CSE

CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED

中國智慧能源集團控股有限公司*️

(Incorporated in Bermuda with limited liability)

(Stock Code: 1004)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

The Board of Directors (the "Board") of China Smarter Energy Group Holdings Limited (the "Company") announces as follows the audited consolidated results of the Company and its subsidiaries (together hereinafter referred to as the "Group") for the year ended 31 March 2018 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	Note	**2018** **HK$'000**	2017 HK$'000 (Restated)
Continuing operations			
Revenue	*4*	**345,902**	107,666
Cost of sales		**(149,455)**	(111,701)
Gross profit/(loss)		**196,447**	(4,035)
Other income		**8,818**	2,802
Other gains and losses		**(182,775)**	(236,752)
Gain on bargain purchase of subsidiaries		**7,599**	–
Selling and distribution expenses		**–**	(3,102)
Administrative and operating expenses		**(64,620)**	(76,457)
Loss from operations		**(34,531)**	(317,544)
Finance costs		**(207,378)**	(143,378)
Loss before tax		**(241,909)**	(460,922)
Income tax credit	*5*	**5,000**	4,174

* *For identification purpose only*

	Note	2018 HK$'000	2017 HK$'000 (Restated)
Loss for the year from continuing operations	*6*	**(236,909)**	(456,748)
Discontinued operations			
Loss for the year from discontinued operations		**–**	(480)
Loss on disposal of subsidiaries		**–**	(1,973)
Gain on release of exchange fluctuation reserve upon disposal of subsidiaries		**–**	107,292
		–	104,839
Loss for the year		**(236,909)**	(351,909)
Attributable to:			
Owners of the Company		**(236,738)**	(351,804)
Non-controlling interests		**(171)**	(105)
		(236,909)	(351,909)
Loss per share	*8*		
From continuing and discontinued operations			
Basic (cents per share)		**HK(2.53) cents**	HK(4.23) cents
Diluted (cents per share)		**HK(2.53) cents**	HK(4.23) cents
From continuing operations			
Basic (cents per share)		**HK(2.53) cents**	HK(5.50) cents
Diluted (cents per share)		**HK(2.53) cents**	HK(5.50) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018 *HK$'000*	2017 *HK$'000* (Restated)
Loss for the year	**(236,909)**	(351,909)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**149,168**	(58,025)
Reclassification adjustments on release of exchange fluctuation reserve upon disposal of subsidiaries	**–**	(107,292)
Other comprehensive income for the year, net of tax	**149,168**	(165,317)
Total comprehensive income for the year	**(87,741)**	(517,226)
Attributable to:		
Owners of the Company	**(87,568)**	(517,156)
Non-controlling interests	**(173)**	(70)
	(87,741)	(517,226)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	**31 March 2018** **HK$'000**	31 March 2017 HK$'000 (Restated)	1 April 2016 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**2,627,292**	948,587	959,621
Prepaid land lease payments		**1,376**	–	–
Intangible assets		**765,463**	724,989	804,293
Available-for-sale financial assets		**204,955**	213,550	7,800
Deposits for acquisitions		**337,461**	300,000	300,000
Total non-current assets		**3,936,547**	2,187,126	2,071,714
Current assets				
Prepaid land lease payments		**102**	–	–
Inventories		**–**	–	2,112
Trade and bill receivables	*9*	**440,783**	55,592	18,343
Prepayments, deposits and other receivables		**195,210**	75,757	163,940
Financial assets at fair value through profit or loss		**99,124**	200,235	367,573
Derivative financial assets – Derivative component of the convertible bonds		**10,958**	25,865	13,068
Restricted bank deposit		**311**	–	–
Time deposit and cash and bank balances		**526,994**	884,515	294,674
		1,273,482	1,241,964	859,710
Assets of disposal group classified as held for sale		**–**	–	1,132
Total current assets		**1,273,482**	1,241,964	860,842
LIABILITIES				
Current liabilities				
Trade payables	*10*	**2**	2	2
Other payables and accruals		**275,666**	80,024	76,827
Customers' deposits		**331**	317	406
Unsecured short term loans		**–**	–	5,000
Bank and other borrowings		**349,335**	40,619	15,557
Convertible bonds		**375,554**	–	–
		1,000,888	120,962	97,792
Liabilities of disposal group classified as held for sale		**–**	–	132
Total current liabilities		**1,000,888**	120,962	97,924

	Note	31 March 2018 HK$'000	31 March 2017 HK$'000 (Restated)	1 April 2016 HK$'000 (Restated)
Net current assets		**272,594**	1,121,002	762,918
Total assets less current liabilities		**4,209,141**	3,308,128	2,834,632
LIABILITIES				
Non-current liabilities				
Bank and other borrowings		**2,004,014**	792,468	690,496
Convertible bonds		**–**	326,759	438,064
Deferred tax liabilities		**273,239**	173,956	188,920
Total non-current liabilities		**2,277,253**	1,293,183	1,317,480
Net assets		**1,931,888**	2,014,945	1,517,152
EQUITY				
Equity attributable to owners of the Company				
Share capital		**23,436**	23,436	19,536
Other reserves		**1,903,959**	1,991,527	1,498,583
		1,927,395	2,014,963	1,518,119
Non-controlling interests		**4,493**	(18)	(967)
Total equity		**1,931,888**	2,014,945	1,517,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2017. Of these, the following new or revised HKFRSs are relevant to the Group.

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements.

While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 September 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

3. PRIOR YEAR ADJUSTMENTS

During the preparation of the Group's consolidated financial statements for the year ended 31 March 2018, the Directors of the Group has discovered errors in its consolidated financial statements for the years ended 31 March 2015, 2016 and 2017. Such errors were related to the accounting treatments of the 1,043,478,260 consideration shares ("Consideration Shares") that were issued by the Company in relation to the Group's acquisition ("Acquisition") of Rander International Limited ("Rander") completed on 17 February 2015 ("Acquisition Date") in the consolidated financial statements of the Group.

The consideration for the Acquisition involved a combination of cash of approximately HK$322,000,000 and Consideration Shares. The consolidated financial statements of the Group for the year ended 31 March 2015 accounted for the Consideration Shares at HK$0.23 per share based on a memorandum of understanding entered into between the Company and the then vendor of Rander on 28 January 2014 ("Agreement Date") followed by certain subsequent supplementary agreements for the Acquisition. The Directors recently came into a view that the Consideration Shares should have been accounted for at HK$1.31 per share as at the Acquisition Date in accordance with HKFRS 3 (Revised) Business Combination. The difference in accounting for the Consideration Shares based on Agreement Date and Acquisition Date is approximately HK$1,126,957,000, representing the difference between HK$0.23 per share and HK$1.31 per share times the 1,043,478,260 Consideration Shares issued for the Acquisition.

The Directors, upon discussion with current auditor, are of the view that the Group should have accounted for the Consideration Shares at HK$1.31 per share, and the Company should have recognised a goodwill of approximately HK$834,877,000, representing the total consideration of approximately HK$1,688,957,000 (based on HK$1.31 per share) minus the fair value of net assets acquired of approximately HK$854,080,000, against a gain on bargain purchase of approximately HK$292,080,000, representing the total consideration of approximately HK$562,000,000 (based on HK$0.23 per share) minus the fair value of net assets acquired of approximately HK$854,080,000. As at Acquisition Date, the Company should have reviewed the recoverable amount of the cash-generating unit to which the goodwill has been allocated and the Company should have determined that the whole amount of the goodwill is to impair to the consolidated statement of profit or loss. The overall effect would be an additional loss of approximately HK$1,126,957,000 and the overall effect on the consolidated statement of financial position would be a simultaneous increase in both share premium and accumulated losses of the same amount of approximately HK$1,126,957,000 for the financial year ended 31 March 2015, which result in no difference in net assets and total equity but would have a carry-forward effect of understatement in both share premium and accumulated losses of approximately HK$1,126,957,000 on the consolidated statements of financial position as at 31 March 2016 and 2017.

Consequently, the Group's consolidated statements of financial position as at 31 March 2017 and 2016, the consolidated statement of changes in equity for the year ended 31 March 2017, and certain explanatory notes have been restated to reflect the correction of these errors.

The correction of these errors did not impact the consolidated statement of comprehensive income for the year ended 31 March 2017.

Impact on the consolidated statement of financial position as at 31 March 2017 is as follows:

	As previously reported *HK$'000*	Prior year adjustments *HK$'000*	As restated *HK$'000*
Capital and reserve			
Reserves			
– Share premium	3,030,470	1,126,957	4,157,427
– Accumulated losses	(1,174,626)	(1,126,957)	(2,301,583)

Impact on the consolidated statement of financial position as at 31 March 2016 is as follows:

	As previously reported *HK$'000*	Prior year adjustments *HK$'000*	As restated *HK$'000*
Capital and reserve			
Reserves			
– Share premium	2,020,370	1,126,957	3,147,327
– Accumulated losses	(918,833)	(1,126,957)	(2,045,790)

4. REVENUE

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

	2018 ***HK$'000***	2017 *HK$'000* (Restated)
Sale of electricity	**222,207**	105,700
Sale of fur garment	**–**	1,215
Dividend income from unlisted available-for-sale financial assets	**115,166**	468
Dividend income from listed financial assets at fair value through profit or loss	**8,529**	283
	345,902	107,666

Sale of electricity included HK$188,407,000 (2017: HK$79,311,000) tariff subsidy received and receivable from the state grid companies in the People's Republic of China (the "PRC") based on the prevailing nationwide government policies on renewable energy for solar plants and distributed power stations.

5. INCOME TAX CREDIT

Income tax has been recognised in profit or loss as follows:

	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax – Overseas		
Provision for the year	**–**	–
	–	–
Deferred tax	**(5,000)**	(4,174)
	(5,000)	(4,174)

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for the years ended 31 March 2018 and 2017.

PRC Enterprises Income Tax has been provided at a rate of 25% (2017: 25%). During the year, nine (2017: five) subsidiaries of the Group which are engaging in the operation of solar power plants and distributed power stations have obtained the relevant preferential tax concession. These subsidiaries are fully exempted from the PRC corporate income tax for the first three years, followed by a 50% tax exemption for the next three years.

Tax charge on profits assessable elsewhere was calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the followings:

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration		
– audit services	**1,600**	830
– non-audit services	**671**	102
	2,271	932
Depreciation	**89,259**	61,280
Amortisation of intangible assets (included in cost of sales)	**34,837**	34,074
Acquisition-related costs (including in administrative and operating expenses)	**8,053**	2,574
Loss on disposal of property, plant and equipment	**–**	274
Deposits and other receivables written off	**1,415**	3,207
Operating lease charges	**13,285**	13,180
Allowance for trade receivables	**302**	–

(i) Cost of sales includes depreciation, amortisation of intangible assets and operating lease charges of approximately HK$121,989,000 (2017: HK$104,292,000).

7. DIVIDENDS

No dividends have been paid or proposed during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

8. LOSS PER SHARE

From continuing and discontinued operations

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Loss for the year attributable to owners of the Company for the purpose of calculating basic earnings per share *(HK$'000)*	**(236,909)**	(351,804)
Weighted average number of ordinary shares in issue *(thousands)*	**9,374,351**	8,310,132

Diluted loss per share for the years ended 31 March 2018 and 2017 is the same as the basic loss per share, as the Company's outstanding convertible bonds had an anti-dilutive effect on the basic loss per share for the years ended 31 March 2018 and 2017 respectively.

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations is based on the following:

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(236,909)**	(351,804)
Profit for the year from discontinued operations	**–**	(104,924)
Loss for the year attributable to owners of the Company for the purpose of calculating basic earnings per share from continuing operations	**(236,909)**	(456,728)

Diluted loss per share for the years ended 31 March 2018 and 2017 from continuing operations is the same as the basic loss per share, as the Company's outstanding convertible bonds had an anti-dilutive effect on the basic loss per share for the years ended 31 March 2018 and 2017 respectively.

From discontinued operations

Basic earnings per share for the year ended 31 March 2017 from the discontinued operations is HK1.27 cents per share, which is based on the profit for the year from discontinued operations attributable to the owners of the Company of approximately HK$104,924,000 and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

9. TRADE AND BILL RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**434,604**	52,545
Less: allowance for doubtful debts	**(302)**	–
	434,302	52,545
Bills receivables	**6,481**	3,047
	440,783	55,592

Sale of electricity

Included in the Group's trade receivables are tariff subsidy receivables amounting to HK$388,639,000 (2017: HK$43,371,000) recognised based on the prevailing nationwide government policies on renewable energy for solar plants and distributed power stations, which is subject to the settlement by the state grid companies upon finalisation of the allocation of funds by the relevant authorities to the state grid companies. The Directors expect all of the tariff subsidy will be recovered within twelve months from the end of the reporting period.

In general, sales of electricity are settled within one month from the date of billing.

Sale of fur garment

The Group normally granted a credit period ranging from 30 to 60 days to major customers. No credit to be granted by the Group to small customers.

An ageing analysis of trade receivables at the end of the reporting period based on the invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
Unbilled	**396,506**	46,513
Current to 30 days	**13,802**	367
31 days to 60 days	**6,359**	165
Over 60 days	**17,635**	5,500
	434,302	52,545

Note: Unbilled trade receivables include tariff subsidy to be billed and recovered on prevailing nationwide government policies on renewable energy from the state grid companies.

At 31 March 2018, approximately HK$157,337,000 (2017: Nil) of trade receivables were pledged to a bank to secure a bank loan.

At 31 March 2018 and 2017, an allowance was made for estimated irrecoverable trade receivables of approximately HK$302,000 (2016: Nil).

Reconciliation of allowance for trade receivables:

	2018	2017
	HK$'000	*HK$'000*
At 1 April	**–**	343
Allowance for the year	**302**	–
Amounts written off	**–**	(343)
At 31 March	**302**	–

The carrying amounts of the Group's trade receivables balances are denominated in RMB.

Receivables that were neither past due nor impaired relate to certain customers for whom there was no recent history of default. The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	2018	2017
	HK$'000	*HK$'000*
Unbilled and neither past due nor impaired	**410,308**	46,880
Less than 1 month past due	**6,359**	165
1 to 3 months past due	**3,750**	4,290
Over 3 months past due	**13,885**	1,210
	434,302	52,545

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

10. TRADE PAYABLES

The ageing analysis of trade payables, based on invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Over 60 days	**2**	2

The trade payables are non-interest bearing and normally settled on 30 to 60 days terms.

11. CONTINGENT LIABILITIES

At 31 March 2018 and 2017, the Group did not have any significant contingent liabilities.

12. EVENT AFTER THE REPORTING PERIOD

The financial year end date of the Company has been changed from 31 March to 31 December commencing from the financial period ending on 31 December 2018. Details of the change were set out in the announcement of the Company dated 29 March 2018.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of certain deposits for acquisitions previously classified under prepayments, deposits and other receivables to non-current assets, the net realised and unrealised losses on listed trading equity securities previously classified as revenue to other losses, and the operating expenses for clean energy segment previously classified as administrative and operating expenses to cost of sales. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the year ended 31 March 2018 is as follows:

- Clean Energy: approximately HK$222,207,000 (2017: HK$105,700,000)
- Trading in securities: approximately HK$8,529,000 (2017: HK$283,000)
- Investments: approximately HK$115,166,000 (2017: HK$468,000)
- Trading of fur products: HK$Nil (2017: HK$1,215,000)
- Trading of bulk commodities: HK$Nil (2017: N/A)

Revenue by Geographical Region

Ratio analysis by geographical region for the Group's revenue for the year ended 31 March 2018 is as follows:

- Hong Kong: approximately HK$115,324,000 (2017: HK$1,966,000)
- The PRC: approximately HK$230,578,000 (2017: HK$105,700,000)

BUSINESS REVIEW

Clean Energy

Clean-energy power generation business is the key development of the Group. As at the end of the reporting date, on-grid clean-energy power generation capacity of the Group is approximately 280MW (2017: 130MW), all of which are photovoltaic power generation projects locating in four provinces, Auhui, Jiangxi, Gansu and Shandong, and one municipality, Shanghai.

During the year ended 31 March 2018, the on-grid power generation was approximately 230,396,000 kilowatt hour(s) ("KWh") (2017: 117,745,000KWh) and generated revenue of approximately HK$222.2 million as compared to revenue of approximately HK$105.7 million in 2017. Profit of HK$56,766,000 was recorded during the year as compared to a loss of HK$26,248,000 in last year. The increase in profit was principally due to contribution from newly acquired solar power projects during the year ended 31 March 2018.

Details of the operation of the Group's solar power projects are as follows:

Jintai 100MW Project in Jinchang, Gansu: During the year, sale of electricity was 123,434,000KWh, representing an increase of 28.1% as compared with last year's sale of electricity of 96,348,000KWh. Sales revenue was HK$110,953,000, representing an increase of 33.8% as compared with last year's revenue of HK$82,900,000.

Xin Lan 8MW Project in Shanghai: During the year, sale of electricity was 7,962,000KWh, representing a decrease of 0.6% as compared with last year's sale of electricity of 8,013,000KWh. Sales revenue was HK$9,218,000, representing a decrease of 2.9% as compared with last year's revenue of HK$9,494,000.

Guanyang 8.25MW Project in Dezhou, Shandong: During the year, sale of electricity was 7,694,000KWh, representing an increase of 27.6% as compared with last year's sale of electricity of 6,032,000KWh. Sales revenue was HK$7,906,000, representing an increase of 24.2% as compared with last year's revenue of HK$6,367,000.

Hongxiang 8MW Project in Dezhou, Shandong: During the year, sale of electricity was 7,935,000KWh, representing an increase of 62.4% as compared last year's sale of electricity of 4,887,000KWh. Sales revenue was HK$7,350,000, representing an increase of 59.4% as compared with last year's revenue of HK$4,610,000.

Jinde 5MW Project in Dezhou, Shandong: During the year, sale of electricity was 4,797,000KWh, representing an increase of 94.6% as compared with last year's sale of electricity of 2,465,000KWh. Sales revenue was HK$4,764,000, representing an increase of 104.6% as compared with last year's revenue of HK$2,329,000.

Jiayang 10MW Project in Dezhou, Shandong: The project was newly acquired in June 2017. During the year, sale of electricity subsequent to acquisition was 7,892,000KWh, sale revenue was HK$8,260,000.

Hongyang 20MW Project in Changfeng, Anhui: The project was newly acquired in June 2017. During the year, sale of electricity subsequent to acquisition was 16,393,000KWh, sale revenue was HK$21,343,000.

Jinjian 20MW Project in Gaoan, Jiangxi: The project was newly acquired in July 2017. During the year, sale of electricity subsequent to acquisition was 13,107,000KWh, sale revenue was HK$14,752,000.

Disheng 100MW Project in Jinchang, Gansu: The project was newly acquired in November 2017. During the year, sales of electricity subsequent to acquisition was 41,182,000KWh, sale revenue was HK$37,661,000.

The electricity volume generated during the year was stable and the average utilisation hours of our solar power plants also remained stable and were approximately 1,000 over the past two years.

During the year, the Group continued to focus its resources on the expansion of solar power business and explore further opportunities for growth.

The Group is also actively seeking refinancing opportunities that may provide the Group with optimal capital structure to pursue further growth and development, while lowering the finance costs.

Trading in securities

During the year, the net realised and unrealised loss resulted from trading of listed equity securities was HK$46,676,000 (2017: HK$232,302,000). Dividend income from listed equity securities was HK$8,529,000 (2017: HK$283,000) during the year. Loss of HK$38,146,000 was recorded from this business sector during the year as compared to a record of segment loss of HK$232,019,000 last year. The decrease in loss was principally due to the realised and unrealised loss from our investment in China Shandong Hi-Speed Financial Group Limited (stock code: 412) decreased from approximately HK$231,081,000 in the year ended 31 March 2017 to approximately HK$12,527,000 in the year ended 31 March 2018.

Investments

During the year, the Group had investments in certain unlisted companies, the investment of which was to utilise its funds for potential high return on one hand, to diversify its investments and hence reduce business risk on the other. The Group closely monitors the market conditions and may consider to change its portfolio of investment from time to time. During the Year, Freewill Holdings Limited ("Freewill"), an available-for-sale investment of the Group, declared and paid dividend by way of distribution of specie in terms of shares in Satinu Resources Group Limited ("Satinu") on a pro-rata basis in proportion to respective shareholdings in Freewill (the "Distribution"). Accordingly, a dividend income of HK$112,046,000 is recognised in profit or loss during the year. Satinu's shares, as a result of the Distribution, are recognised as available-for-sale investments.

The Company reviews the recoverable amounts of its investments periodically and subsequent to the assessment, an impairment loss of HK$121,654,000 was recognised for the year.

Trading of Fur Products

Trading is the Group's traditional line of business. The trading of fur-related products once accounted for a significant portion of the Group's operation. However, fur-related products becomes less popular and as such, the Group's fur trading business declines gradually over the years. Trading of fur products was ceased during the year ended 31 March 2017.

Trading of Bulk Commodities

The Group reviews the operation of trading and considers to, among other things, introduce new trading items so as to widen the trading portfolio of the Group. During the Year, the Group develop bulk commodities trading, including but not limited to crude oil and other energy products, as one of the principal business activities of the Group. In this regard, in April 2017, the Group entered into a strategic cooperation agreement with Intelligence Cinda International Investment Limited（融智信達國際投資有限公司）, a company incorporated under the laws of Hong Kong with limited liability and an independent third party, pursuant to which the parties concerned agreed to form a strategic alliance in relation to the joint development of an international bulk commodities, including energy products, and trading platform. In December 2017, the Group and Growth Rings Holdings Pte. Ltd., a company incorporated under the laws of Singapore and an independent third party, entered into a Promoters Agreement for the establishment of a trading company, which would be incorporated under the laws of Singapore. The trading company is to be principally engaged in (i) the trading of solid, liquid and gaseous fuels and other related products; and (ii) the trading of bulk commodities derivatives.

PROSPECTS

Response to global climate change has become a major topic around the world in recent years. Under such background, the global energy system accelerated the transition to low-carbon energy. Utilisation of renewable energy at large-scale as well as cleansing and low-carbonisation of traditional energy use will be the basic trend in energy development, and expediting the development of renewable energy has become a mainstream strategy in the global energy transition. The Paris Agreement came into effect in November 2016, which meant that the development of new energy will be further accelerated. In addition, the PRC government expressly stated in its basic national policy that the country shall persist in saving resources and protecting the environment, and set the fundamental target for energy development, that is, the carbon dioxide emission of the PRC will reach the peak by 2030, and the proportion of non-fossil energy in primary energy consumption will increase to 20%. With the new urbanisation development, the construction of a green, recycling and low-carbon energy system has become necessary for the social development, which provided a favourable social environment and a broad market for the development of renewable energy such as solar power. Solar power enjoys unique advantages in terms of accessibility and energy structure adjustment, and has been widely applied all over the world, and has entered into a new phase of large-scale development.

In future, the Group will speed up the development and investment progress of its principal businesses, adhere firmly to its corporate strategy, intensify its efforts in project mergers and acquisitions as well as cooperative development, improve project operation management standard so as to enhance its asset management capability.

RESULTS OF THE GROUP

During the financial year under review, the Group recorded a revenue of approximately HK$345,902,000 as compared to revenue of approximately HK$107,666,000 in last year, The change in revenue was mainly attributable to i) increase in sales of electricity from HK$105,700,000 to HK$222,207,000, representing an increase of 110.2% when compared to last year; and ii) dividend income of HK$115,166,000 (2017: HK$468,000) from unlisted available-for-sale financial assets.

The net loss of the Group for the current year amounted to HK$236,909,000 as compared to a net loss of HK$351,909,000 in last year, representing a decrease in loss of 32.7%.

The decrease in loss was the consolidated effect of i) increase in revenue as stated above; ii) impairment loss of HK$121,654,000 (2017: HK$15,000,000) on unlisted available-for-sale financial assets; and iii) increase in finance costs from HK$143,378,000 to HK$207,378,000, representing an increase of 44.6%.

COST OF SALES

For the year ended 31 March 2018, the amount of cost of sales was approximately HK$149,455,000 (2017 (restated): HK$111,701,000), representing an increase of 33.8%, primarily due to the increase in power generation volume of solar power generation business.

OPERATING AND ADMINISTRATIVE EXPENSES

For the year ended 31 March 2018, the amount of operating and administrative expenses was approximately HK$64,620,000 (2017 (restated): HK$76,457,000). There were no significant changes for the two years under review as the basis from which the operating and administrative expenses primarily incurred was not significantly changed.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally derives cash for operation from internal cash flow and from banks in Hong Kong and the PRC. At 31 March 2018, the Group had time deposit and cash and bank balances of approximately HK$526,994,000 (2017: HK$884,515,000). At 31 March 2018, the Group's interest bearing borrowings (including bank and other borrowings and convertible bonds) amounted to approximately HK$2,728,903,000 (2017: HK$1,159,846,000). Total equity attributable to owners of the Company amounted to approximately HK$1,927,395,000 (2017: HK$2,014,963,000). Accordingly, the gearing ratio is 114.2% (2017: 13.7%).

At 31 March 2018, the Group had net current assets of approximately HK$272,594,000 (2017 (restated): HK$1,121,002,000) and current ratio (being current assets over current liabilities) of 1.3 (2017 (restated): 10.3).

CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. Net debt includes interest-bearing bank and other borrowings and convertible bonds, less time deposit and cash and bank balances and excludes discontinued operations. Capital includes equity attributable to owners of the Company. The gearing ratio at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
Borrowings		
Bank and other borrowings	**2,353,349**	833,087
Convertible bonds	**375,554**	326,759
Total borrowings	**2,728,903**	1,159,846
Less: time deposit and cash and bank balances	**(526,994)**	(884,515)
Net debt	**2,201,909**	275,331
Total equity attributable to owners of the Company	**1,927,395**	2,014,963
Gearing ratio	**114.2%**	13.7%

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

As disclosed in the announcements of the Company dated 15 November 2016 and 6 December 2016, (i) the Company entered into subscription agreements dated 15 November 2016 with three subscribers, which were then independent third parties of the Company, pursuant to which the Company allotted and issued 1,560,000,000 shares of the Company of HK$0.0025 each in aggregate under general mandate at a subscription price of HK$0.65 per share (the "Subscription"), and (ii) the net proceeds of the Subscription are approximately HK$1,014,000,000 (the "Subscription Proceeds"), which were intended to be used by the Company for the development of its photovoltaic power-related business and for general working capital purposes.

The breakdown of the actual uses of the Subscription Proceeds (i) from the date of completion of the Subscription (being 6 December 2016) to 31 March 2017, (ii) for the year ended 31 March 2018 and (iii) from 1 April 2018 up to the date of this report are set out as follows:

Subscription Proceeds used for the following purposes:	Amount of Subscription Proceeds actually used from the date of completion of the subscription to 31 March 2017	Amount of Subscription Proceeds actually used for the year ended 31 March 2018	Amount of Subscription Proceeds actually used from 1 April 2018 up to the date of this report
	HK$ million (approximately)	*HK$ million (approximately)*	*HK$ million (approximately)*
Development of photovoltaic power-related business	0.0	470.6	4.3
General working capital	8.6	34.8	2.6
Total	8.6	505.4	6.9

As at the date of this report, the total amount of the unutilised Subscription Proceeds was approximately HK$493.1 million. The Group intends to use all the unutilised Subscription Proceeds for the development of photovoltaic power related business.

It is expected that all the unutilised Subscription Proceeds will be used in the financial year ending 31 December 2018.

The Company had not conducted any equity fund raising activities during the year ended 31 March 2018. However, the Group obtained a loan of RMB478,000,000 (approximately HK$561,172,000) from a financial institution in the PRC to finance an acquisition which was completed in November 2017.

CHARGES ON ASSETS

At 31 March 2018, the Group's convertible bonds of US$50 million and secured other loan of US$30 million were secured by the shares charges over the share capital of the Group's wholly-owned subsidiaries and the first floating charges on property, assets, goodwill, rights and revenue of the Company and its certain subsidiaries.

At 31 March 2018, the Group's bank borrowing of HK$525,854,000 was secured by the Group's property plant and equipment with net carrying amount of HK$1,179,005,000 and trade receivables of HK$157,337,000.

Saved as above, no assets of the Group and the Company had been pledged to secure the bank loans at 31 March 2018.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are mainly conducted in Hong Kong dollars, United States dollars and Renminbi.

The Group is exposed to foreign exchange risk arising from its investments in the PRC.

SIGNIFICANT INVESTMENTS

The Board provides the information of the Group's investment with the carrying amount exceeding 1% of the total assets of the Group held at 31 March 2018 stated in this report as follow:

Stock code (where applicable)	Name of investment	Principal Business	Nature of Investment	Number of shares	Percentage of total share capital	Investment cost	Fair value	Impairment recognised	Dividends received	Percentage of carrying amounts to the Group's total assets
						HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
Available-for-sale investments										
Not applicable	Satinu	Investment holding, property investment, commodities dealer, money lending, nominees, integrated financial services	Investment in shares	28,150,048	4.07%	205,796	164,738	(41,058)	–	3.16%

The Company expects that the performance of the Group's investment portfolio (including the investment described above) to be affected by the following external factors:

1) Market risk arising from fluctuations in global stock markets and changes in the global economy.

2) Policy risks in China that may materially and adversely affect the outlook for companies in its portfolio.

3) Financial performance and development plans of the relevant companies, as well as the outlook of the industry in which such companies operate.

The Board will continue to review the Group's investment portfolio, implement strict risk control to minimise the impact of market volatility and closely monitor the performance of its investments from time to time in order to reduce the possible financial risk related to its investments and maximise value for the shareholders.

MATERIAL ACQUISITION OF SUBSIDIARIES

Discloseable Transaction in relation to the Acquisition of Companies that hold Solar Power Projects in the PRC

In June 2017, the Group acquired 100% equity interest in Dezhou Jiayang New Energy Company Limited 德州佳陽新能源有限公司 which owns and operates a 10MW rooftop distributed solar power station located in Dezhou City, Shandong Province, PRC.

In June 2017, the Group acquired 100% equity interest in Changfeng Hongyang New Energy Power Generation Company Limited 長豐紅陽新能源發電有限公司 which owns and operates a 20MW solar power station located in Changfeng County, Hefei City, Anhui Province, PRC.

In July 2017, the Group acquired 100% equity interest in Gaoan Jinjian Power Generation Company Limited 高安市金建發電有限公司 which owns and operates a 20MW solar power station located in Jianshan Town, Gaoan City, Jiangxi Province, PRC.

Details of these acquisitions are set out in the Company's announcement dated 2 April 2017.

Major Transaction in relation to the Acquisition of 100 MW Solar Power Project in the PRC

In November 2017, the Group had completed the acquisition of 100% equity interest in Qingdao Guxin Electricity Investment Company Limited (青島谷欣電力投資有限公司) which owns and operates a grid-connected solar power project with an installed capacity of 100MW located in Jinchuan District, Jinchang City, Gansu Province in the PRC.

Details of the acquisition are set out in the Company's announcement dated 31 March 2017.

Major Transaction in relation to the Acquisition of 300 MW Solar Power Project in the PRC

In March 2018, the Group and Shanghai Guxin Asset Management Company Limited and Shandong Runfeng Group Co. Ltd, entered into a sale and purchase agreement, pursuant to which the Group conditionally agreed to purchase the entire equity interest in Ningxia Guxin Electricity Investment Company Limited, which in turn holds a grid-connected solar power project with an installed capacity of 300MW located in Ningdong, Ningxia, the PRC.

Details of this acquisition are disclosed in the announcements issued by the Company on 13 March 2018 and 24 May 2018.

Save as disclosed above, the Group did not carry out any material acquisition and disposal during the year.

EMPLOYEES

At 31 March 2018, the Group employed around 48 employees in Hong Kong, Singapore and the PRC (31 March 2017: 37 in Hong Kong, Macau and the PRC). The Group's remuneration policies are based primarily on the prevailing market rate and the performance of individual employees. Fringe benefits, including Mandatory Provident Fund, medical benefits and training are provided. The Group has also established a discretionary bonus scheme for its management and staff with awards determined annually based upon the performance of the Group and individual employees.

CONTINGENT LIABILITIES

At 31 March 2018 and 2017, the Group did not have any significant contingent liabilities.

At 31 March 2017, the Company issued a single guarantee of RMB598,000,000 (HK$674,723,000) to a bank in respect of the loans granted by the bank to a wholly-owned subsidiary of the Company. The single guarantee was released during the year ended 31 March 2018.

The Company had not recognised any deferred income in respect of the single guarantee as its fair value cannot be reliably measured using observable market data and its transaction price was HK$Nil.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 31 August 2018 ("2018 AGM"), the register of members of the Company will be closed from Tuesday, 28 August 2018 to Friday, 31 August 2018, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 August 2018.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of all the applicable code provisions of the Code on Corporate Governance Practices (the "Code on CGP") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited as its own code on corporate governance practices. During the year ended 31 March 2018, the Company was in compliance with all code provisions set out in the Code on CGP except for the following deviation.

1. Code provision A.4.1 of the Code on CGP requires the non-executive directors should be appointed for a specific term and subject to re-election. During the year ended 31 March 2018, the terms of appointment of the three independent non-executive Directors, expired

and thereafter they are not appointed for a specific term, but they are subject to the retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with the Company's bye-laws (the "Bye-Laws").

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the Code on CGP during the year ended 31 March 2018.

Further information on the Company's corporate governance practices will be detailed in the corporate governance report contained in the annual report of the Company for the year ended 31 March 2018, which shall be sent to the Company's shareholders in due course.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transaction by the Directors.

Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2018.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

CHANGE IN INFORMATION TO DIRECTORS AND CHIEF EXECUTIVE

During the year ended 31 March 2018, pursuant to Rule 13.51B(1) of the Listing Rule, the changes in information of the Directors and Chief Executive are set out below:

On 16 August 2017, 1) Mr. Sun Liang was appointed as an Executive Director and the Chairman of the Board; and 2) Mr. Ko Tin Kwok has been appointed as the Chief Executive Officer of the Company, and the chairman of Nomination Committee of the Company.

On 16 August 2017, Mr. Wang Hao resigned as an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company and ceased to be the chairman of Nomination Committee of the Company.

On 16 August 2017, 1) Mr. Zeng Weibing was appointed as an Executive Director of the Company; and 2) Mr. Lam Kwan Sing and Mr. Hon Ming Sang tendered their resignation as Executive Directors of the Company.

On 28 December 2017, Ms. Gao Shujuan was appointed as an Executive Director of the Company.

On 29 March 2018, 1) Mr. Ko Tin Kwok was re-designated from the position of the Chief Executive Officer to the Vice Chairman of the Company; and 2) Mr. Zhang Liang was appointed as the Chief Executive Officer.

Details of the appointments and resignations of the above-mentioned Directors are set out in the announcements dated 16 August 2017, 28 December 2017 and 29 March 2018, respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's consolidated financial statements and review of the relationship with the auditors of the Company. The Audit Committee comprises all three independent non-executive Directors of the Company.

The Audit Committee has reviewed with the Group's senior management and external auditors the accounting principles and practices adopted by the Group and reviewed the Company's consolidated financial statements for the year ended 31 March 2018.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk under "Latest Information" and the Company's website at http://www.cse1004.com.

The printed copy of the Annual Report will be sent to shareholders of the Company and the soft copy of the Annual Report will be published on websites of both The Stock Exchange of Hong Kong Limited and the Company in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on 31 August 2018. Details of the AGM are set out in the notice of the AGM which constitutes part of the circular to be sent to the Company's shareholders together with the Annual Report. Notice of the AGM and the proxy form will also be available on websites of both The Stock Exchange of Hong Kong Limited and the Company.

DIRECTORS OF THE COMPANY

Mr. Sun Liang, Mr. Ko Tin Kwok, Ms. Zhao Li, Mr. Zeng Weibing, Mr. Hu Hanyang and Ms. Gao Shujuan are the executive Directors of the Company; and Mr. Fok Ho Yin, Thomas, Mr. Li Hui and Mr. Lam Cheung Mau are the independent non-executive Directors of the Company.

By order of the Board
China Smarter Energy Group Holdings Limited
Sun Liang
Chairman

Hong Kong, 25 June 2018