, which was fees for their services of auditing and taxation.

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

| Nature of Services | Amount (HK$) |
|---|---|
| Audit services | 480,000 |
| Non-audit services | – |

## (11) RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

The Group does not have an internal audit function due to the size of the Group and for cost effectiveness consideration. During the Review Period, the Board, appoints its external auditors, Sky Base Partners CPA Limited, to carry out the annual review for the Review Period on the effectiveness of the risk management and internal control systems. The external auditors had reported during the Audit Committee meetings the key findings in respect of the Group's internal control and risk management and discussed findings and actions or measures taken in addressing those findings. No material issues on the Group's risk management and internal control systems have been identified during the Review Period which required significant rectification works.

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

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

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

Based on the assessment and review made by the external auditors and the Audit Committee, the Board considered the risk management and internal control systems of the Group are effective during the Review Period.

## (12) DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

## (13) CONSTITUTIONAL DOCUMENTS

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

## (14) COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

(i) corporate communications such as annual reports, interim reports, quarterly reports and circulars, which are issued in printed form and are available on the GEM's website at www.hkgem.com and the Company's website at www.chinatechsolar.com;

(ii) periodic announcements published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) annual and extraordinary general meetings provide a forum for the shareholders of the Company to make comments and exchange views with the Directors and senior management; and

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

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

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

## *GENERAL MEETING*

During the Review Period, the 2016 the AGM was held and the attendance of each Director is set out as follows:

| Directors | Attendance of the 2016 AGM |
|---|---|
| *Executive Directors* | |
| Mr. Chiu Tung Ping | 0/1 |
| Ms. Yuen Hing Lan | 0/1 |
| Mr. Hou Hsiao Bing | 0/1 |
| Ms. Hu Xin | 1/1 |
| | |
| *Independent non-executive Directors* | |
| Mr. Shi Huizhong (resigned on 19 July 2016) | N/A |
| Ms. Ma Xingqin (appointed on 19 July 2016) | 0/1 |
| Mr. Meng Xianglin | 0/1 |
| Mr. Dong Guangwu | 0/1 |

### *Code provision E.1.2*

Under Code Provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Due to other commitments which must be attended by the Chairman, the Chairman was unable to attend the 2016 AGM. Nevertheless, Mr. Hu Xin, an executive Director, presided as the chairman of the 2016 AGM to answer questions from the shareholders.

## (15) SHAREHOLDERS' RIGHTS

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

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

# Environmental, Social and Governance Report

China Technology Solar Power Holdings Limited has been expanding business in China with great efforts since its establishment in 2000. Currently, the Company principally engages in four business segments, namely sales of solar power related products, development of new energy power system integration business, sales of self-service automatic teller machine ("**ATM**") systems and printing systems and provision of hardware and software technical support services. The Group firmly believes that performing social responsibility is significant to sustainable development of an enterprise. In addition to maximising the returns for shareholders, the Group also shows the sincerest care and respect to its employees, stakeholders and the community, aiming to sharing with the aforesaid parties the achievements of the Group.

Accordingly, the Group has adopted a set of comprehensive policies relating to corporate social responsibility based on five major targets, including employee, community, profit, earth and profession. The Group will make its best to deliver a win-win development and continue to make proactive contribution to the environment and the society.

## ENVIRONMENTAL PROTECTION

### *Emission reduction*

Due to the nature of business, only very few wastes were generated during operation, complying with the relevant national laws and industrial standards, and accordingly result in no pollution to environment. Therefore, the Group has not prepared relevant policies regarding the reduction in emission of gas, sewage and wastes. However, we attach great importance to environmental protection as well, strictly complying with relevant laws and regulations. The principal business of the Group, namely sales of solar power related products and new energy power system integration business, falls within the scope of new energy which brings positive effect on the environment inherently and reduces emission of greenhouse gas and wastes in a large quantity produced from coal-fired power plants indirectly. Besides, the Group participates in the program of "Carbon Footprint Repository for Hong Kong Listed Companies" established by the Hong Kong Environmental Protection Department to indicate its determination in propelling emission reduction.

Our effluents mainly comprise of the basic household garbage from our employees, which has little influence on environment as well. However, we still establish relevant measures to deal with these wastes, including reducing the use of disposable items and encouraging the use of reusable items or materials. Regularly, wastes produced in normal life are grouped and delivered to the designated areas for treatment, to make sure that no pollution would be arisen. Meanwhile, we are active in advocating practice of recycle and reuse within the Group, making our best to minimise production of household garbage.

### *Use of resources*

The Group understands well that the precious resources are limited in the earth, which requires us to make good use of resources to prevent any waste. To this end, we have made lots of work to increase employees' awareness of environmental protection and energy conservation, aiming to shoulder the responsibility of environmental protection by each of us with the same target. Regular education is provided to employees in relation to energy conservation, such as arrangement of relevant lectures or seminars, distribution of leaflets or posting posters and other propaganda. With respect to business, we play actively in developing solar power industry chain to promote development of new energy, so as to save indirectly the resources that would have been used by coal-fired power plants.

### *Environment and natural resources*

In connection with our new energy power system integration business, development of photovoltaic power stations mainly involves combination of industrial chains, which would neither affect adversely environment and natural resources, nor would produce any other pollutants. Therefore, we have not prepared relevant policies to eliminate the adverse effect on environment and natural resources. During the Reporting Period, all of our operations are compliant with the relevant national environment laws with no violation in relation thereto.

Once they are put into operation, the photovoltaic power stations developed in our new energy power system integration business are expected to generate power by use of solar energy which belongs to clean energy without any material effects on environment and resources since no pollutants will be produced from use of clean energy. However, we are keeping various indicators monitored from time to time with no relax merely by virtue of the nature of our clean energy.

## SOCIETY

### *Employment and labour related efforts*

#### *Employees' interests*

By adherence to the philosophy of people-oriented development, the Group considers personnel development as the first priority, and views elites as the cornerstone and the largest fortune for corporate development. It is our commitment to secure rights and interests of all the staff, and to provide each of them a working environment of safety, cleanness, respect and tolerance. To this end, we have established a series of perfect employment policies under relevant labour laws to protect staff's interests in every aspect.

We have fair systems relating to recruitment, promotion and remuneration in place. In particular, all the recruitment are conducted with express guidelines, to make sure that persons responsible for reviewing the job candidates would, on an impartial basis, employ those who satisfy our open and fair employment criterions. Same promotion opportunities and remuneration package are offered for any of our staff, with no discrimination due to gender, age, nationality and race. All the promotion is dependent on the attendance and working performance of and contribution to the Company made by any individual staff. The Company has established a remuneration system based on value of positions and individual performance, under which, staff remuneration offered by us is able to meet the general standards in labour market. Besides, remuneration is also determined based on the rank, function and performance of individual staff to prevent different remuneration offered for the same post. In addition to basic remuneration, the Group also makes contribution to certain social insurance, including (among others) pension and medical insurance, for its staff, and grants bonus or other forms of rewards regularly from time to time based on their performance.

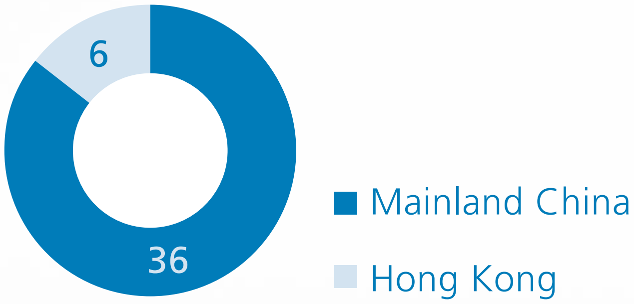
We have made special policies to care for the special requirements for our female staff. For instance, we rarely change the positions of female staff when they are in pregnancy, maternity and lactation, ensuring that they are in steady positions serving normal working hours. Besides, we offer various guarantees and benefits for female staff according to the Law of the PRC on the Protection of Rights and Interests of Women, the Law of the PRC on Employment Contracts and the Hong Kong Employment Ordinance. In addition, the Group participated in the Gender Focal Point (GFP) Network for Listed Companies launched jointly by the Labour and Welfare Bureau of the Hong Kong Government and the Women's Commission, indicating its active supports for those women-caring activities.

Communication with staff also weighs much for us. We have arranged meetings based on departments or projects as channels to collect employees' opinions, and made proactive response in respect thereof. Furthermore, we also attach great importance to maintaining work-life balance of our staff, expecting to arrange sufficient rest for staff to improve their living quality. Also, paid-leave system is available in the Company which witnesses obviously positive effects since it not only inspires staff's working passion, but also optimises their working efficiency to a great extent.

As of the end of the Reporting Period, the Group has a total of 42 employees with male-to-female ratio of 3:2 and a turnover rate of approximately 25%. Male staff are mainly taking the positions of project construction, while female staff are mainly engaged for financial and administrative positions. Set out below is the distribution of staff by age group:

| Age group | Number of staff |
|---|---|
| 21 to 30 | 10 |
| 31 to 40 | 17 |
| 41 to 50 | 6 |
| 51 to 60 | 4 |
| 61 to 70 | 5 |
| Total | 42 |

Set out below is the distribution of staff by regions:




In general, we are committed of creating a fair competition environment and ample growth opportunities for our employees, together with quality working atmosphere, targeting to respecting, cultivating and fulfilling talents under the philosophy of sustainable development.

## *Occupational safety*

The Group has been always caring for staff. Since it thinks highly of the occupational health and personal safety of staff, it has played actively to create for them a healthy and safe working environment and has been dedicated to providing all the labour safety and sanitary conditions and labour protection facilities as necessarily required. Meanwhile, we have determined a set of optimised system as well to make sure all the relevant regulations and industrial standards are observed by us. Under these policies, any construction project must be subject to the project safety implementation management system on a stringent basis. Besides, project safety officers will be designated, responsible for completing the safety construction logs within prescribed time, conducting regular review and assistance to make sure whether the safety measures are properly implemented and identifying any defect (if any) to prevent potential risks.

In addition to on-site safety measures, we also maintain work injury labour insurance for all the relevant employees to further secure their safety. Meanwhile, kinds of courses or trainings relating to occupational safety are arranged by us from time to time to improve their technical capability and awareness of safety. Through these courses and trainings, employees are enabled to obtain correct mechanical operating knowledge or expertise and to increase their alert for safety. With our efforts, the Group records no industrial accident during the Reporting Period.

## *Development and training*

Our sustainable development relies on the professional knowledge and expertise of our staff. We view talents as the essential factor for success, so we draw great attention to development and training of staff. In connection therewith, the Group has established a set of comprehensive policies. Each year, the department which the particular staff belongs to would make relevant assessment, and provide training suggestions and arrangements based on the general and particular needs of the department and the individuals. These trainings cover internal programs, seminars or other related activities which are mainly related to working knowledge and expertise, and also include certain trainings in relation to occupational safety. For instance, our financial staff would receive continuous education, 24 lecture hours each year, and relevant engineering technicians are also required to participate in such further education as required by their positions. Directors are required to participate in various trainings, including those relating to detailed duties and obligations as a director, and are required to study relevant books and teaching materials. As for the Company Secretary, the trainings related to works are requisite. In general, staff serving in different positions is subject to different classes of training. Besides, we will provide the outstanding staff assistance to facilitate their further study as per their actual needs, and make them well prepared to assume the roles of greater significance.

### *Labour standards*

The Group is in stringent compliance with the labour laws in the PRC and Hong Kong. Its recruitment system expressly prescribes that child labour and forced labour are strictly forbidden. Job applicants are required to produce their original identity documents during the employment procedure, and if they are employed, our human resources department will check their identity documents to confirm the truthfulness thereof and to make sure that no child labour would be employed. In case of fake identity identified, the Group will immediately discharge the contracts entered into with the relevant staff under serious labour disciplines. Besides, we have set proper monitoring and tip-off system to prevent existence of forced labour.

## OPERATION MODEL

### *Supply chain management*

*The Group*

We have established a sound and stringent supply chain management system. Under which, the risks caused to the environment and the society by our suppliers are monitored. Meanwhile, regular reviews are conducted against the suppliers to require them to satisfy our standards. For any violation or risk identified, we will replace those disqualified suppliers immediately. In 2016, our suppliers mainly included those companies engaging in steel, metal and new energy technology sectors locating in Jiangsu, Hefei, Xi'an, Shenzhen and Hebei. As to 2017, they are mainly located in Tianjin.

### *Product liability*

Product quality is highly emphasised by the Group. To this end, it is in stringent compliance with relevant laws and regulations to make sure all the products satisfy the relevant safety and quality requirements. Besides, we have adopted products and service liability policies and we will execute technical service liability letter in connection with all of our products.

In terms of quality and safety, we design plans for the photovoltaic power stations in our new energy power system integration business according to the technical requirements demanded by the local power companies, select equipment that fits the national regulations according to the aforesaid plans, and organise special officers dispatched from the power companies, design, supervision and construction parties to inspect the construction quality subsequent to completion of construction and prior to operation of the power stations. Also, we have set quality inspection department by which all the products produced by us are required to be inspected under relevant requirements. For those disqualified products, the quality inspection department would demand the processing plants to provide necessary maintenance or repair, or directly return the same to the plants for further disposal. Besides, third party inspection on products is also arranged by us on a regular basis in order to ensure that solar power related products meet relevant criterions. During the Reporting Period, the Group has neither received any complaint with respect to violation of its solar power related products, nor has the Group been returned with products delivered.

In terms of propaganda and labeling, we have also equipped a series of strict regulations together with well matured review and supervision procedures. Pursuant to which, all kinds of propaganda and labeling must be multi-reviewed and finally determined by a particular person responsible for this purpose. Once any misstatement or misleading statement is found, the Group is able to make prompt rectification and treatment based on the existing system.

Furthermore, we also attach great importance to consumers' privacy. Stringent management system is in place to protect customer information which is under proper management by particular staff. In case any customer information is divulged by us, we will investigate the legal liability of the relevant staff.

## *Anti-corruption*

In response to the anti-corruption campaign of the PRC, the Group has prepared numerous measures to prevent bribery, money laundry and other illegal acts. For instance, with respect to every stage during the execution and procurement procedures of all the contracts, the Company adopts dual system to complete execution, review and approval by two independent persons. Besides, departments are subject to clearly defined responsibility division with interactive supervision, to minimise the possibility of corruption. We have also established sound system for interest declaration, pursuant to which, our employees are required to declare the interest conflict involved by them. In addition, special discussions are organised or information is disseminated by us from time to time to provide our staff anti-corruption education. During the Reporting Period, there is no employee of the Group punished or handed over to judiciary institutions due to involvement in corruption.

## *Reward to the society*

The Group makes the following commitments to the community in which it operates business: in addition to increasing contact with the local community, the Group will also prefer to cooperate with the local suppliers and service providers and engage local labour to bring in economic benefits to the local community. We are in an active position to perform social responsibility through regularly reviewing our efforts and plans made to reward the society under the guidelines of "Acquire from the Society and Reward the Society". In addition, the Group attended the "Reception Celebrating International Women's Day 2017" held by Women's Commission on 8 March (International Women's Day) 2017, showing our support to realizing women's rights. Meanwhile, the Group encourages staff to participate in various voluntary activities, so as to make contribution to the society together the Group.

# Report of the Directors

The Board is pleased to present this Report of the Directors for the year ended 31 March 2017. All cross-references mentioned herein form part of this Report of the Directors.

## PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are set out in note 41 to the consolidated financial statements of the Company for the year ended 31 March 2017 ("**Consolidated Financial Statements**").

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 56.

No interim dividend have been paid or declared by the Company during the year under review. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

## RESERVES

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

As at 31 March 2017, the Company had distributable reserves amounting to Nil (31 March 2016: approximately HK$101.0 million).

Details of the movements in the reserves of the Group and the Company during the year under review are set out on page 58 and page 122 respectively.

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

The Company did not issue any shares or debentures during the year under review. Details of the movements in share capital of the Company are set out in note 32 to the Consolidated Financial Statements.

## BUSINESS REVIEW

Further discussion and analysis of the business of the Group, including a business review for the year ended 31 March 2017, its likely future development and events occurred after the reporting period is set out in the section "Management Discussion and Analysis" of this annual report.

## PRINCIPAL RISKS AND UNCERTAINTIES

(1) Government Support

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

(2) Fast technological advancement

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

(3) Government regulations

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

(4) Volatility in the securities market and financial risk

Volatility in the securities market may affect the Groups' investments in the share market. The Company is also subject to market risk, such as currency fluctuations, volatility of interest rates, credit risk, and liquidity risk in the normal course of the Group's business. Particulars of the financial risk management of the Group are set out in note 6B to the Consolidated Financial Statements.

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

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

(5) Reliance on major customers

During the financial years ended 31 March 2016 and 2017, the five largest customers of the Group, in aggregate, accounted for approximately 89.6% and 99.0% respectively of the Group's total revenue and the largest customer of the Group accounted for approximately 68.9% and 50.9% respectively of the Group's total revenue. The Group did not enter into any long-term sales agreement with its customers, including the top five customers. There is no assurance that future orders placed by customers will be on the same or similar terms of the existing orders and the Group's major customers are not obligated in any way to continue placing purchase orders with the Group at the same prices. As such, it is essential for the Group to maintain good relationships with its major customers. If any of these major customers substantially reduces the volume and/or the value of the orders it places with the Group or terminates its business relationship with the Group entirely, there is no assurance that (i) the Group will be able to obtain orders from new customers or other existing customers to make up for such loss of sales; and (ii) even if the Group would be able to obtain other orders, they may not be on commercially comparable terms. As such, the Group's operations and financial results may be adversely affected.

In May 2015, the Group acquired Million Keen Limited and commenced its sales of solar power related products business. The Directors consider that Million Keen Limited may diversify its solar power energy business into the upstream of solar energy industry with growth potential and broaden its sources of income. The acquisition, together with other new energy system integration projects on hand, could help to reduce the reliance on major customers.

(6) Risks arising from suppliers or sub-contractors

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

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

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

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

(7) Funding

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

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

## COMPLIANCE WITH REGULATIONS

There was no material breach of or non-compliance with the applicable laws and regulations such as the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), the GEM Listing Rules and other applicable laws and regulations in the jurisdictions where the Group carried out operations during the year ended 31 March 2017.

## SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

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

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

## DIRECTORS

The Directors during the year ended 31 March 2017 and up to the date of this report were:

Mr. Chiu Tung Ping (Chairman)
Ms. Yuen Hing Lan
Mr. Hou Hsiao Bing
Ms. Hu Xin
Mr. Shi Huizhong* (resigned on 19 July 2016)
Ms. Ma Xingqin* (appointed on 19 July 2016)
Mr. Meng Xianglin*
Mr. Dong Guangwu*

* *Independent non-executive Directors*

Mr. Shi Huizhong did not resign due to reasons relating to the affairs of the Company.

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

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

### *EXECUTIVE DIRECTORS*

**Mr. Chiu Tung Ping,** aged 65, was appointed as an executive Director and the Chairman on 8 June 2011 and was appointed as the Chief Executive Officer with effect from 13 July 2012. He is in charge of the Group's strategic business development, executive management and monitoring of the Group's day-to-day operation. Mr. Chiu was a standing committee member of the 11th Plenary of the Chinese People's Political Consultative Conference Gansu Committee (中國人民政治協商會議甘肅省第十一屆委員會常務委員). Mr. Chiu was also the vice-chairperson of Gansu Province Industrial and Commercial Industry Association (甘肅省工商業聯合會). Mr. Chiu is the spouse of Ms. Yuen Hing Lan, an executive Director and a director of Good Million Investments Limited, a substantial shareholder of the Company, as at the date of this report.

**Ms. Yuen Hing Lan**, aged 61, obtained the Bachelor of Public Health from Shanxi Medical School (山西醫學院) in 1979. Ms. Yuen is experienced in corporate management. Ms. Yuen was appointed as an executive Director on 8 June 2011. Ms. Yuen is the spouse of Mr. Chiu Tung Ping, an executive Director and the Chairman.

**Mr. Hou Hsiao Bing**, aged 63, joined the Group in April 2000. He has more than 36 years' experience in China business. Mr. Hou graduated from The Hong Kong Polytechnic University with a Diploma in Marketing. Mr. Hou Hsiao Bing is the elder brother of Mr. Hou Hsiao Wen, a senior management of the Group.

**Ms. Hu Xin**, aged 34, was appointed as an executive Director on 19 March 2012 and has become the compliance officer and one of the authorised representatives of the Company starting from 13 July 2012. She obtained her Bachelor of Management in Accounting from Chongqing Institute of Technology (重慶工學院), presently known as Chongqing University of Technology (重慶科技大學). Ms. Hu had been the general accountant (總帳會計) of ST Electronics (Software Services) Ltd. (新鈳信息系统(深圳)有限公司) and was involved in financial management. Ms. Hu has extensive experience in new energy power system data estimates.

### *INDEPENDENT NON-EXECUTIVE DIRECTORS*

**Ms. Ma Xingqin**, aged 29, graduated from the China University of Petroleum (中國石油大學(華東)) in the PRC with a Bachelor degree in Accounting and a Master degree in Management in 2009 and 2011 respectively. Ms. Ma is a member of the Chinese Institute of Certified Public Accountants (non-practising) . Ms. Ma has more than five years' experience in auditing and corporate financial management. Ms. Ma has worked in an accounting firm in the PRC and is currently responsible for the accounting work in the Chongqing branch of Aluminum Corporation of China Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2600), the New York Stock Exchange, Inc. (stock code: ACH) and the Shanghai Stock Exchange (stock code: SH601600). Ms. Ma was appointed as an independent non-executive Director on 19 July 2016.

**Mr. Meng Xianglin**, aged 53, graduated from Beijing College of Economics (北京經濟學院) (currently known as Capital University of Economics and Business (首都經濟貿易大學)) and obtained a Bachelor degree in Economics in 1987. After his graduation, Mr. Meng worked as a staff of the All-China Federation of Industry & Commerce (中華全國工商業聯合會) until 1992. From 1992 to 2001, he worked as a reporter, an editor and the chief editor at Zhong Hua Gong Shang Shi Bao She (中華工商時報社). In 2000, he was granted with the qualification of senior editor (主任編輯) by the General Administration of Press and Publication of the PRC. From 2001 onwards, Mr. Meng is the chief executive officer of an investment company in Beijing. Mr. Meng is experienced in the media and publishing industry as well as investment. Mr. Meng was appointed as an independent non-executive Director on 27 November 2012.

**Mr. Dong Guangwu**, aged 45, graduated from Gangsu Agricultural University (甘肅農業大學) and obtained a Bachelor degree in Agriculture in 1995. In 1996, Mr. Dong studied economic law on part-time basis in the Northwest Institute of Politics and Law (西北政法學院) (currently known as Northwest University of Politics and Law (西北政法大學)) and graduated in 1998. In 1998, Mr. Dong was granted the Chinese Lawyers Qualification Certificate (中國律師資格證書) by the Judicial Department of the PRC. Mr. Dong has been a practicing lawyer for more than 16 years and is currently a partner of a law firm in the PRC. Mr. Dong was appointed as an independent non-executive Director on 27 November 2012.

## *SENIOR MANAGEMENT*

**Ms. Chan Mi Ling, Anita**, aged 50, is the chief financial officer, the qualified accountant, company secretary and one of the authorised representatives of the Company. She is in charge of the Group's financial and accounting management. Ms. Chan holds a Master degree in Business Administration from the University of Western Sydney in Australia and a Master degree in Professional Accounting from Jinan University in the PRC. Ms. Chan is also a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants, a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of Association of Chartered Certified Accountants. Ms. Chan has over 25 years' experience in the fields of auditing, accounting and finance and have been engaged in international certified public accountants firms, Hong Kong listed companies and multinational company listed overseas. Ms. Chan joined the Group in July 2000.

**Mr. Cao Ming Zhe**, aged 36, is the chief technical engineer of a subsidiary of the Group responsible for the implementation and maintenance of solar energy projects. He holds a Bachelor degree in Computer Science and Technology of the University of Qinghai with the professional qualification of information system supervisor. He has about 12 years of experience in the photovoltaic industry, and had been the technical chief engineer responsible for the implementation and maintenance of Qinghai solar energy project jointly financed by the PRC and Germany, as well as various photovoltaic power stations projects. He also participated in the research and compilation of articles on the subjects of various photovoltaic industry projects. He is familiar with solar energy industry requirements and standards, and thus is able to design a photovoltaic power station independently in accordance with the requirements. Mr. Cao joined the Group in June 2011.

**Mr. Hou Hsiao Wen**, aged 56, is in charge of the Group's business development and management in respect of the sales of goods and rendering of services business segments. Mr. Hou was a former executive Director and has remained as the chief executive officer of the Group's business relating to the sale of self-service ATM systems and printing systems in the PRC after his resignation as an executive Director. Mr. Hou has over 30 years' experience in the information technology industry in the PRC. Mr. Hou holds a Bachelor of Science degree in Information System from the Ohio State University in the United States. Mr. Hou joined the Group in January 2000. Prior to this joining, he was the managing director of a private company principally engaged in providing satellite TV network solutions in the PRC. Mr. Hou is the younger brother of Mr. Hou Hsiao Bing, an executive Director.

**Mr. Zhou Kang**, aged 32, is primarily responsible for the quality control and sales of photovoltaic mounting brackets, which are the main products of the business of sales of solar related products of the Group. In addition, Mr. Zhou is responsible for market development, including obtaining product orders, negotiating contracts and maintaining relationship with customers and suppliers. Mr. Zhou graduated from Xi'an University of Architecture and Technology (西安建築科技大學), majoring in Civil Engineering. Mr. Zhou has accumulated solid experience in civil design, construction and optimisation of photovoltaic power station. He joined the Group in May 2015.

## DIRECTORS' SERVICE CONTRACTS

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

The emoluments paid or payable to the Directors during the year under review was set out in Note 15 to the Consolidated Financial Statements.

## CONNECTED TRANSACTIONS

The related party transactions undertaken by the Group as set out in notes 37(A) and 37(B) to the Consolidated Financial Statements constituted connected transactions of the Company. However, such transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Save as disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 March 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 March 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules are as follows:

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

| **Name of Directors/ Chief executive** | **Capacity** | **Number and class of securities** (Note 1) | **Approximate percentage of the Company's issued share capital as at 31 March 2017** (Note 2) |
|---|---|---|---|
| Mr. Chiu Tung Ping *(Executive Director)* | Interest in a controlled corporation (Note 3) | 217,766,038 ordinary shares (L) (Note 4) | 15.23% |
| Ms. Yuen Hing Lan *(Executive Director)* | Interest of spouse (Note 3) | 217,766,038 ordinary shares (L) (Note 4) | 15.23% |
| Mr. Hou Hsiao Bing *(Executive Director)* | Beneficial owner | 131,150,000 ordinary shares (L) | 9.17% |

Notes:

1. The letter "L" represents long positions in the shares or underlying shares of the Company.

2. As at 31 March 2017, the issued share capital of the Company was 1,430,012,850 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.

4. Included in these shares were 207,766,038 shares of the Company held by Good Million Investments Limited and 10,000,000 shares of the Company to be issued to Good Million Investments Limited upon exercise of convertible bonds issued by the Company.

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

| 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) | HK$5,000,000 |
| Ms. Yuen Hing Lan *(Executive Director)* | Interest of spouse (note) | HK$5,000,000 |

Note: Mr. Chiu Tung Ping and Ms. Yuen Hing Lan held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited. Ms. Yuen Hing Lan is the spouse of Mr. Chiu Tung Ping, and hence both Mr. Chiu Tung Ping and Ms. Yuen Hing Lan were deemed to be interested in the debentures of the Company held by Good Million Investments Limited.

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

As at 31 March 2017, the following persons or entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

| Name of shareholder | Number of ordinary shares (Note 1) | Capacity | Approximate percentage of the Company's issued share capital as at 31 March 2017 (Note 2) |
|---|---|---|---|
| Good Million Investments Limited | 217,766,038 (L) (Note 3) | Beneficial owner (Note 4) | 15.23% |
| Mr. Qin Zhongde | 88,000,000 (L) (Note 5) | Beneficial owner (Note 6) | 6.15% |
| Creation Moral Limited | 216,363,636 (L) | Beneficial owner (Note 7) | 15.13% |
| Ms. Sun Aihui | 216,363,636 (L) | Interest in a controlled corporation (Note 7) | 15.13% |

Notes:

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

2. As at 31 March 2017, the issued share capital of the Company was 1,430,012,850 ordinary shares of HK$0.1 each.

3. Included in these shares are 207,766,038 shares of the Company held by Good Million Investments Limited and 10,000,000 shares of the Company to be issued to Good Million Investments Limited upon exercise of convertible bonds issued by the Company.

4. 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.

5. 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.

6. 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.

7. Ms. Sun Aihui held 100% interest in the entire issued share capital of Creation Moral Limited. Hence, Ms. Sun Aihui was deemed to be interested in the shares of the Company held by Creation Moral Limited.

Save as disclosed above, as at 31 March 2017, 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.

## EQUITY-LINKED AGREEMENTS

Set out below are the equity-linked agreements entered into by the Company during the year ended 31 March 2017 or subsisted as at 31 March 2017:

### *Share Option Scheme*

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

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

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

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

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing of the relevant resolution adopting the Share Option Scheme ("**General Scheme Limit**"). On the basis that there were a total of 1,092,220,643 shares in issue as at the date of passing of the relevant resolution of the Share Option Scheme on 21 August 2014, the Directors were allowed to grant options carrying rights to subscribe for a maximum of 109,222,064 shares under the General Scheme Limit.

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

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

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

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

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

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, i.e. until 20 August 2024.

Since the adoption of the Share Option Scheme in August 2014 and up to the date of this report, no options had been granted, exercised, cancelled or lapsed under the Share Option Scheme. The total number of securities available for issue under the Share Option Scheme was 109,222,064 ordinary shares of HK$0.1 each in the share capital of the Company, representing approximately 7.64% of the Company's shares in issue as at 31 March 2017.

As at 1 April 2016 and 31 March 2017, no share option was outstanding.

## *Convertible bonds*

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

The 2011 CB was divided into Tranche I Convertible bonds ("**Tranche I CB**") and Tranche II Convertible bonds ("**Tranche II CB**") of HK$113,100,000 and HK$50,000,000 respectively. For Tranche I CB, the CB holders are not subject to any restriction for exercising the conversion of Tranche I CB into share. For Tranche II CB, the principal amount would be subject to change in relation to a profit guarantee made by the vendor to the Company.

Referring to a supplementary agreement made between the vendor and the Company on 30 January 2012, the amount of profit guarantee was increased to HK$40,000,000 and the guarantee period was extended to 30 September 2012. In the event that the profit guarantee could not be achieved, the principal amount of the Tranche II CB will be adjusted to HK$0 if consolidated net profit after tax of the Target Group is equivalent to or less than HK$15,000,000 or a loss.

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

During the year ended 31 March 2017, there was no conversion of the Tranche I CB into shares of the Company (2016: Tranche I CB in the principal amount of HK$15,000,000 was converted into 30,000,000 ordinary shares of HK$0.1 each in the share capital of the Company at a conversion price of HK$0.5 per share).

As at 31 March 2017, the aggregate outstanding principal amount of the 2011 CB was HK$49,000,000, which may be converted into 98,000,000 ordinary shares of HK$0.1 each in the share capital of the Company at a conversion price of HK$0.5 per share.

## MANAGEMENT CONTRACTS

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

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers for the year ended 31 March 2017 are as follows:

### *PURCHASES*

- the largest supplier: Approximately 52.2 per cent.
- five largest suppliers in aggregate: Approximately 100.0 per cent.

### *SALES*

- the largest customer: Approximately 50.9 per cent.
- five largest customers in aggregate: Approximately 99.0 per cent.

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

## PRE-EMPTIVE RIGHTS

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

## FIVE YEARS FINANCIAL SUMMARY

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Results: | | | | | |
| Revenue | **12,248** | 192,417 | 113,331 | 74,516 | 52,349 |
| (Loss) Profit attributable to owners of the Company | **(333,148)** | 46,490 | 29,673 | 10,065 | 578 |
| Assets and liabilities | | | | | |
| Total assets | **187,539** | 587,956 | 437,531 | 354,009 | 303,242 |
| Total liabilities | **123,079** | (183,293) | (131,467) | (103,167) | (78,552) |
| Net assets | **64,460** | 404,663 | 306,064 | 250,842 | 224,690 |

## DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 March 2017, none of the Directors or his/her close associate(s) had an interest in a business which competes or may compete with the business of the Group. The Company did not have a controlling shareholder as at 31 March 2017 and as at the date of this report.

## CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on page 16 to 28 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

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

## DONATIONS

No donations of a total amount not less than HK$10,000 had been made by the Group for charitable or other purposes during the year ended 31 March 2017 (2016: Nil).

## PERMITTED INDEMNITY PROVISION

During the year ended 31 March 2017 and as at the date of this report, an indemnity provision was in force such that the Directors shall be indemnified by Company against all actions, costs, charges, losses, damages and expenses they may incur or sustain in the execution of their duty, except such (if any) as they shall incur or sustain through their own fraud or dishonesty. The Company has arranged appropriate insurance covering the Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management arising out of corporate activities.

## AUDITORS

Sky Base Partners CPA Limited was appointed as auditors of the Company with effect from 22 April 2015 to fill the causal vacancy following the resignation of W.H. Tang & Partners CPA Limited.

The audited financial statements of the Company for the year ended 31 March 2017 have been audited by Sky Base Partners CPA Limited, the auditors of the Company, who will retire and being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

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

Hong Kong, 23 June 2017

# INDEPENDENT AUDITORS' REPORT

天璣會計師事務所有限公司
Sky Base Partners CPA Limited

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

## OPINION

We have audited the consolidated financial statements of China Technology Solar Power Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 56 to 129, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Sky Base Partners CPA Limited

## KEY AUDIT MATTERS *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Impairment assessment on accounts and bills receivables* | |
| As at 31 March 2017, accounts and bills receivables amounting to approximately HK$124,500,000 were material to the Group's consolidated financial statements. The assessment of impairment provision for account and bills receivables involved significant management's judgement including their assessment of customers' financial positions and expected future cash flows from customers.<br><br>The disclosures about the impairment assessment of accounts and bills receivables are included in notes 21 to the consolidated financial statements. | Our audit procedures included:<br>• checking the ageing analysis of accounts and bills receivables by customer<br>• checking the debtors' historical payment patterns and the bank receipts for the payment received subsequent to the year end<br>• checking the evidence including correspondence with the accounts and bills receivables for the latest progress of the outstanding amounts and credit status of these accounts and bills receivables by performing company research; and<br>• assessing the disclosures about the Group's exposure to credit risk in the consolidated financial statements. |
| *Impairment assessment of goodwill* | |
| As at 31 March 2017, the Group has goodwill of approximately HK$45,476,000, and in respect of which management is required to perform annual impairment assessment. Management has concluded that impairment loss of approximately HK$266,079,000 in respect of the goodwill has been recognized in the consolidated statement of profit or loss and other comprehensive income. This conclusion was based on a value in use model that required significant management judgement with respect to revenue growth, future profitability, discount rates and market development. | Our audit procedures included:<br>• We assessed the reasonableness of key assumptions such as revenue growth, future profitability and discount rates with reference to the business and industry circumstances<br>• We reconciled input data to supporting evidence, such as approved forecasts of future profits<br>• We considered the reasonableness of these forecasts of future profits by comparing them against past results achieved<br>• We assessed management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, might impact on the outcome of the impairment assessment of the goodwill<br><br>We found the judgements made by management in relation to the value in use calculations to be reasonable based on available evidence. |

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Sky Base Partners CPA Limited

## OTHER INFORMATION

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

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

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

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

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

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

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

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## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Sky Base Partners CPA Limited

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**Sky Base Partners CPA Limited**
*Certified Public Accountants (Practising)*
23 June 2017, Hong Kong

**TANG Wai Hung**
Practising Certificate No.: P03525

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For The Year Ended 31 March 2017*

| | Note | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|---|
| Revenue | 8 | **12,248** | 192,417 |
| Cost of sales | | **(8,705)** | (118,056) |
| Gross profit | | **3,543** | 74,361 |
| Other revenue | 8 | **430** | 19,998 |
| Selling expenses | | **(3,091)** | (3,770) |
| Change in fair value of financial assets at fair value through profit or loss | | **(233)** | (1,231) |
| Administrative expenses | | **(14,177)** | (27,501) |
| Impairment loss on goodwill | | **(266,079)** | – |
| Impairment loss on accounts and bills receivables | | **(37,102)** | (4,345) |
| Finance costs | 9 | **(5,865)** | (6,298) |
| (Loss) profit before taxation | 10 | **(322,574)** | 51,214 |
| Income tax | 11 | **(10,139)** | 921 |
| **(Loss) profit for the year** | | **(332,713)** | 52,135 |
| **Other comprehensive (expenses) income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences arising on translation of financial statements of foreign operations | | **(7,490)** | (6,586) |
| **Total comprehensive (expenses) income for the year** | | **(340,203)** | 45,549 |
| (Loss) profit for the year attributable to: | | | |
| Owners of the Company | | **(333,148)** | 46,490 |
| Non-controlling interests | | **435** | 5,645 |
| | | **(332,713)** | 52,135 |
| Total comprehensive (expenses) income for the year attributable to: | | | |
| Owners of the Company | | **(340,087)** | 40,152 |
| Non-controlling interests | | **(116)** | 5,397 |
| | | **(340,203)** | 45,549 |
| **(Loss) earnings per share** | | | |
| – Basic (HK cents) | 13 | **(23.30)** | 3.59 |
| – Diluted | | **N/A** | N/A |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As At 31 March 2017*

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **677** | 1,196 |
| Available-for-sale financial assets | 17 | **–** | – |
| Intangible assets | 18 | **–** | – |
| Goodwill | 19 | **45,476** | 311,555 |
| | | **46,153** | 312,751 |
| **Current assets** | | | |
| Inventories | 20 | **706** | 752 |
| Accounts and bills receivables | 21 | **79,958** | 229,256 |
| Other receivables, deposits and prepayments | 22 | **23,846** | 36,076 |
| Held-for-trading financial assets | 23 | **22,412** | – |
| Financial assets at fair value through profit or loss | 24 | **1,284** | 1,517 |
| Bank balances and cash | 25 | **13,180** | 7,604 |
| | | **141,386** | 275,205 |
| **Current liabilities** | | | |
| Accounts payables | 27 | **25,838** | 106,533 |
| Other payables and accruals | 28 | **26,323** | 15,286 |
| Other loan | 29 | **21,340** | 24,016 |
| Taxation | | **10,434** | 149 |
| Receipt in advance | | **46** | 862 |
| | | **83,981** | 146,846 |
| **Net current assets** | | **57,405** | 128,359 |
| **Total assets less current liabilities** | | **103,558** | 441,110 |
| **Non-current liabilities** | | | |
| Convertible bonds | 30 | **35,831** | 32,347 |
| Deferred tax liabilities | 31 | **3,267** | 4,100 |
| | | **39,098** | 36,447 |
| **Net assets** | | **64,460** | 404,663 |
| **Capital and reserves** | | | |
| Share capital | 32 | **143,001** | 143,001 |
| Reserves | | **(86,308)** | 253,779 |
| Equity attributable to owners of the Company | | **56,693** | 396,780 |
| Non-controlling interests | | **7,767** | 7,883 |
| **Total equity** | | **64,460** | 404,663 |

The consolidated financial statements on pages 56 to 129 were approved and authorized for issue by the Board of Directors on 23 June 2017 and are signed on its behalf by:

**Chiu Tung Ping**
*Director*

**Hu Xin**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For The Year Ended 31 March 2017*

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** HK$'000 | **Share premium** HK$'000 | **Reserve arising from reorganization** HK$'000 (Note a) | **Exchange reserve** HK$'000 (Note b) | **Convertible bonds reserve** HK$'000 | **Retained profits (Deficit)** HK$'000 | **Total** HK$'000 | **Non-controlling interest** HK$'000 | **Total** HK$'000 |
| At 1 April 2015 | 118,365 | 178,940 | (24,317) | 11,514 | 39,097 | (17,535) | 306,064 | – | 306,064 |
| Profit for the year | – | – | – | – | – | 46,490 | 46,490 | 5,645 | 52,135 |
| Exchange differences arising on translation of financial statements of foreign operations | – | – | – | (6,338) | – | – | (6,338) | (248) | (6,586) |
| Total comprehensive (expenses) income for the year | – | – | – | (6,338) | – | 46,490 | 40,152 | 5,397 | 45,549 |
| Issue of shares in acquisition of a subsidiary | 21,636 | 25,423 | – | – | – | – | 47,059 | – | 47,059 |
| Acquisition of interests in a subsidiary | – | – | – | – | – | – | – | 2,486 | 2,486 |
| Issue of shares on exercise of convertible bonds (Note c) | 3,000 | 12,000 | – | – | (11,100) | – | 3,900 | – | 3,900 |
| Transaction costs on issue of shares | – | (395) | – | – | – | – | (395) | – | (395) |
| | 24,636 | 37,028 | – | – | (11,100) | – | 50,564 | 2,486 | 53,050 |
| At 31 March 2016 and 1 April 2016 | 143,001 | 215,968 | (24,317) | 5,176 | 27,997 | 28,955 | 396,780 | 7,883 | 404,663 |
| Loss for the year | – | – | – | – | – | (333,148) | (333,148) | 435 | (332,713) |
| Exchange differences arising on translation of financial statements of foreign operations | – | – | – | (6,939) | – | – | (6,939) | (551) | (7,490) |
| Total comprehensive expenses for the year | – | – | – | (6,939) | – | (333,148) | (340,087) | (116) | (340,203) |
| At 31 March 2017 | 143,001 | 215,968 | (24,317) | (1,763) | 27,997 | (304,193) | 56,693 | 7,767 | 64,460 |

Notes:

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

(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 22 March 2016, HK$15,000,000 convertible bonds were exercised and 30,000,000 ordinary shares were issued.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For The Year Ended 31 March 2017*

| | Note | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| (Loss) profit before taxation | | **(322,574)** | 51,214 |
| Adjustment for: | | | |
| Amortization of intangible assets | | **–** | 11,379 |
| Bad debts written off | | **118** | – |
| Depreciation | | **687** | 779 |
| Interest income | | **(224)** | (65) |
| Finance costs | | **5,865** | 6,298 |
| Change in fair value of financial assets at fair value through profit or loss | | **233** | 1,231 |
| Gain on change in fair value of contingent consideration payable | | **–** | (16,768) |
| Impairment loss on goodwill | | **266,079** | – |
| Provision for obsolete stocks | | **–** | 2,979 |
| Provision for doubtful debts | | **37,102** | 4,345 |
| Written off of other receivables | | **–** | 435 |
| Operating cash flows before movements in working capital | | **(12,714)** | 61,827 |
| Decrease in inventories | | **–** | 6,610 |
| Decrease (increase) in accounts and bills receivables | | **113,440** | (112,782) |
| Increase in other receivables, deposits and prepayments | | **(11,190)** | (31,050) |
| (Decrease) increase in accounts payables | | **(80,695)** | 43,924 |
| Increase (decrease) in other payables and accruals | | **9,857** | (2,166) |
| (Decrease) increase in receipt in advance | | **(816)** | 810 |
| Cash from (used in) operations | | **17,882** | (32,827) |
| Interest paid | | **–** | (212) |
| Overseas taxation paid | | **(590)** | (1,194) |
| NET CASH FROM (USED IN) OPERATING ACTIVITIES | | **17,292** | (34,233) |
| **INVESTING ACTIVITIES** | | | |
| Interest received | | **224** | 65 |
| Purchase of property, plant and equipment | | **(338)** | (635) |
| Net cash outflow on disposal of a subsidiary | 36(A) | **(58)** | – |
| Net cash inflow from acquisition of a subsidiary | 36(B) | **–** | 1,824 |
| NET CASH (USED IN) FROM INVESTING ACTIVITIES | | **(172)** | 1,254 |
| **FINANCING ACTIVITIES** | | | |
| Transaction costs in issuing of shares | | **–** | (395) |
| Raised of other loan | | **1,500** | 4,176 |
| Repayment of other loan | | **(4,176)** | – |
| NET CASH (USED IN) FROM FINANCING ACTIVITIES | | **(2,676)** | 3,781 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | **14,444** | (29,198) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | | **7,604** | 43,761 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | | **(8,868)** | (6,959) |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | | **13,180** | 7,604 |
| Represented by: | | | |
| Bank balances and cash | | **13,180** | 7,604 |

## 1. GENERAL

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

The consolidated financial statements are presented in Hong Kong dollars. Functional currency of the Group is Renminbi ("RMB"), as the Company is listed in the Stock Exchange, the directors of the Company considered that presentation currency of consolidated financial statements in Hong Kong dollar ("HK$") is appropriate.

The Company act as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 41.

The consolidated financial statements on pages 56 to 129 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(IFRIC)-Int, HK(SIC)-Int and HK-Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

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

## 2. APPLICATION OF NEW AND REVISED HKFRSs

### *(i) New and revised HKFRSs effective in the current year*

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

| | |
|---|---|
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortization |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

### *(ii) New and revised HKFRSs issued but not yet effective*

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

| | |
|---|---|
| HKFRS 9 | Financial Instrument[1] |
| HKFRS 15 | Revenue from Contracts with Customers and the Related Amendments[1] |
| HKFRS 16 | Leases[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014-2016 Cycle[5] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 7 | Disclosure Initiative[4] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealized Losses[4] |
| Amendments to HKAS 40 | Transfer of Investment Properties[1] |

1 Effective for annual periods beginning on or after 1st January 2018.
2 Effective for annual periods beginning on or after 1st January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1st January 2017.
5 Effective for annual periods beginning on or after 1st January 2017 or 1st January 2018, as appropriate.

*HKFRS 9 Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

## 2. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

### *(ii) New and revised HKFRSs issued but not yet effective (Continued)*

*HKFRS 9 Financial Instruments (Continued)*

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognized financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized cost and irrevocable credit commitments.

## 2. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

### *(ii) New and revised HKFRSs issued but not yet effective (Continued)*

#### *HKFRS 9 Financial Instruments (Continued)*

The directors of the Company anticipate that the application of new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting as most hedging instruments are expected to meet hedge designation and hedge effectiveness upon the application of new hedging requirements.

However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

#### *HKFRS 15 Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

## 2. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

### (ii) *New and revised HKFRSs issued but not yet effective (Continued)*

*HKFRS 15 Revenue from Contracts with Customers (Continued)*

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition and the allocation of total consideration to respective performance obligations based on relative fair values may be affected, and more disclosures relating to revenue is required. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

*HKFRS 16 Leases*

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

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

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK$609,000 as disclosed in Note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group completes a detailed review.

## 2. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

### *(ii) New and revised HKFRSs issued but not yet effective (Continued)*

*Amendments to HKAS 7 Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the Directors do not anticipate that the application of these new and amendments to HKFRSs will have a material effect on the amounts recognized in the Group's consolidated financial statements in the future.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

The principal accounting policies are set out below.

### *BASIS OF CONSOLIDATION*

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *BASIS OF CONSOLIDATION (Continued)*

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

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

### *BUSINESS COMBINATIONS*

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *GOODWILL*

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

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

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

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

### *REVENUE RECOGNITION*

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

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

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

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

– the amount of revenue can be measured reliably;

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *REVENUE RECOGNITION (Continued)*

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life on the financial asset to that asset's net carrying amount on initial recognition.

### *CONSTRUCTION CONTRACTS*

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

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

### *GOVERNMENT GRANTS*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *PROPERTY, PLANT AND EQUIPMENT*

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

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

| | |
|---|---|
| Leasehold improvements | 20% – 50% |
| Office equipment, furniture and fixtures | 20% – 33% |
| Motor vehicles | 20% |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

### *INTANGIBLE ASSETS*

Intangible assets acquired separately are capitalized at cost and those acquired from a business combination are capitalized at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against the profit or loss in the year in which the expenditure is incurred.

Useful lives of acquired intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are stated at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with indefinite useful lives are stated at cost less any subsequent accumulated impairment losses.

Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets are tested for impairment annually either individually or at the cash generating unit ("CGU") level. Useful lives are also examined on an annual basis and, where applicable, adjustments are made on a prospective basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *INTANGIBLE ASSETS (Continued)*

As intangible asset is derecognized on disposal or no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset, is recognized in the consolidated statement of profit or loss and other comprehensive income in the year when the intangible asset is derecognized.

*Service contracts*

Acquired service contracts are stated at costs less amortization and any identified impairment losses.

### *SEGMENT REPORTING*

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

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

### *INVENTORIES*

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

### *CASH AND CASH EQUIVALENTS*

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *EMPLOYEE BENEFITS*

#### *Employee leave entitlements*

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

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

#### *Retirement benefit costs*

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

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

### *LEASING*

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

#### *The Group as lessee*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *PROVISIONS AND CONTINGENT LIABILITIES*

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

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

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

### *TAXATION*

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

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

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

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *TAXATION (Continued)*

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

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

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

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

### *BORROWING COSTS*

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

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

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

### *FOREIGN CURRENCIES*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *FOREIGN CURRENCIES (Continued)*

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

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

### *DIVIDENDS*

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

### *IMPAIRMENT LOSS ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL*

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *FINANCIAL INSTRUMENTS*

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

#### *Financial assets*

The financial assets of the Group are mainly financial assets at fair value through profit or loss, held-for-trading, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Effective interest method*

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

#### *Financial assets at fair value through profit or loss*

A financial asset is classified as fair value through profit or loss when the financial asset is either held-for-trading or it is designated as at fair value through profit or loss:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *FINANCIAL INSTRUMENTS (Continued)*

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and bills receivables, other receivables, deposits and prepayments, bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses.

#### *Available-for-sale financial assets*

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *FINANCIAL INSTRUMENTS (Continued)*

#### *Impairment of financial assets*

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

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

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

For certain categories of financial asset, such as accounts receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment of a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

*For The Year Ended 31 March 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *FINANCIAL INSTRUMENTS (Continued)*

#### *Impairment of financial assets (Continued)*

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

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

#### *Financial liabilities and equity instruments*

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

#### *Effective interest method*

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

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

#### *Financial liabilities*

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

#### *Convertible bonds issued by the Company*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *FINANCIAL INSTRUMENTS (Continued)*

#### *Convertible bonds issued by the Company (Continued)*

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

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

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

#### *Equity instruments*

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

#### *Derecognition*

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *RESEARCH AND DEVELOPMENT EXPENDITURE*

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

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

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

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

### *RELATED PARTIES*

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

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

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

or

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

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are disclosed in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### *USEFUL LIVES AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS*

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

### *ALLOWANCE FOR INVENTORIES*

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

### *ALLOWANCE FOR DOUBTFUL DEBTS*

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

### *IMPAIRMENT OF GOODWILL*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than previously estimated, a material impairment loss may arise. As at 31 March 2017, the carrying amount of goodwill is approximately HK$45,476,000 (2016: approximately HK$311,555,000). The Group recognize impairment loss of approximately HK$266,079,000 (2016: Nil) in relation to goodwill arising from the acquisition of subsidiaries. Details of the recoverable amount calculation are disclosed in Note 19.

## 5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes other loan and convertible bonds as disclosed in Note 29 and 30 respectively, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

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

## 6. FINANCIAL INSTRUMENTS

### *6A. CATEGORIES OF FINANCIAL INSTRUMENTS*

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **116,984** | 272,936 |
| Held-for-trading financial assets | **22,412** | – |
| Financial assets at fair value through profit or loss | **1,284** | 1,517 |
| Available-for-sale financial assets | **–** | – |

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| **Financial liabilities** | | |
| Amortized cost | **109,378** | 179,044 |

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### *6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES*

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

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

#### *CREDIT RISK*

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

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

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

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

#### *FOREIGN CURRENCY RISK*

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

## 6. FINANCIAL INSTRUMENTS *(Continued)*

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

*FOREIGN CURRENCY RISK (Continued)*

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

| | **Assets** | | **Liabilities** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| RMB | **116,227** | 273,506 | **46,720** | 116,958 |
| United States dollars ("USD") | **1,510** | 1,836 | **2,340** | 2,340 |
| | **117,737** | 275,342 | **49,060** | 119,298 |

The Group and the Company currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Sensitivity analysis

The following table details the Group's and Company's sensitivity to a 5% (2016: 5%) increase and decrease in HK$ against RMB 5% (2016: 5%) is the sensitivity rate used that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% (2016: 5%) change in foreign currency rates. A positive number below indicates an increase in profit or equity where the HK$ weakening 5% against the relevant currency. For a 5% strengthens of the HK$ against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

## 6. FINANCIAL INSTRUMENTS *(Continued)*

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

*FOREIGN CURRENCY RISK (Continued)*

Sensitivity analysis *(Continued)*

| | **Profit or loss** | | **Equity** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| RMB | **(2,731)** | 2,766 | **3,486** | 7,713 |

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

*INTEREST RATE RISK*

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

The directors consider the Group's exposure to cash flow interest rate risk of bank deposit is not significant, hence no sensitivity analysis is presented for the year ended 31 March 2017 and 2016.

*FAIR VALUE RISK*

The Group is exposed to equity price risk through its financial assets at fair value through profit or loss. The Group's objective is to earn competitive relative return by investing in a diverse portfolio of high quality and liquid securities.

Sensitivity analysis

The following table details the Group's sensitivity to 5% increase/decrease in equity prices which is the sensitivity rate used when reporting price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

## 6. FINANCIAL INSTRUMENTS *(Continued)*

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

*FAIR VALUE RISK (Continued)*

Sensitivity analysis *(Continued)*

A positive/negative number below indicates an increase/decrease in profit or loss where equity prices increase/decrease by 5% respectively.

| | **Equity price impact** | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Investment – Financial assets at fair value through profit or loss | **1,284** | 1,517 |
| 5% price increase/decrease | **64** | 76 |

The sensitivity analysis has been determined assuming that the reasonably possible changes in the value of equity securities had occurred at the end of the reporting period and had been applied to the exposure to price risk in existence at the date.

The analysis is performed on the same basis for 2016.

*LIQUIDITY RISK*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surplus and the raising of loans to cover expected cash demands, subject to approval by the Company's directors when the borrowings exceed certain predetermined levels of authority.

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

## 6. FINANCIAL INSTRUMENTS *(Continued)*

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

*LIQUIDITY RISK (Continued)*

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

**2017**

| | Carrying amounts HK$'000 | Total contractual undiscounted cash flows HK$'000 | Within 1 year or on demands HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 | Over 5 years HK$'000 |
|---|---|---|---|---|---|---|
| Accounts payables | 25,838 | 25,838 | 25,838 | – | – | – |
| Other payables and accruals | 26,323 | 26,323 | 26,323 | – | – | – |
| Other loan | 21,340 | 23,721 | 23,721 | – | – | – |
| Receipt in advance | 46 | 46 | 46 | – | – | – |
| Convertible bonds | 35,831 | 49,000 | 2,807 | 3,027 | 43,166 | – |
| | 109,378 | 124,928 | 78,735 | 3,027 | 43,166 | – |

2016

| | Carrying amounts HK$'000 | Total contractual undiscounted cash flows HK$'000 | Within 1 year or on demands HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 | Over 5 years HK$'000 |
|---|---|---|---|---|---|---|
| Accounts payables | 106,533 | 106,533 | 106,533 | – | – | – |
| Other payables and accruals | 15,286 | 15,286 | 15,286 | – | – | – |
| Other loan | 24,016 | 27,086 | 27,086 | – | – | – |
| Receipt in advance | 862 | 862 | 862 | – | – | – |
| Convertible bonds | 32,347 | 49,000 | 2,707 | 2,934 | 10,360 | 32,999 |
| | 179,044 | 198,767 | 152,474 | 2,934 | 10,360 | 32,999 |

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### 6C. *FAIR VALUE*

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

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

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

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

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

| | **Fair value as at** | | Fair | Valuation |
|---|---|---|---|---|
| | **2017** | 2016 | value | technique |
| | **HK$'000** | HK$'000 | hierarchy | and key input |
| **Financial assets at FVTPL** | | | | |
| Non-derivative financial assets held-for-trading | **1,284** | 1,517 | Level 1 | Quoted bid price |
| **Held-for-trading financial assets** | **22,412** | – | Level 2 | Observed assets and liabilities |

There were no transfers between Levels 1, 2 and 3 in the current and prior years.

Fair value of the Group's financial liabilities that are not measured at fair value (but fair value disclosures are required)

| | **Carrying value as at** | | **Fair value as at** | | Fair |
|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | value |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | hierarchy |
| Convertible bonds | **35,831** | 32,347 | **35,411** | 33,567 | Level 1 |

#### *Fair value estimation*

The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities carried at amortized cost in the consolidated financial statements approximate to their fair values as at 31 March 2017 and 2016.

## 7. SEGMENT INFORMATION

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

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

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

(a) Sales of solar power related products;

(b) New energy power system integration business;

(c) Sales of self-service automatic teller machine 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:

**Year ended 31 March 2017**

| | Sales of solar power related products HK$'000 | New energy power system integration business HK$'000 | Sales of self-service ATM systems and printing systems HK$'000 | Provision of hardware and software technical support services HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Revenue from external customers | 11,565 | 58 | – | 625 | 12,248 |
| Segment results | (4,577) | (299,421) | (1,314) | (659) | (305,971) |
| Other revenue | | | | | 48 |
| Unallocated cost | | | | | (10,553) |
| Change in fair value of financial assets at fair value through profit or loss | | | | | (233) |
| Loss from operations | | | | | (316,709) |
| Finance costs | | | | | (5,865) |
| Loss before taxation | | | | | (322,574) |
| Income tax | | | | | (10,139) |
| Loss for the year | | | | | (332,713) |

## 7. SEGMENT INFORMATION *(Continued)*

### *SEGMENT REVENUE AND RESULTS* *(Continued)*

Year ended 31 March 2016

| | Sales of solar power related products HK$'000 | New energy power system integration business HK$'000 | Sales of self-service ATM systems and printing systems HK$'000 | Provision of hardware and software technical support services HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Revenue from external customers | 48,234 | 139,996 | 3,282 | 905 | 192,417 |
| Segment results | 5,110 | 52,934 | (7,627) | (1,670) | 48,747 |
| Other revenue | | | | | 18,445 |
| Unallocated cost | | | | | (8,449) |
| Change in fair value of financial assets at fair value through profit or loss | | | | | (1,231) |
| Profit from operations | | | | | 57,512 |
| Finance costs | | | | | (6,298) |
| Profit before taxation | | | | | 51,214 |
| Income tax | | | | | 921 |
| Profit for the year | | | | | 52,135 |

## 7. SEGMENT INFORMATION *(Continued)*

### *SEGMENT ASSETS AND LIABILITIES*

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

**Year ended 31 March 2017**

| | Sales of solar power related products HK$'000 | New energy power system integration business HK$'000 | Sales of self-service ATM systems and printing systems HK$'000 | Provision of hardware and software technical support services HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Segment assets | 59,840 | 87,592 | 14,605 | 485 | 162,522 |
| Property, plant and equipment (for corporate) | | | | | 194 |
| Other receivables, deposits and prepayments (for corporate) | | | | | 333 |
| Financial assets at fair value through profit or loss (for corporate) | | | | | 1,284 |
| Held-for-trading financial assets | | | | | 22,412 |
| Bank balances and cash (for corporate) | | | | | 794 |
| Total assets | | | | | 187,539 |
| Segment liabilities | 7,054 | 35,627 | 3,742 | 860 | 47,283 |
| Other payables and accruals (for corporate) | | | | | 16,633 |
| Other loan (for corporate) | | | | | 21,340 |
| Convertible bonds (for corporate) | | | | | 35,831 |
| Deferred tax liabilities (for corporate) | | | | | 1,992 |
| Total liabilities | | | | | 123,079 |

## 7. SEGMENT INFORMATION *(Continued)*

### *SEGMENT ASSETS AND LIABILITIES (Continued)*

Year ended 31 March 2016

| | Sales of solar power related products HK$'000 | New energy power system integration business HK$'000 | Sales of self-service ATM systems and printing systems HK$'000 | Provision of hardware and software technical support services HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Segment assets | 70,076 | 493,174 | 18,382 | 898 | 582,530 |
| Property, plant and equipment (for corporate) | | | | | 349 |
| Other receivables, deposits and prepayments (for corporate) | | | | | 2,928 |
| Financial assets at fair value through profit or loss (for corporate) | | | | | 1,517 |
| Bank balances and cash (for corporate) | | | | | 632 |
| Total assets | | | | | 587,956 |
| Segment liabilities | 13,675 | 98,611 | 3,306 | 983 | 116,575 |
| Other payables and accruals (for corporate) | | | | | 11,789 |
| Other loan (for corporate) | | | | | 19,840 |
| Convertible bonds (for corporate) | | | | | 32,347 |
| Deferred tax liabilities (for corporate) | | | | | 2,742 |
| Total liabilities | | | | | 183,293 |

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

– all assets are allocated to reportable-segments, other than corporate assets of the management companies and investment holdings companies and

– all liabilities are allocated to operating segments, other than corporate liabilities of the management companies and investment holdings companies such as other payables and accruals, convertible bonds for corporate.

## 7. SEGMENT INFORMATION *(Continued)*

### *OTHER SEGMENTS INFORMATION*

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

**Year ended 31 March 2017**

| | Sales of solar power related products HK$'000 | New energy power system integration business HK$'000 | Sales of self-service ATM systems and printing systems HK$'000 | Provision of hardware and software technical support services HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Additions to property, plant and equipment | – | – | – | 203 | 203 |
| Depreciation of property, plant and equipment | 1 | 96 | 361 | 62 | 520 |
| Amortization of intangible assets | – | – | – | – | – |
| Bad debts written off | – | 118 | – | – | 118 |
| Impairment loss on goodwill | 6,000 | 260,079 | – | – | 266,079 |
| Provision for obsolete stocks | – | – | – | – | – |
| Provision for doubtful debts | – | 37,102 | – | – | 37,102 |
| Written off of other receivables | – | – | – | – | – |

Year ended 31 March 2016

| | Sales of solar power related products HK$'000 | New energy power system integration business HK$'000 | Sales of self-service ATM systems and printing systems HK$'000 | Provision of hardware and software technical support services HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Additions to property, plant and equipment | – | 12 | 623 | – | 635 |
| Depreciation of property, plant and equipment | 1 | 102 | 382 | 91 | 576 |
| Amortization of intangible assets | 10,142 | 1,237 | – | – | 11,379 |
| Bad debts written off | – | – | – | – | – |
| Impairment loss on goodwill | – | – | – | – | – |
| Provision for obsolete stocks | – | – | 2,979 | – | 2,979 |
| Provision for doubtful debts | – | – | 3,425 | 920 | 4,345 |
| Written off of other receivables | – | – | – | 435 | 435 |

## 7. SEGMENT INFORMATION *(Continued)*

### *GEOGRAPHICAL INFORMATION*

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

#### *Information about major customers*

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

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Customer A – Contract revenue | **–** | 132,512 |
| Customer B – Sales of solar power related products | **6,233** | – |
| Customer C – Sales of solar power related products | **4,771** | – |

## 8. REVENUE AND OTHER REVENUE

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Revenue | | |
| Sales of goods | **11,565** | 51,516 |
| Rendering of services | **683** | 905 |
| Contract revenue | **–** | 139,996 |
| | **12,248** | 192,417 |
| Other revenue | | |
| Bank interest income | **224** | 65 |
| Change in fair value of contingent consideration payable | **–** | 16,768 |
| Government subsidy for business development | **–** | 876 |
| Gain on trading in financial instrument | **–** | 51 |
| Others | **206** | 2,238 |
| | **430** | 19,998 |
| Total revenue | **12,678** | 212,415 |

## 9. FINANCE COSTS

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Imputed finance costs on convertible bonds | **3,484** | 3,705 |
| Interest on other loan | **2,381** | 2,447 |
| Interest on discounted bills | **–** | 146 |
| | **5,865** | 6,298 |

## 10. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation is stated after crediting and charging the following:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Crediting: | | |
| Net foreign exchange gains | **–** | 3 |
| Charging: | | |
| Auditors' remuneration | **511** | 423 |
| Bad debts written off | **118** | – |
| Cost of inventories | **8,705** | 35,195 |
| Depreciation | **687** | 779 |
| Amortization of intangible assets | **–** | 11,379 |
| Change in fair value of financial assets at fair value through profit or loss | **233** | 1,231 |
| Impairment loss on goodwill | **266,079** | – |
| Operating leases for land and building | **1,126** | 1,283 |
| Net foreign exchange losses | **11** | – |
| Provision for doubtful debts | **37,102** | 4,345 |
| Provision for obsolete stocks | **–** | 2,979 |
| Staff costs (including directors' emoluments) | **9,032** | 6,862 |
| Written off of other receivables | **–** | 435 |

## 11. 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% (2016: 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.

No provision for Hong Kong Profits Tax has been made as there is no assessable profit (2016: Nil) for the subsidiaries operating in Hong Kong during the year ended 31 March 2017.

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

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Current income tax: | | |
| – Hong Kong Profits Tax | **–** | – |
| – PRC Enterprise Income Tax | **10,875** | 1,522 |
| Deferred taxation (Note 31) | **(736)** | (2,443) |
| Income tax | **10,139** | (921) |

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

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| (Loss) Profit before taxation | **(322,574)** | 51,214 |
| Calculated at a rate of income tax of 16.5% (2016: 16.5%) | **(53,225)** | 8,450 |
| Effect of difference rate of income tax in other countries | **169** | 1,324 |
| Tax effect on income not subject to tax | **(3)** | (9,115) |
| Tax effect on expenses not deductible for taxation purposes | **59,540** | 3,911 |
| Tax effect of temporary differences | **512** | (240) |
| Tax effect of tax loss not previously recognized | **109** | 1,573 |
| Tax effect of utilization of tax loss not previously recognized | **(6,092)** | (1,733) |
| Tax concession | **(669)** | (2,648) |
| Underprovision in prior years (Note i) | **10,534** | – |
| Deferred taxation (Note 31) | **(736)** | (2,443) |
| | **10,139** | (921) |

Note i: According to tax decision by Hami City State Taxation Bureau Inspection Bureau in May 2017, a wholly owned subsidiary of the Company was required to pay approximately HK$10,400,000 for the shortfall in the PRC Enterprise Income Tax for previous years.

## 12. DIVIDEND

No dividend was paid or proposed during the two years ended 31 March 2017 and 2016 nor has any dividend been proposed since the end of reporting date.

## 13. (LOSS) EARNINGS PER SHARE

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

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **(Loss) Profit** | | |
| (Loss) profit for the year attributable to the owners of the Company | **(333,148)** | 46,490 |

| | **2017** | 2016 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share | **1,430,012,850** | 1,295,024,058 |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share | **1,430,012,850** | 1,295,024,058 |

Outstanding convertible bonds of the Company are anti-dilutive since their exercise or conversion would result in a decrease/increase in basic (loss) earnings per share for the year ended 31 March 2017 and 31 March 2016.

## 14. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Wages and salaries | **8,962** | 6,791 |
| Pension costs – defined contribution plans | **70** | 71 |
| | **9,032** | 6,862 |

## 15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### *(A) DIRECTORS' EMOLUMENTS*

Emoluments paid or payable to each of the eight (2016: eight) directors of the Company during the year were as follows:

| 2017 | Fee | Salaries and other emoluments | Contribution to retirement benefit scheme | Performance-based bonus (Note 3) | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| *Executive directors:* | | | | | |
| Chiu Tung Ping | – | 360 | – | – | 360 |
| Hou Hsiao Bing | – | 1,500 | 18 | – | 1,518 |
| Hu Xin | – | 221 | – | – | 221 |
| Yuen Hing Lan | – | 120 | – | – | 120 |
| *Independent non-executive directors:* | | | | | |
| Dong Guangwu | – | 221 | – | – | 221 |
| Meng Xianglin | – | 110 | – | – | 110 |
| Ma Xingqin (Note 1) | – | 59 | – | – | 59 |
| Shi Huizhong (Note 2) | – | 72 | – | – | 72 |
| | – | 2,663 | 18 | – | 2,681 |

Note 1: Ma Xingqin was appointed as independent non-executive director on 19 July 2016.

Note 2: Shi Huizhong resigned as independent non-executive director on 19 July 2016.

Note 3: The performance-based bonus is determined by the performance of each individual director for the relevant year.

Note 4: The emoluments shown above for executive directors were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments for independent non-executive directors were mainly for their services as directors of the Company.

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

### *(A) DIRECTORS' EMOLUMENTS (Continued)*

| 2016 | Fee | Salaries and other emoluments | Contribution to retirement benefit scheme | Performance-based bonus (Note 3) | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| *Executive directors:* | | | | | |
| Chiu Tung Ping | – | – | – | – | – |
| Hou Hsiao Bing | – | 1,500 | 18 | – | 1,518 |
| Hou Hsiao Wen (Note 1) | – | 329 | 4 | – | 333 |
| Hu Xin | – | 165 | – | – | 165 |
| Yuen Hing Lan | – | 120 | – | – | 120 |
| Zhang Shenxin (Note 2) | – | 72 | – | – | 72 |
| *Independent non-executive directors:* | | | | | |
| Dong Guangwu | – | 120 | – | – | 120 |
| Meng Xianglin | – | 120 | – | – | 120 |
| Shi Huizhong | – | 240 | – | – | 240 |
| | – | 2,666 | 22 | – | 2,688 |

Note 1: Hou Hsiao Wen resigned as executive director on 19 June 2015.

Note 2: Zhang Shenxin resigned as executive director on 12 May 2015.

Note 3: The performance-based bonus is determined by the performance of each individual director for the relevant year.

Note 4: The emoluments shown above for executive directors were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments for independent non-executive directors were mainly for their services as directors of the Company.

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

### *(B) FIVE HIGHEST PAID INDIVIDUALS*

The five individuals whose emoluments were the highest in the Group for the year include three (2016: three) directors whose emoluments have been disclosed in the preceding paragraph. The emoluments payable to the remaining two (2016: two) individuals during the year are as follows:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Basic salaries, allowances and benefits in kind | **2,157** | 1,828 |
| Pension costs-defined contribution plans | **36** | 32 |
| | **2,193** | 1,860 |

The emoluments fell within the following bands:

| | **Number of Individuals** | |
|---|---|---|
| | **2017** | 2016 |
| Emoluments bands | | |
| Nil – HK$1,000,000 | **1** | 1 |
| HK$1,000,001 – HK$1,500,000 | **1** | 1 |

During the year ended 31 March 2017, no emoluments have been paid by the Group to the directors and the highest paid individuals other than the directors above as bonus, as inducement to join the Group or as compensation for loss of office (2016: Nil).

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

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| *Executive directors* | | |
| Chiu Tung Ping | **–** | 360 |

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK$'000 | Office equipment, furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2015 | 1,616 | 5,697 | 1,798 | 9,111 |
| Acquisition of subsidiaries | – | 123 | – | 123 |
| Additions | 623 | 12 | – | 635 |
| Disposal | – | (117) | – | (117) |
| Exchange adjustment | (80) | (126) | (37) | (243) |
| At 31 March 2016 and At 1 April 2016 | 2,159 | 5,589 | 1,761 | 9,509 |
| Additions | 203 | 135 | – | 338 |
| Disposal of a subsidiary | – | (135) | – | (135) |
| Disposal | – | (525) | – | (525) |
| Exchange adjustment | (132) | (131) | (44) | (307) |
| **At 31 March 2017** | **2,230** | **4,933** | **1,717** | **8,880** |
| **Accumulated depreciation** | | | | |
| At 1 April 2015 | 1,616 | 5,379 | 750 | 7,745 |
| Charge for the year | 327 | 108 | 344 | 779 |
| Exchange adjustment | (87) | (109) | (15) | (211) |
| At 31 March 2016 and At 1 April 2016 | 1,856 | 5,378 | 1,079 | 8,313 |
| Charge for the year | 325 | 86 | 276 | 687 |
| Disposal of a subsidiary | – | (3) | – | (3) |
| Eliminated on disposal | – | (525) | – | (525) |
| Exchange adjustment | (120) | (123) | (26) | (269) |
| **At 31 March 2017** | **2,061** | **4,813** | **1,329** | **8,203** |
| **Net book values** | | | | |
| **At 31 March 2017** | **169** | **120** | **388** | **677** |
| At 31 March 2016 | 303 | 211 | 682 | 1,196 |

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are comprised of:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Unlisted investment, at cost (Note) | **190** | 190 |
| | **190** | 190 |
| Less: Impairment loss | **(190)** | (190) |
| At 31 March | **–** | – |
| Analysed for: | | |
| Non-current assets | **–** | – |
| Current assets | **–** | – |
| | **–** | – |

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

## 18. INTANGIBLE ASSETS

| | New energy power system integration services contracts HK$'000 | Sales of solar power related products contracts HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2015 | 2,474 | – | 2,474 |
| Acquisition of a subsidiary (Note 36(b)) | – | 10,142 | 10,142 |
| **At 31 March 2016, 1 April 2016 and at 31 March 2017** | 2,474 | 10,142 | 12,616 |
| **Amortization** | | | |
| At 1 April 2015 | 1,237 | – | 1,237 |
| Provided for the year | 1,237 | 10,142 | 11,379 |
| At 31 March 2016 and at 1 April 2016 | 2,474 | 10,142 | 12,616 |
| Provided for the year | – | – | – |
| **At 31 March 2017** | **2,474** | **10,142** | **12,616** |
| **Carrying amounts** | | | |
| **At 31 March 2017** | **–** | **–** | **–** |
| At 31 March 2016 | – | – | – |

Intangible assets represent new energy power system integration services contracts and sales of solar power related products contracts signed by the subsidiary being acquired and valued by an independent professional valuer.

## 19. GOODWILL

| | New energy power system integration business HK$'000 | Sales of solar power related products HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2015 | 260,079 | – | 260,079 |
| Acquisition of a subsidiary (Note 36(B)) | – | 51,476 | 51,476 |
| **At 31 March 2016, 1 April 2016 and 31 March 2017** | 260,079 | 51,476 | 311,555 |
| **Impairment** | | | |
| At 1 April 2015 | – | – | – |
| Impairment loss recognized for the year | – | – | – |
| At 31 March 2016 and at 1 April 2016 | – | – | – |
| Impairment loss recognized for the year | 260,079 | 6,000 | 266,079 |
| **At 31 March 2017** | **260,079** | **6,000** | **266,079** |
| **Carrying values** | | | |
| **At 31 March 2017** | **–** | **45,476** | **45,476** |
| At 31 March 2016 | 260,079 | 51,476 | 311,555 |

The goodwill is allocated to the cash generating unit ("CGU"), 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 is indications that goodwill might be impaired.

## 19. GOODWILL *(Continued)*

As at 31 March 2017, the goodwill is approximately HK$45,476,000 (2016: approximately HK$311,555,000).

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

During the year ended 31 March 2017, the Group recognized impairment loss of approximately HK$266,079,000 (2016: Nil) in relation to goodwill arising on new energy power system integration business and sales of solar power related products.

The key assumption used for cash flow projections for the new energy power system integration business and sales of solar power related products are as follows:

**New energy power system integration business**

| | |
|---|---|
| Discount rate | 9.43% |
| Operating margin* | 25% |
| Growth rate | Reference to the project being under negotiation and the estimated project revenue |

Management has due and careful to consider the impairment loss on goodwill arising from new energy power system integration business. Although the Group signed memorandum of undertaking with the customers, it still has uncertainty for execution in the near future. Therefore, impairment loss of approximately HK$260,079,000 was recognized.

**Sales of solar power related products**

| | |
|---|---|
| Discount rate | 17% |
| Operating margin* | 27% |
| Growth rate | Reference to the co-operation agreement |

* Defined as profit before income tax expenses divided by revenue

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on management expectation.

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

## 20. INVENTORIES

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Merchandize for re-sale | **6,635** | 7,069 |
| Spare parts | **1,873** | 1,995 |
| | **8,508** | 9,064 |
| Less: Provision for slow moving and obsolete inventories | **(8,114)** | (8,645) |
| Exchange adjustment | **312** | 333 |
| | **706** | 752 |

## 21. ACCOUNTS AND BILLS RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Accounts receivables | **113,461** | 217,060 |
| Bills receivables | **11,039** | 20,999 |
| Less: Allowance for doubtful debts | **(44,542)** | (8,803) |
| | **79,958** | 229,256 |

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

At 31 March 2017, the aging analysis of the Group's accounts and bills receivables based on transaction date was as follows:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current to 60 days | **5,100** | 133,799 |
| 61 to 90 days | **–** | 29,913 |
| Over 90 days | **119,400** | 74,347 |
| | **124,500** | 238,059 |
| Less: Allowance for doubtful debts | **(44,542)** | (8,803) |
| | **79,958** | 229,256 |

As at 31 March 2017, the top five customers accounted for 10.05% (2016: 80.86%) of the Group's accounts receivables.

## 21. ACCOUNTS AND BILLS RECEIVABLES *(Continued)*

### *AGING 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 31 March 2017, accounts receivables of approximately HK$74,858,000 (2016: approximately HK$64,826,000) 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 aging of these overdue accounts receivables but not impaired based on due date is as follows:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 91 to 120 days | **–** | 18,878 |
| 121 to 150 days | **–** | 49 |
| Over 150 days | **74,858** | 45,899 |
| | **74,858** | 64,826 |

Movement in the allowance for doubtful debts:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Balance at the beginning of the year | **8,803** | 4,782 |
| Allowance for doubtful debts | **37,102** | 4,345 |
| Exchange adjustment | **(1,363)** | (324) |
| Balance at the end of the year | **44,542** | 8,803 |

Included in accounts receivables, there are retention money receivable of approximately HK$23,871,000 (2016: HK$23,871,000) due from customers and due within one year.

## 22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments included the following:

(a) Deposit of approximately HK$11,264,000 (2016: approximately HK$12,880,000) for purchase of trading goods.

(b) Deposit of Nil (2016: approximately HK$2,400,000) for acquisition of land use right in the PRC.

(c) Prepayment of approximately HK$8,785,000 (2016: approximately HK$18,616,000) for new energy power system integration business for construction contract.

## 23. HELD-FOR-TRADING FINANCIAL ASSETS

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| The movement in held-for-trading financial assets summarized as follows: | | |
| At the beginning of the year | **–** | – |
| Additions | **22,412** | – |
| At the end of the year | **22,412** | – |

On 19 August 2016, 陝西百科新能源科技發展有限公司 (unofficial English translation being Shaanxi Baike New Energy Technology Development Co., Ltd.) ("Shaanxi Baike"), an indirect wholly-owned subsidiary of the Company, and 喀什天慶光電科技有限公司 (unofficial English translation being Kashii Tianqing New Energy Co., Ltd) ("Kashii Tianqing") entered into a cooperation agreement ("Cooperation Agreement") pursuant to which, among other matters, Shaanxi Baike and Kashii Tianqing have agreed to cooperate in the construction of a large-scale grid-connected solar photovoltaic power station ("Tibet Solar Power Station") with an expected capacity of 20MW on the land ("Tibet Land") located in the Lazi County of the Tibet Autonomous Region of the PRC and Shaanxi Baike has agreed to transfer 100% interest in 拉孜百科新能源科技有限公司 (unofficial English translation being Lazi Baike New Energy Technology Limited) ("Lazi Baike"), an indirect wholly-owned subsidiary of the Company which had obtained the land use right of the Tibet Land from the Lazi County people's government, to Kashii Tianqing after completion of the construction of the Tibet Solar Power Station and the power integration.

Upon signing of the Cooperation Agreement, Laizi Baike was derecognised from a wholly-owned subsidiary of the Company to held-for-trading financial assets of the Company.

Upon completion of the construction of the Tibet Solar Power Station and the transfer of the legal title of Lazi Baike from the Company to Kashii Tianqing, the Company will record in its books a disposal of held-for-trading financial assets. A gain on disposal of held-for-trading financial assets will be recognised in the statement of profit and loss and other comprehensive income of the Company.

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Listed securities held for trading: | | |
| Market value of equity securities listed in New York | | |
| Cost | **24,250** | 24,250 |
| Change in fair value | **(22,966)** | (22,733) |
| 31 March | **1,284** | 1,517 |

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

## 25. BANK BALANCES AND CASH

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Cash at bank and on hand | **13,180** | 7,604 |
| Bank balances and cash in the consolidated statement of financial position and in the consolidated statement of cash flows | **13,180** | 7,604 |

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Cash and bank deposits denominated in: | | |
| Hong Kong dollars | **751** | 455 |
| Chinese Renminbi | **12,203** | 6,854 |
| United States dollars | **226** | 295 |
| | **13,180** | 7,604 |

Included in the balance was approximately HK$11,818,000 (2016: approximately HK$6,132,000), representing bank deposits denominated in Renminbi placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

The effective interest rates on bank deposits ranged from 0.05% to 0.35% (2016: from 0.05% to 0.35%) per annum.

## 26. AMOUNTS DUE FROM CUSTOMERS UNDER CONTRACT WORKS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Cost incurred | – | 84,746 |
| Recognised profits | – | 57,134 |
| | – | 141,880 |
| Progressive billing | – | (141,880) |
| Due from customers | – | – |

Retention money receivable due within one year of approximately HK$23,871,000 (2016: approximately HK$23,871,000) is included in accounts receivable.

## 27. ACCOUNTS PAYABLES

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Accounts payables | 25,838 | 106,533 |

At 31 March 2017, the aging analysis of the Group's accounts payables based on transaction date was as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Current to 60 days | 601 | 79,706 |
| 61 to 90 days | – | – |
| Over 90 days | 25,237 | 26,827 |
| | 25,838 | 106,533 |

## 28. 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 and Mr. Chiu Tung Ping, the amounts are approximately HK$1,772,000 (2016: approximately HK$592,000), HK$590,000 (2016: approximately HK$470,000) and approximately HK$1,059,000 (2016: approximately HK$677,000) respectively.

There is amount due to Dynatek Limited amounting to HK$1,020,000 (2016: HK$660,000). The amount is unsecured, interest free and has no fixed repayment term.

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

## 29. OTHER LOAN

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Other loan (note (a)) | **19,840** | 19,840 |
| Other loan (note (b)) | **–** | 4,176 |
| Other loan (note (c)) | **1,500** | – |
| | **21,340** | 24,016 |

(a) Other loan amounting to HK$19,840,000 (2016: HK$19,840,000) is interest bearing on 12% per annum, unsecured and repayable on demand.

(b) Other loan amounting to Nil (2016: approximately HK$4,176,000) is interest bearing on 1.5% to 1.65% per annum, secured by bills receivables and has fixed repayment term.

(c) Other loan amounting to HK$1,500,000 (2016: Nil) 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:

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| On demand or within one year | **21,340** | 24,016 |
| Less: Amount shown under non-current liabilities | **–** | – |
| Amount shown under current liabilities | **21,340** | 24,016 |

## 30. CONVERTIBLE BONDS

### *2011 CONVERTIBLE BONDS ("2011 CB")*

On 1 June 2011 ("Issue Date"), the Company issued the ten-year zero coupon convertible bonds at par with a nominal value of HK$163,100,000 to the vendor, in acquiring of the entire issued share capital of China Technology Solar Power Holdings Limited, a company incorporated in the British Virgin Islands ("CTSP (BVI)"), and its subsidiaries ("Target Group"). The convertible bonds are denominated in 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 amount should be subject to change in relation to a profit guarantee made by the vendor to the Company. Refer to a supplementary agreement made between the vendor and the Company on 30 January 2012, the amount of profit guarantee was increased to HK$40,000,000 and the guarantee period was extended to 30 September 2012. In the event that the profit guarantee could not be achieved, the principal amount of the Tranche II CB will be adjusted to HK$0 if the profit guarantee is equivalent to or less than HK$15,000,000 or a loss.

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 in the principal amount of HK$50,000,000 was adjusted to HK$0.

There was no conversion of convertible bonds for the year ended 31 March 2017.

For the year ended 31 March 2016, Tranche I CB with a nominal value of HK$15,000,000 were converted by the bondholders into 30,000,000 ordinary shares at a conversion price of HK$0.5 per ordinary share.

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

## 30. CONVERTIBLE BONDS *(Continued)*

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

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

**2017**

| | **Tranche I HK$'000** |
|---|---|
| Equity component of convertible bonds at the beginning of the year | **27,997** |
| Conversion of convertible bonds | **–** |
| Equity component at 31 March | **27,997** |
| Liability component of convertible bonds at the beginning of the year | **32,347** |
| Conversion of convertible bonds | **–** |
| Imputed finance costs (Note 9) | **3,484** |
| Liability component at 31 March | **35,831** |

2016

| | Tranche I HK$'000 |
|---|---|
| Equity component of convertible bonds at the beginning of the year | 39,097 |
| Conversion of convertible bonds | (11,100) |
| Equity component at 31 March | 27,997 |
| Liability component of convertible bonds at the beginning of the year | 32,542 |
| Conversion of convertible bonds | (3,900) |
| Imputed finance costs (Note 9) | 3,705 |
| Liability component at 31 March | 32,347 |

## 31. DEFERRED TAXATION

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

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At 1 April | **4,100** | 6,628 |
| Exchange adjustment | **(97)** | (85) |
| Deferred taxation credited to consolidated statement of profit or loss and other comprehensive income (Note 11) | **(736)** | (2,443) |
| At 31 March | **3,267** | 4,100 |

Deferred tax assets are recognized for tax losses carry forwards to the extent that the realization of related tax benefits through the future taxable profits is probable. The Group did not recognize deferred tax assets of approximately HK$7,830,000 (2016: approximately HK$7,242,000) that can be carried forward against future taxable income. Losses amounting to approximately HK$47,455,000 (2016: approximately HK$43,891,000). The tax losses of approximately HK$7,256,000 (2016: approximately HK$8,854,000) that will expire within 1-5 years from the year origination. Other losses may be carried forward indefinitely.

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

### *DEFERRED TAX LIABILITIES*

| | **Accelerated tax depreciation** | | **Other temporary difference** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| At 1 April | **–** | – | **4,770** | 7,304 | **4,770** | 7,304 |
| Exchange adjustment | **–** | – | **(139)** | (91) | **(139)** | (91) |
| Credited to consolidated statement of profit or loss and other comprehensive income | **–** | – | **(736)** | (2,443) | **(736)** | (2,443) |
| At 31 March | **–** | – | **3,895** | 4,770 | **3,895** | 4,770 |

## 31. DEFERRED TAXATION *(Continued)*

### *DEFERRED TAX ASSETS*

| | Provision | | Tax losses | | Other temporary differences | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| At 1 April | **–** | – | **–** | – | **670** | 676 | **670** | 676 |
| Exchange adjustment | **–** | – | **–** | – | **(42)** | (6) | **(42)** | (6) |
| Charged to consolidated statement of profit or loss and other comprehensive income | **–** | – | **–** | – | **–** | – | **–** | – |
| At 31 March | **–** | – | **–** | – | **628** | 670 | **628** | 670 |

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Deferred tax assets | **628** | 670 |
| Deferred tax liabilities | **(3,895)** | (4,770) |
| | **3,267** | (4,100) |

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

## 32. SHARE CAPITAL

| | Authorized Ordinary shares of HK$0.1 each | |
|---|---|---|
| | No. of shares | HK$'000 |
| At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017 | 2,500,000,000 | 250,000 |

| | Issued and fully paid Ordinary shares of HK$0.1 each | |
|---|---|---|
| | No. of shares | HK$'000 |
| At 1 April 2015 | 1,183,649,214 | 118,365 |
| Shares issued pursuant to acquire a subsidiary | 216,363,636 | 21,636 |
| Shares issued on exercise of convertibles bonds | 30,000,000 | 3,000 |
| At 31 March 2016, 1 April 2016 and 31 March 2017 | 1,430,012,850 | 143,001 |

## 32. SHARE CAPITAL *(Continued)*

### *(A) SHARES ISSUED ON EXERCISE OF CONVERTIBLE BONDS*

For the year ended 31 March 2017, there was no conversion of convertible bonds.

For the year ended 31 March 2016, Tranche I convertible bonds with an aggregate principal amount of HK$15,000,000 were converted into 30,000,000 ordinary shares of HK$0.1 each in the Company at the conversion price of HK$0.5 per share.

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

### *(B) SHARES ISSUED ON ACQUISITION OF A SUBSIDIARY*

For the year ended 31 March 2016, 216,363,636 ordinary shares of HK$0.1 each were issued as consideration shares at the price of HK$0.22 per share in acquiring entire share capital in Million Keen Limited.

### *SHARE OPTIONS*

The Company has adopted a share option scheme ("New Scheme") by shareholders' resolutions passed at its Annual General Meeting held on 26 August 2014. The New Scheme became effective on 26 August 2014. No option shares have been granted under the share option scheme to any person since its adoption (2016: Nil).

## 33. BANKING FACILITIES

As at 31 March 2017, the Group did not have any banking facilities (2016: Nil).

## 34. COMMITMENTS UNDER OPERATING LEASES – LAND AND BUILDINGS

At 31 March 2017, the Group had future aggregate minimum lease payments under operating leases as follows:

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Not later than one year | **468** | 573 |
| Later than one year and not later than five years | **141** | 459 |
| | **609** | 1,032 |

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

## 35. CAPITAL COMMITMENTS

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: | | |
| – Capital injection to subsidiaries | **2,782** | 11,364 |
| – Acquisition of land use right | **–** | 24,001 |

## 36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### *(A) DISPOSAL OF A SUBSIDIARY*

On 19 August 2016, Shaanxi Baike New Energy Technology Development Co., Ltd. ("Shaanxi Baike"), an indirect wholly-owned subsidiary of the Company, and Kashii Tianqing New Energy Co., Ltd. ("Kashii Tianqing") entered into a cooperation agreement ("Cooperation Agreement") pursuant to which, among other matters, Shaanxi Baike and Kashii Tianqing have agreed to cooperate in the construction of a large-scale grid-connected solar photovoltaic power station ("Tibet Solar Power Station") with an expected capacity of 20MW on the land ("Tibet Land") located in the Lazi County of the Tibet Autonomous Region of the PRC and Shaanxi Baike has agreed to transfer 100% interest in Lazi Baike New Energy Technology Limited ("Lazi Baike"), an indirect wholly-owned subsidiary of the Company which had obtained the land use right of the Tibet Land from the Lazi County people's government, to Kashii Tianqing after completion of the construction of the Tibet Solar Power Station and the power integration.

Upon signing of the Cooperation Agreement, Laizi Baike was derecognized from a wholly-owned subsidiary of the Company to held-for-trading financial assets of the Company.

Details of the disposal were summarized as follows:

| | **HK$** |
|---|---|
| Property, plant and equipment | 132 |
| Construction in progress | 1,097 |
| Prepayments and other receivables | 22,326 |
| Bank balances and cash | 58 |
| Other payables | (1,201) |
| Net assets | 22,412 |
| Recognized as held-for-trading financial assets | (22,412) |
| | – |
| Net cash outflows arising on disposal: | |
| Bank balances and cash | 58 |

## 36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

### *(B) ACQUISITION OF A SUBSIDIARY*

For the year ended 31 March 2016, a wholly owned subsidiary of the Company acquired the entire share capital of Million Keen Limited at a consideration of approximately HK$63,827,000. The acquisition was completed on 22 May 2015. Details of the acquisition were summarized as follows:

| | | **Fair value adjustment** | **Total** |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| Property, plant and equipment | 123 | – | 123 |
| Intangible assets (Note 1) | – | 10,142 | 10,142 |
| Inventories | 3,765 | – | 3,765 |
| Accounts receivables | 1,412 | – | 1,412 |
| Other receivables | 2,962 | – | 2,962 |
| Bank balances and cash | 1,824 | – | 1,824 |
| Accounts payables | (3,568) | – | (3,568) |
| Other payables and accruals | (1,823) | – | (1,823) |
| Non-controlling interests | (2,486) | – | (2,486) |
| | 2,209 | 10,142 | 12,351 |
| Goodwill arising on consolidation (Note 19) | | | 51,476 |
| Total consideration | | | 63,827 |
| Satisfied by: | | | |
| Share consideration – 216,363,636 ordinary shares of the Company (Note 2) | | | 63,827 |
| Net cash inflows arising on acquisition: | | | |
| Bank balances and cash | | | 1,824 |

Note 1: Intangible assets represent sales of solar power related products contracts signed by a non-wholly owned subsidiary of Million Keen Limited being valued by an independent professional valuer.

Note 2: First lot of 108,181,818 ordinary shares of the Company was issued on 22 May 2015. Second lot of 108,181,818 ordinary shares of the Company was issued on 1 February 2016.

## 37. RELATED PARTY TRANSACTIONS

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

### *(A) TRANSACTIONS WITH CONNECTED OR RELATED PARTIES*

| | Note | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|---|
| Rental paid to the related parties | (i) | **579** | 593 |

Note:

(i) The Group leased office premises from Dynatek Limited ("Dynatek") in Hong Kong at an annual rental of HK$360,000 (2016: HK$360,000) for the Group's use for the year ended 31 March 2017. Besides, the Group leased office premises from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC, at an annual rental of approximately HK$138,000 (2016: approximately HK$147,000) for the Group's use. The Group leased an office premise from Mr. Hou Hsiao Wen at an annual rental of approximately HK$81,000 (2016: HK$86,000) for the year ended 31 March 2017. Dynatek is owned by Mr. Hou Hsiao Bing, the executive director of the Group. Ms. Tsou Lo Nien is a relative of Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen and Ms. Chung Po Chu is the mother of Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen.

### *(B) BALANCES WITH RELATED PARTIES*

Included in other payables and accruals, there are amounts due to executive directors, Mr. Hou Hsiao Bing, Ms. Yuen Hing Lan and Mr. Chiu Tung Ping, the amounts are approximately of HK$1,772,000 (2016: approximately HK$592,000), HK$590,000 (2016: HK$470,000) and approximately HK$1,059,000 (2016: approximately HK$677,000) respectively. The amounts are unsecured, interest free and have no fixed repayment terms.

In addition, other loan of HK$1,500,000 (2016: Nil) is due to Mr. Chiu Tung Ping. The amount is unsecured, interest free and has no fixed repayment terms.

There is also amount due to Dynatek Limited amounting to HK$1,020,000 (2016: HK$660,000). The amount is unsecured, interest free and has no fixed repayment term.

### *(C) COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL*

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Short-term benefits | **4,820** | 4,013 |
| Post-employment benefits | **54** | 54 |
| | **4,874** | 4,067 |

## 38. MAJOR NON-CASH TRANSACTIONS

During the year, the Group incurred imputed finance costs on convertible bonds of approximately HK$3,484,000 (2016: approximately HK$3,705,000).

For the year ended 31 March 2016, 216,363,636 ordinary shares of the Company were issued as consideration in acquiring 100% equity interests in Million Keen Limited.

## 39. TRANSFERRED FINANCIAL ASSETS THAT ARE DERECOGNIZED IN THEIR ENTIRELY

At 31 March 2017, the Group has discounted certain bills receivable and endorsed certain bills receivable accepted by certain banks in Mainland China ("Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of Nil and Nil (2016: approximately HK$10,233,000 and HK$14,581,000) respectively. The Derecognised Bills had a maturity of one to four months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default ("Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 March 2017 and 31 March 2016, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|
| Non-current assets | | |
| Interests in subsidiaries | **36,861** | 307,503 |
| Current assets | | |
| Other receivables, deposits and prepayments | **235** | 232 |
| Financial assets at fair value through profit or loss | **1,284** | 1,517 |
| Bank balances | **33** | 36 |
| | **1,552** | 1,785 |
| Current liabilities | | |
| Other payables and accruals | **3,171** | 1,804 |
| Amount due to a subsidiary | **–** | 390 |
| | **3,171** | 2,194 |
| Net current liabilities | **(1,619)** | (409) |
| Total assets less current liabilities | **35,242** | 307,094 |
| Non-current liabilities | | |
| Deferred tax liabilities | **2,748** | 2,748 |
| Convertible bonds | **35,831** | 32,347 |
| | **38,579** | 35,095 |
| Net liabilities (assets) | **(3,337)** | 271,999 |
| Capital and reserves | | |
| Share capital | **143,001** | 143,001 |
| Reserves (Note) | **(146,338)** | 128,998 |
| (Capital deficiency) Shareholders' funds | **(3,337)** | 271,999 |

The statement of financial position of the Company was approved and authorized for issue by Board of Directors on 23 June 2017 and are signed on its behalf by:

**Chiu Tung Ping**
*Director*

**Hu Xin**
*Director*

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

*NOTE: MOVEMENT IN RESERVES OF THE COMPANY*

| | Share premium HK$'000 | Convertible bonds reserve HK$'000 | Deficit HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2015 | 178,940 | 39,097 | (109,128) | 108,909 |
| Total comprehensive expenses for the year | – | – | (5,839) | (5,839) |
| Issue of shares in acquisition of a subsidiary | 25,423 | – | – | 25,423 |
| Issue of shares on exercise of convertible bonds | 12,000 | (11,100) | – | 900 |
| Transaction costs on issue of shares | (395) | – | – | (395) |
| | 37,028 | (11,100) | – | 25,928 |
| At 31 March 2016 and 1 April 2016 | 215,968 | 27,997 | (114,967) | 128,998 |
| Total comprehensive expenses for the year | – | – | (275,336) | (275,336) |
| At 31 March 2017 | 215,968 | 27,997 | (390,303) | (146,338) |

## 41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The following is a list of subsidiaries as at 31 March 2017:

| Name of company | Place of incorporation/ establishment/ operation and type of legal entity | Principal activities | Particular of issued share capital/ registered capital | Interest held % |
|---|---|---|---|---|
| **Subsidiaries held directly:** | | | | |
| Soluteck (BVI) Holdings Limited | British Virgin Islands ("BVI"), limited liability company | Investment holding | 1,000 ordinary shares of US$1 each | 100 |
| Delight Value Limited | BVI, limited liability company | Investment holding | 1 ordinary share of US$1 each | 100 |
| City Max International Limited | BVI, limited liability company | Investment holding | 1 ordinary share of US$1 each | 100 |
| **Subsidiaries held indirectly:** | | | | |
| Soluteck Investments Limited | Hong Kong, limited liability company | Inactive | Ordinary share capital of HK$2 and non-voting deferred share capital of HK$500,000 | 100 |
| Truth Honour Electronic Limited | Hong Kong, limited liability company | Investment holding | Ordinary share capital of HK$2 each and non-voting deferred share capital of HK$3,000,000 | 100 |

## 41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

| Name of company | Place of incorporation/ establishment/ operation and type of legal entity | Principal activities | Particular of issued share capital/ registered capital | Interest held % |
|---|---|---|---|---|
| Truth Honour (BVI) Holdings Limited | BVI, limited liability company | Investment holding | 100 ordinary shares of US$1 each | 100 |
| 一創信興(上海)計算機技術有限公司 | PRC, limited liability company | Provision of technical support of computer communication systems, technical development of network communication, development and design of system software, sales of self-produced products and provision of related technical and consultation services | Registered capital of US$1,300,000 | 100 |
| China Technology Solar Power Holdings Limited | BVI, limited liability company | Investment holding | 2 ordinary shares of US$1 each | 100 |
| 中科光電控股有限公司 | Hong Kong, limited liability company | Inactive | Ordinary share capital of HK$1 | 100 |
| 一創信興(上海)電子技術有限公司 | PRC, limited liability company | Sale of self-service ATM systems and printing systems and provision of related hardware and software technical support services | Registered capital of US$1,400,000 | 100 |

## 41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

| Name of company | Place of incorporation/ establishment/ operation and type of legal entity | Principal activities | Particular of issued share capital/ registered capital | Interest held % |
|---|---|---|---|---|
| 陝西百科新能源科技發展有限公司 | PRC, limited liability company | New energy power system integration | Registered capital of US$1,000,000 | 100 |
| China Western Energy Holdings Limited | BVI, limited liability company | Investment holding | 1 ordinary share of US$1 each | 100 |
| 甘肅眾科新能源科技有限公司 | PRC, limited liability company | Renewable energy engineering, research, development and consulting services | Registered capital of US$30,000 | 100 |
| 拉薩經濟技術開發區東科新能源科技有限公司 | PRC, limited liability company | Renewable energy engineering, research, development and consulting services | Registered capital of RMB$500,000 | 100 |
| 拉薩經濟技術開發區盈科新能源科技發展有限公司 | PRC, limited liability company | Inactive | Registered capital of RMB$1,000,000 | 100 |
| 哈密東科新能源科技發展有限公司 | PRC, limited liability company | Renewable energy engineering, research, development and consulting services | Registered capital of RMB$1,000,000 | 100 |
| Million Keen Limited | BVI, limited liability company | Investment holding | 1 ordinary share of US$1 each | 100 |

## 41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

| Name of company | Place of incorporation/ establishment/ operation and type of legal entity | Principal activities | Particular of issued share capital/ registered capital | Interest held % |
|---|---|---|---|---|
| 天津恒慶光伏科技有限公司 | PRC, limited liability company | Sales of solar power related products | Registered capital of RMB$2,000,000 | 60 |
| 西藏立能光伏科技有限公司 | PRC, limited liability company | Sales of solar power related products | Registered capital of RMB$1,000,000 | 60 |
| 信興電子(廣州保税區)有限公司 | PRC, limited liability company | Inactive | Registered capital of US$200,000 | 100 |
| 喀什東科新能源科技發展有限公司 | PRC, limited liability company | Renewable energy engineering, research, development and consulting services | Registered capital of RMB$1,000,000 | 100 |

Information about the composition of the Group at the end of reporting period is as follows:

| Principal activity | Place of incorporation | Number of non-wholly-owned subsidiary 2017 | 2016 |
|---|---|---|---|
| Sales of solar power related products | PRC | **2** | 2 |

| Principal activity | Place of incorporation | Number of wholly owned subsidiary 2017 | 2016 |
|---|---|---|---|
| Sale of self-service ATM systems, printing systems and provision of related system hardware and software technical support services | PRC | **2** | 2 |
| Renewable energy engineering, research and development and consulting services | PRC | **4** | 4 |

## 41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

### Details of non-wholly-owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interests:

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership and voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | | | | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| 天津恒慶光伏科技有限公司 | PRC | **40%** | 40% | **435** | 5,645 | **7,767** | 7,883 |

Summarized financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents the amount before intragroup elimination.

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Non-current assets | **–** | 1 |
| Current assets | **25,642** | 34,582 |
| Current liabilities | **6,078** | 14,875 |
| Equity attributable to owners of the Company | **11,797** | 11,825 |
| Non-controlling interests | **7,767** | 7,883 |

## 41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

**Details of non-wholly-owned subsidiary that has material non-controlling interests** *(Continued)*

| | Year ended 31-3-2017 HK$'000 | 22-5-2015 (date of acquisition) to 31-3-2016 HK$'000 |
|---|---|---|
| Revenue | **11,628** | 48,620 |
| Expenses | **10,540** | 34,509 |
| Profit for the year/period | **1,088** | 14,111 |
| Profit attributable to owners of the Company | **653** | 8,466 |
| Profit attributable to non-controlling interests | **435** | 5,645 |
| Profit for the year/period | **1,088** | 14,111 |
| Total comprehensive income attributable to owners of the Company | **1,204** | 8,714 |
| Total comprehensive income attributable to non-controlling interests | **(116)** | 5,397 |
| Total comprehensive income for the year/period | **1,088** | 14,111 |
| Net cash outflows from operating activities | **(99)** | (1,949) |
| Net cash inflows from investing activities | **7** | 4 |
| Net cash inflows from financing activities | **–** | 1,200 |
| Net cash outflows | **(92)** | (745) |

## 42. EVENTS AFTER THE REPORTING PERIOD

On 3 May 2017, the Group received tax decision by Hami City State Taxation Bureau Inspection Bureau, a wholly owned subsidiary of the Company was required to pay approximately HK$10,400,000 for the shortfall in the PRC Enterprise Income Tax for previous years.

In May 2017, the disposal of 100% equity interest in Lazi Baike was completed.

Due to an investigation conducted by the Independent Commission Against Corruption of Hong Kong ("ICAC") against Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen, Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen had volunteered, and the Board had agreed to suspend the day-to-day management duties of Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen with effect from 19 June 2015 until further notice. Mr. Hou Hsiao Bing has informed the Board that he and Mr. Hou Hsiao Wen have received written notifications from the ICAC dated 27 April 2017 stating that the investigation by the ICAC against them has come to an end and on the basis of the facts now known, no further investigation action in relation thereto will be pursued by the ICAC. As such, the day-to-day management duties of Mr. Hou Hsiao Bing as an executive Director have been resumed with effect from 23 June 2017.

## 43. COMPARATIVE FIGURES

Impairment loss on accounts and bill receivables of approximately HK$4,345,000 was separated from administrative expenses in the consolidated statement of profit or loss and other comprehensive income for year ended 31 March 2016 to conform with the current year's presentation.

## 44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors of the Company on 23 June 2017.