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 DECEMBER 2019

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 December 2019 together with comparative figures for the previous period from 1 April 2018 to 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	**Year ended 31 December 2019** ***HK$'000***	Period from 1 April 2018 to 31 December 2018 (Re-presented) *HK$'000*
Continuing operations			
Revenue	*3*	**1,122,958**	849,945
Cost of sales		**(1,021,549)**	(770,713)
Gross profit		**101,409**	79,232
Other income		**11,051**	10,038
Other gains and losses		**29,609**	(27,730)
Impairment losses on trade receivables		**(7,407)**	(7,457)
Impairment losses on loans receivable		**(32,700)**	–
Reversal of impairment losses on other receivables		**83**	15,413
Impairment loss on club membership debenture		**–**	(883)
Administrative and operating expenses		**(62,251)**	(49,868)
Profit from operations		**39,794**	18,745
Finance costs		**(160,339)**	(217,794)

* *For identification purpose only*

	Note	Year ended 31 December 2019 HK$'000	Period from 1 April 2018 to 31 December 2018 (Re-presented) HK$'000
Loss before tax		**(120,545)**	(199,049)
Income tax (expense)/credit	*5*	**(3,511)**	3,232
Loss for the year/period from continuing operations		**(124,056)**	(195,817)
Discontinued operations			
Profit for the year/period from discontinued operations	*6*	**2,195**	3,439
Loss for the year/period	*7*	**(121,861)**	(192,378)
Attributable to:			
Owners of the Company		**(122,175)**	(194,700)
Non-controlling interests		**314**	2,322
		(121,861)	(192,378)
Loss per share	*9*		
From continuing and discontinued operations			
Basic *(cents per share)*		**(1.30)**	(2.08)
Diluted *(cents per share)*		**(1.30)**	(2.08)
From continuing operations			
Basic *(cents per share)*		**(1.33)**	(2.11)
Diluted *(cents per share)*		**(1.33)**	(2.11)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Year ended 31 December 2019 *HK$'000*	Period from 1 April 2018 to 31 December 2018 (Re-presented) *HK$'000*
Loss for the year/period	**(121,861)**	(192,378)
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Fair value changes of equity instruments at fair value through other comprehensive income ("FVTOCI")	**(34,191)**	30,481
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(17,553)**	(132,106)
Other comprehensive income for the year/period, net of tax	**(51,744)**	(101,625)
Total comprehensive income for the year/period	**(173,605)**	(294,003)
Attributable to:		
Owners of the Company	**(173,919)**	(296,325)
Non-controlling interests	**314**	2,322
	(173,605)	(294,003)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**At 31 December 2019** *HK$'000*	At 31 December 2018 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,053,798**	2,289,703
Right-of-use assets		**35,870**	–
Prepaid land lease payments		**–**	1,183
Intangible assets		**627,992**	672,683
Equity instruments at FVTOCI		**231,554**	265,745
Club membership debenture		**130**	130
Deposits for acquisitions		**–**	334,155
Contract assets	*10*	**7,564**	6,785
Total non-current assets		**2,956,908**	3,570,384
Current assets			
Prepaid land lease payments		**–**	93
Trade and bill receivables	*10*	**695,021**	396,847
Prepayments, deposits and other receivables		**100,033**	115,513
Refundable deposits		**333,564**	–
Financial assets at fair value through profit or loss ("FVTPL")		**36**	49,058
Contract assets	*10*	**46,085**	29,220
Derivative financial instruments		**1,751**	5,487
Loans receivable		**–**	57,800
Restricted bank deposit		**6,979**	284
Cash and bank balances		**48,523**	125,817
Total current assets		**1,231,992**	780,119

	Note	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
LIABILITIES			
Current liabilities			
Trade payables	*11*	**185,716**	–
Other payables and accruals		**225,276**	237,877
Lease liabilities		**8,851**	–
Bank and other borrowings		**1,277,312**	787,891
Current tax liabilities		**1,502**	1,472
Total current liabilities		**1,698,657**	1,027,240
Net current liabilities		**(466,665)**	(247,121)
Total assets less current liabilities		**2,490,243**	3,323,263
Non-current liabilities			
Lease liabilities		**26,452**	–
Bank and other borrowings		**789,336**	1,464,293
Deferred tax liabilities		**233,271**	244,181
Total non-current liabilities		**1,049,059**	1,708,474
Net assets		**1,441,184**	1,614,789
EQUITY			
Equity attributable to owners of the Company			
Share capital		**23,436**	23,436
Other reserves		**1,410,619**	1,584,538
		1,434,055	1,607,974
Non-controlling interests		**7,129**	6,815
Total equity		**1,441,184**	1,614,789

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Going concern basis

The Group incurred a net loss of approximately HK$121,861,000 for the year ended 31 December 2019 and, as of that date, the Group's net current liabilities exceeded its current assets by approximately HK$466,665,000. As at that date, the Group's total borrowings amounted to approximately HK$2,066,648,000, of which current borrowings amounted to approximately HK$1,277,312,000, while its cash and cash equivalents amounted to approximately HK$48,523,000 only. Besides, the Group was in default of borrowings of approximately HK$299,167,000 which were due for payment in November 2019. As at 31 December 2019, the Group was also in breach of certain covenants of a borrowing with carrying amount of approximately HK$180,380,000 which required the Group to maintain the total equity attributable to owners of the Company of no less than HK$1.6 billion. Moreover, subsequent to the reporting period, the Group was in default of another borrowing of approximately HK$133,526,000 which was due for payments by instalments in February and March 2020, respectively.

These events and conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances, the directors have estimated the Group's cash requirements by the preparation of a Group cashflow forecast for the coming 12 months and have, during the year and up to the date of the approval of these consolidated financial statements, instituted the following plans and measures to mitigate the liquidity pressure, to improve the financial position of the Group and to restructure its financial obligations:

(a) The Group has been negotiating with the lenders providing borrowings to the Group to extend the maturity dates of the Group's financial obligations. On 27 March 2020, the Group obtained a confirmation from the lender providing borrowings of HK$299,167,000 to extend the maturity date to 30 June 2021.

(b) The Group has been negotiating with an independent party for the disposal of a subsidiary. The sales proceeds of the disposal would be used to settle part of the borrowings due for repayment during 2020. On 25 March 2020, the independent party confirmed that it is probable that the sales and purchases agreement of the disposal of the subsidiary will be finalised and signed by 15 April 2020.

(c) The Group has been negotiating with lenders for additional financing facilities. In March 2020, the Group entered into a co-operative agreement so that a finance company will provide borrowing up to a limit of RMB400,000,000 to the Group.

(d) The Group has been taking various cost control measures to tighten the costs of operations.

The directors of the Company therefore consider it appropriate to adopt the going concern basis in preparing these consolidated financial statements. Should the Group be unable to operate as a going concern in the foreseeable future, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been 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 new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(a) Application of new and revised HKFRSs (Cont'd)

HKFRS 16 Leases (Cont'd)

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The average incremental borrowing rates applied by the relevant group entities range from 4.24% to 7.93%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands and properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(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 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark reform	1 January 2020

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE

Disaggregation of revenue from contracts with customers by major products or service line for the year/period from continuing operation is as follows:

	Year ended 31 December 2019 *HK$'000*	Period from 1 April 2018 to 31 December 2018 *HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sale of electricity	**295,598**	225,595
– Sale of bulk commodities	**826,647**	617,569
	1,122,245	843,164
Revenue from other sources		
Dividend income from listed financial assets at FVTPL	**370**	4,784
Dividend income from equity instruments at FVTOCI	**343**	1,997
	1,122,958	849,945

Sale of electricity included HK$217,997,000 (period from 1 April 2018 to 31 December 2018: HK$168,156,000) tariff subsidy received and receivable from the state grid companies in the PRC based on the prevailing nationwide government policies on renewable energy for solar plants and distributed power stations.

4. SEGMENT INFORMATION

The Group has four operating segments as follows:

Clean energy	–	Sale of electricity
Trading in securities	–	Trading in securities comprise net gains/(losses) from trading of listed securities and dividend income from listed equity investments
Investment	–	Investments comprise dividend income from unlisted equity investments
Trading of bulk commodities	–	Trading of bulk commodities comprise the trading of solid, liquid and gaseous fuels and other related products and the trading of bulk commodities derivatives

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include unallocated corporate expenses, certain other income, finance cost and income tax. Segment assets do not include derivative financial assets, cash and bank balances and unallocated assets. Segment liabilities do not include convertible bonds, some other borrowings and unallocated liabilities. Segment non-current assets do not include equity instruments at FVTOCI and club membership debenture and deposits for acquisitions.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about operating segment profit or loss, assets and liabilities from continuing operations:

	Clean energy	**Trading in securities**	**Investments**	**Trading of bulk commodities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2019					
Revenue from external customers	295,598	–	–	826,647	1,122,245
Dividend income	–	370	343	–	713
Total revenue of reportable segments	295,598	370	343	826,647	1,122,958
Segment profit/(loss)	96,999	(221)	305	1,492	98,575
Depreciation and amortisation	179,268	–	–	78	179,346
Income tax expenses	3,066	–	–	445	3,511
Additions to segment non-current assets	–	83	–	9	92
At 31 December 2019					
Segment assets	3,366,947	5,760	231,554	189,505	3,793,766
Segment liabilities	1,588,611	542,618	2,491	188,985	2,322,705

4. SEGMENT INFORMATION (CONT'D)

Information about operating segment profit or loss, assets and liabilities from continuing operations: (Cont'd)

	Clean energy *HK$'000*	Trading in securities *HK$'000*	Investments *HK$'000*	Trading of bulk commodities *HK$'000*	Total *HK$'000*
Period from 1 April 2018 to 31 December 2018					
Revenue from external customers	225,595	–	–	617,569	843,164
Dividend income	–	4,784	1,997	–	6,781
Total revenue of reportable segment	225,595	4,784	1,997	617,569	849,945
Segment profit/(loss)	78,560	(31,712)	(10,007)	9,217	46,058
Depreciation and amortisation	134,278	–	–	83	134,361
Income tax (credit)/expenses	(4,704)	–	–	1,472	(3,232)
Additions to segment non-current assets	1,700	–	–	10	1,710
At 31 December 2018					
Segment assets	3,419,609	85,377	270,050	973	3,776,009
Segment liabilities	1,681,333	546,161	2,528	2,434	2,232,456

Reconciliations of segment revenue and profit or loss from continuing operations:

	Year ended 31 December 2019 ***HK$'000***	Period from 1 April 2018 to 31 December 2018 *HK$'000*
Revenue		
Total revenue of reportable segments	**1,122,958**	849,945
Elimination of intersegment revenue	**–**	–
Consolidated revenue from continuing operations	**1,122,958**	849,945
Profit or loss		
Total profit or loss of reportable segments	**98,575**	46,058
Unallocated amounts:		
Interest income	**4,397**	2,711
Change in fair value of derivative components of convertible bonds	**–**	(10,958)
Unallocated corporate expenses	**(63,178)**	(19,066)
Finance costs	**(160,339)**	(217,794)
Consolidated loss before tax from continuing operations	**(120,545)**	(199,049)

4. SEGMENT INFORMATION (CONT'D)

Reconciliations of segment assets and liabilities:

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
Assets		
Total assets of reportable segments	**3,793,766**	3,776,009
Assets relating to discontinued operations	**–**	73,436
Unallocated amounts:		
Cash and bank balances	**48,523**	125,809
Prepayment, deposits, other receivables and other assets	**346,611**	375,249
Consolidated total assets	**4,188,900**	4,350,503
Liabilities		
Total liabilities of reportable segments	**2,322,705**	2,232,456
Liabilities relating to discontinued operations	**–**	55,239
Unallocated amounts:		
Other payables and accruals	**96,486**	448,019
Borrowings	**328,525**	–
Consolidated total liabilities	**2,747,716**	2,735,714

Geographical information:

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location are detailed below:

	Revenue		Non-current assets	
	Year ended 31 December 2019 ***HK$'000***	Period from 1 April 2018 to 31 December 2018 *HK$'000*	**At 31 December 2019** ***HK$'000***	At 31 December 2018 *HK$'000*
The PRC	**295,968**	230,379	**2,708,808**	3,015,960
Hong Kong	**343**	1,997	**247,676**	554,014
Singapore	**826,647**	617,569	**424**	410
Consolidated total	**1,122,958**	849,945	**2,956,908**	3,570,384

4. SEGMENT INFORMATION (CONT'D)

Revenue from major customers:

	Year ended 31 December 2019 *HK$'000*	Period from 1 April 2018 to 31 December 2018 *HK$'000*
Clean energy segment		
Customer A	**235,103**	154,040
Trading of bulk commodities segment		
Customer B	**–**	171,117
Customer C	**–**	152,588
Customer D	**–**	105,285
Customer E	**–**	123,536
Customer F	**277,167**	–
Customer G	**267,979**	–
Customer H	**201,051**	–

5. INCOME TAX EXPENSE/(CREDIT)

Income tax relating to continuing operations has been recognised in profit or loss as following:

	Year ended 31 December 2019 *HK$'000*	Period from 1 April 2018 to 31 December 2018 *HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year/period	**–**	–
Current tax – Overseas		
Provision for the year/period	**10,289**	1,472
	10,289	1,472
Deferred tax	**(6,778)**	(4,704)
	3,511	(3,232)

5. INCOME TAX EXPENSE/(CREDIT) (CONT'D)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2019 (period from 1 April 2018 to 31 December 2018: Nil).

Singapore Corporate Tax has been provided at a rate of 17% (2018: 17%) on the estimated assessable profit for the year/period.

PRC Enterprise Income Tax has been provided at a rate of 25% (2018: 25%). During the year/period, eight (2018: nine) 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 having 50% tax exemption from the PRC enterprise income tax for the coming 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. DISCONTINUED OPERATIONS

In November 2018, a sale and purchase agreement (and a series of supplemental agreements entered in 2019) was entered between the Group and a purchaser in connection with the Group's disposal of all the equity interest in Shanghai Xin Lan Electric Company Limited, a then subsidiary company of the Group engaging in operation of solar plant station in Shanghai, the PRC, to the purchaser. The completion of the disposal took place in October 2019 upon the full execution of the Sale and Purchase Agreements.

	Year ended 31 December 2019 *HK$'000*	Period from 1 April 2018 to 31 December 2018 *HK$'000*
Profit for the year/period from discontinued operations:		
Revenue – Contracts with customers	**7,865**	7,332
Cost of sales	**(3,318)**	(3,839)
Gross profit	**4,547**	3,493
Other income	**1**	11
Other gains and losses	**–**	112
Administrative expenses	**(432)**	(177)
Finance costs	**(324)**	–
Profit before tax	**3,792**	3,439
Income tax expense	**(34)**	–
	3,758	3,439
Loss on disposal of operations	**(1,563)**	–
Income tax expense	**–**	–
	(1,563)	–
Profit for the year/period from discontinued operations (attributable to owners of the Company)	**2,195**	3,439

7. LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS

The Group's loss for the year/period from continuing operations is stated after charging the followings:

	Year ended 31 December 2019 *HK$'000*	Period from 1 April 2018 to 31 December 2018 *HK$'000*
Auditor's remuneration		
– audit services		
– current year/period	**1,800**	1,650
– under-provision in prior period/year	**–**	50
	1,800	1,700
Depreciation of property, plant and equipment	**138,066**	108,317
Depreciation of right-of-use assets	**7,767**	–
Amortisation of intangible assets (included in cost of sales)	**33,513**	25,961
Reversals of allowance for deposits and other receivables	**(83)**	(15,413)
Allowance for loans receivable	**32,700**	–
Operating lease charges	**–**	10,295
Allowance for trade receivables	**7,407**	7,457

(i) Cost of sales includes depreciation, amortisation of intangible assets and operating lease charges of approximately HK$169,761,000 (period from 1 April 2018 to 31 December 2018: HK$132,985,000).

8. DIVIDENDS

No dividends have been paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (period from 1 April 2018 to 31 December 2018: Nil).

9. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basis and diluted earnings per share is based on the following:

	Year ended 31 December 2019	Period from 1 April 2018 to 31 December 2018
Earnings		
Loss for the year/period attributable to owners of the Company for the purpose of calculating basic earnings per share *(HK$'000)*	**(122,175)**	(194,700)
Weighted average number of ordinary shares in issue *(thousands)*	**9,374,351**	9,374,351

Diluted loss per share for the year ended 31 December 2019 is the same as the basic loss per share, as there is no outstanding convertible bonds for the year ended 31 December 2019.

Diluted loss per share for period ended 31 December 2018 is the same as the basic loss per share, as the Company's outstanding convertible bonds have been settled for the period from 1 April 2018 to 31 December 2018.

From continuing operations

Basic and diluted loss per share from the continuing operations is HK1.33 cents per share (2018: HK2.11 cents per share), based on the loss for the year from continuing operations attributable to the owners of the Company of approximately HK$124,370,000 (2018: approximately HK$198,139,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic and diluted earnings per share from the discontinued operations is HK0.03 cents per share (2018: HK0.03 cents per share), based on the profit for the year from discontinued operations attributable to the owners of the Company of approximately HK$2,195,000 (2018: approximately HK$3,439,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

10. TRADE AND BILL RECEIVABLES AND CONTRACT ASSETS

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
Trade receivables	**718,375**	410,191
Allowance for doubtful debts	**(27,904)**	(20,960)
	690,471	389,231
Bills receivables	**4,550**	7,616
	695,021	396,847

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
Contract assets		
Tariff adjustment		
– Non-current	**7,564**	6,785
– Current	**46,085**	29,220
	53,649	36,005

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

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
Unbilled	**685,980**	386,457
Current to 30 days	**4,491**	2,774
	690,471	389,231

11. TRADE PAYABLES

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

	At 31 December 2019	At 31 December 2018
	HK$'000	*HK$'000*
Over 60 days	**185,716**	–

The trade payables are non-interest bearing and normally settled on 30 to 90 days terms.

12. CONTINGENT LIABILITIES

At 31 December 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the year ended 31 December 2019 ("Current Year") against the period from 1 April 2018 to 31 December 2018 ("Comparative Period") is as follows:

- Clean Energy: approximately HK$295,598,000 (Comparative Period: HK$225,595,000)
- Trading in securities: approximately HK$370,000 (Comparative Period: HK$4,784,000)
- Investments: approximately HK$343,000 (Comparative Period: HK$1,997,000)
- Trading of bulk commodities: HK$826,647,000 (Comparative Period: 617,569,000)

Revenue by Geographical Region

Ratio analysis by geographical region for the Group's revenue for the Current Year against Comparative Period is as follows:

- Hong Kong: approximately HK$343,000 (Comparative Period: HK$1,997,000)
- The People's Republic of China ("PRC"): approximately HK$295,968,000 (Comparative Period: HK$230,379,000)
- The Republic of Singapore ("Singapore"): approximately HK$826,647,000 (Comparative Period: HK$617,569,000)

BUSINESS REVIEW

Clean Energy

Clean-energy power generation business is the principal business of the Group. As at 31 December 2019, the Group's power generation capacity is approximately 272 megawatt(s) ("MW") (as at 31 December 2018: 280MW), all of which are photovoltaic power generation projects locating in four provinces, Gansu, Anhui, Jiangxi and Shandong, and one municipality, Shanghai.

During Current Year, the on-grid power generation was approximately 356,940,000 kilowatt hour(s) ("KWh") (Comparative Period: 257,395,000KWh) and generated revenue of approximately HK$295.6 million as compared to revenue of approximately HK$225.6 million in the Comparative Period. The revenue was mainly contributed by two 100% owned subsidiaries, namely Jinchang Jintai Photovoltaic Company Limited 金昌錦泰光伏電力有限公司 and Jinchang Disheng, which have an aggregate production capacity of 200MW. The increase in revenue is principally due to time effect relating to full year in Current Year against nine-months in Comparative Period ("Difference in Comparison Base").

Segment profit of HK$96,999,000 was recorded during the Current Year as compared to a profit of HK$78,560,000 in the Comparative Period. The increase is a principally due to Difference in Comparison Base.

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

Jintai 100MW Project in Jinchang, Gansu: During the Current Year, sale of electricity was 134,240,000KWh, representing an increase of 46.1% as compared with Comparative Period's sale of electricity of 91,864,000KWh. Sales revenue was HK$103,350,000, representing an increase of 37.4% as compared with Comparative Period's revenue of HK$75,211,000.

Xin Lan 8MW Project in Shanghai: During the Current Year, sale of electricity was 6,525,000KWh, representing an increase of 8.4% as compared with Comparative Period's sale of electricity of 6,018,000KWh. Sales revenue was HK$7,865,000, representing an increase of 7.3% as compared with Comparative Period's revenue of HK$7,332,000.

Guanyang 8.25MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was 8,890,000KWh, representing an increase of 73.4% as compared with Comparative Period's sale of electricity of 5,127,000KWh. Sales revenue was HK$8,088,000, representing an increase of 65.2% as compared with Comparative Period's revenue of HK$4,896,000.

Hongxiang 8MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was 9,110,000KWh, representing an increase of 30.2% as compared Comparative Period's sale of electricity of 6,999,600KWh. Sales revenue was HK$7,747,000, representing an increase of 22.5% as compared with Comparative Period's revenue of HK$6,322,000.

Jinde 5MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was 5,680,000KWh, representing an increase of 22.4% as compared with Comparative Period's sale of electricity of 4,639,780KWh. Sales revenue was HK$4,813,000, representing an increase of 13.1% as compared with Comparative Period's revenue of HK$4,255,000.

Jiayang 10MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was 10,430,000KWh (Comparative Period: 8,456,490KWh), representing an increase of 23.3%. Sales revenue was HK$11,043,000 (Comparative Period: HK$9,307,000), representing an increase of 18.7%.

Hongyang 20MW Project in Changfeng, Anhui: During the Current Year, sale of electricity was 24,870,000KWh (Comparative Period: 19,745,866KWh), representing an increase of 26.0%. Sales revenue was HK$28,283,000 (Comparative Period: HK$24,157,000), representing an increase of 17.1%.

Jinjian 20MW Project in Gaoan, Jiangxi: During the Current Year, sale of electricity was 19,590,000KWh (Comparative Period: 17,369,000KWh), representing an increase of 12.8%. Sales revenue was HK$21,537,000 (Comparative Period: HK$20,566,000), representing an increase of 4.7%.

Disheng 100MW Project in Jinchang, Gansu: During the Current Year, sale of electricity was 144,130,000KWh (Comparative Period: 98,657,713KWh), representing an increase of 46.1%. Sales revenue was HK$110,737,000 (Comparative Period: HK$80,939,000), representing an increase of 36.8%.

In October 2019, the Group disposed of Shanghai Xin Lan Electric Company Limited (Xin Lan 8MW Project in Shanghai) which reduced the Group's power generation capacity to 272MW as at 31 December 2019.

During the year ended 31 December 2019, the Group was engaged in certain legal cases with details as follows:

a) On 11 November 2019, Jinchang Disheng Solar Energy Company Limited*（金昌迪生太陽能發電有限公司）("Jinchang Disheng"), an indirect wholly-owned subsidiary of the Company, received an arbitration petition dated 11 October 2019 from Gansu Jintai Electricity Company Limited*（甘肅錦泰電力有限責 任公司）("Gansu Jintai") due to, inter alia, an alleged late payment on the part of Jinchang Disheng and a third party in aggregate of RMB21,985,500 (equivalent to approximately HK$24,184,050) pursuant to various service agreements entered into between, inter alia, Jinchang Disheng and Gansu Jintai. On 7 November 2019, the bank account of Jinchang Disheng was ordered by the court to be frozen. The legal process of the aforesaid case is in the preliminary stage. The Group is seeking legal advice on the aforesaid case and evaluating the potential impact. The Group is concurrently in the process of negotiating with Gansu Jintai for a settlement and an amicable disposal of the matter. As at the date of this announcement, no settlement regarding the aforesaid case has been reached.

b) The Group has initiated a lawsuit against Hongxiang New Materials Company Limited*（宏祥新材料及股份有限公司）("Hongxiang") for the recovery of, inter alia, electricity charges and late payment fee（滯納金）in the aggregate amount of RMB10,533,130.7 (equivalent to approximately HK$11,586,443.8) pursuant to a rooftop rental agreement dated 28 August 2015 and its supplemental agreement dated 6 June 2017 entered into between Hongxiang and Dezhou Miaoli New Energy Company Limited*（德州妙理新能源有限公 司）, an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, no settlement regarding the aforesaid case has been reached.

The electricity volume generated during the Current Year was stable and the average utilisation hours of our solar power plants was approximately 1,300.

During the Current 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 Current Year, the net realised and unrealised gain resulted from trading of listed equity securities was HK$6,202,000 (Comparative Period: Loss of HK$30,401,000). Loss of HK$221,000 was recorded from this business segment during the Current Year as compared to a record of segment loss of HK$31,712,000 for the Comparative Period. Dividend income from listed equity securities was HK$370,000 (Comparative Period: HK$4,784,000).

Investments

During the Current 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 investments from time to time. A dividend income of HK$343,000 is recognised in profit or loss during the Current Year (Comparative Period: HK$1,997,000).

The loss on change of fair value of HK$34,191,000 on these equity instruments at fair value through other comprehensive income was recognised during the Current Year (Comparative Period: gain on change of fair value of HK$30,481,000).

Trading of Bulk Commodities

During the Current Year, the revenue from this segment was HK$826,647,000 (Comparative Period: 617,569,000) and recorded a segment profit of HK$1,492,000 (Comparative Period: segment Profit of HK$9,217,000).

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 Current Year, the Group recorded a revenue of approximately HK$1,122,958,000 as compared to revenue of approximately HK$849,945,000 in Comparative Period, The change in revenue was a combined effect of i) increase in sales of electricity from HK$225,595,000 to HK$295,598,000, representing an increase of 31.0% when compared to Comparative Period, ii) increase in sales of bulk commodities from HK$617,569,000 to HK$826,647,000, representing an increase of 33.9% when compared to Comparative Period; and iii) time effect due to Difference in Comparison Base.

The net loss of the Group for the Current Year amounted to HK$121,861,000 (Comparative Period: HK$192,378,000), representing a decrease in loss of 36.7%. The decrease in loss was a combined effect of i) decease of finance costs of approximately HK$57.5 million caused by decrease of borrowings via settlement of convertible bonds and other borrowings; ii) increase of other gains and losses of approximately of HK$57.3 million principally caused by net realized and unrealized gain on listed trading equity securities of HK$6.2 million (Comparative Period: net realized and unrealized losses on listed trading equity securities of HK$30.4 million); iii) increase of administrative and operating expense of HK$12.4 million as a result of Difference in Comparison Base; iv) increase in impairment losses on loans receivables of HK$32.7 million; and v) increase in gain on refinancing of HK$14.2 million.

COST OF SALES

For the Current Year, the amount of cost of sales was approximately HK$1,021,549,000 (Comparative Period: HK$770,713,000), representing an increase of 32.5%, primarily due to Difference in Comparison Base.

OPERATING AND ADMINISTRATIVE EXPENSES

For the Current Year, the amount of operating and administrative expenses was approximately HK$62,251,000 (Comparative Period: HK$49,868,000). There were no significant changes for the two periods under review as the basis with which the operating and administrative expenses primarily incurred was not significantly changed. The increase was mainly due to the Difference in Comparison Base.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally derives cash for operation from internal cash flow and from banks and financial institutions in Hong Kong and the PRC. As at 31 December 2019, the Group had cash and bank balances of approximately HK$48,523,000 (At 31 December 2018: HK$125,817,000). As at 31 December 2019, the Group's interest bearing bank and other borrowings amounted to approximately HK$2,066,648,000 (At 31 December 2018: HK$2,252,184,000). Total equity attributable to owners of the Company amounted to approximately HK$1,434,055,000 (At 31 December 2018: HK$1,607,974,000). The gearing ratio is 140.7% (At 31 December 2018: 132.2%).

As at 31 December 2019, the Group had net current liabilities of approximately HK$466,665,000 (At 31 December 2018: HK$247,121,000) and current ratio (being current assets over current liabilities) of 0.73 (At 31 December 2018: 0.76).

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, less time deposit and cash and bank balances. Capital includes equity attributable to owners of the Company. The gearing ratio at the end of the reporting year/period is as follows:

	31 December 2019	31 December 2018
	HK$'000	*HK$'000*
Bank and other borrowings	**2,066,648**	2,252,184
Less: time deposit and cash and bank balances	**(48,523)**	(125,817)
Net debt	**2,018,125**	2,126,367
Total equity attributable to owners of the Company	**1,434,055**	1,607,974
Gearing ratio	**140.7%**	132.2%

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

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 gross proceeds of the Subscription are approximately HK$1,014 million (the "Subscription Proceeds"), which were intended to be used by the Company for a combined purpose of 1) the development of its photovoltaic power-related business; and 2) general working capital.

The following tables set out the utilisation of the Subscription Proceeds in different financial periods/years:

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 financial year ended 31 March 2018 and (iii) from 1 April 2018 to 31 December 2018 and (iv) for the year ended 31 December 2019 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 financial year ended 31 March 2018**	**Amount of Subscription Proceeds actually used for the period of nine-months ended 31 December 2018**	**Amount of Subscription Proceeds actually used for the year ended 31 December 2019**
	HK$ million (approximately)	*HK$ million (approximately)*	*HK$ million (approximately)*	*HK$ million (approximately)*
Development of photovoltaic power-related business	0.0	470.6	5.2	–
General working capital	8.6	34.8	381.5	113.3
Total	8.6	505.4	386.7	113.3

As at 31 December 2019, the Group had fully unutilised the Subscription Proceeds.

The Company had not conducted any equity fund raising activities during the year ended 31 December 2019. However, the Group conducted certain refinancing activities as follow:

a) One of the Group's other borrowing of US$30,000,000 (approximately HK$221,168,000) (US$30M Loan")was also mature in end of July 2018. The lender in principle agreed not to charge default interest to the Company as a series of discussions was underway between the Group and the lender to renew/extend the borrowing. In February 2019, the Group and the lender finally entered into a renewal agreement with which the US$30,000,000 (as reduced to US$27,000,000 in December 2018 as part of the conditions towards renewal) will carry an interest rate of 7.5% per annum and is additionally secured, as a result of the renewal, by 1) personal guarantee of Mr. Ko Tin Kwok, a then director of the Company; 2) shares of the Company held by two shareholders who hold less than 10% of the shares of the Company; and 3) certain loan covenants, inter alia, the total equity attributable to owners of the Company is no less than HK$1.6 billion, in addition to the prior securities brought forward. Unless previously purchased or redeemed, the Group shall redeem such borrowing in February 2021 (date of maturity) at the redemption amount which equals to the sum of the principal, and return of 10% per annum on the principal.

   During the year ended 31 December 2019, the Group's total equity attributable to owners of the Company is no less than HK$1.6 billion, rendering it technically breached the loan covenant. In addition, the default of US$20M Loan (see below) cross-defaulted this borrowing. In November 2019, the Group received a statutory demand issued by the legal representative of lender in respect of an alleged claim for a total amount of US$26,401,747.22 (equivalent to approximately HK$205,933,628.32), being, inter alia, the unpaid principal amount of the coupon bonds issued by the Company to lender together with interest accrued thereon. The Group has been in negotiation with the lender not to proceed with further steps of legal actions by providing solutions of fundraising for settlement, including but not limited to, disposal of subsidiary companies. Details are set out in the Company's announcement dated 29 November 2019.

   During the year ended 31 December 2019, the Group settled a principal of US$4,000,000, leaving the principal amount reduced to HK$179,367,000 (US$23,000,000) as at 31 December 2019.

b) The Group's other borrowing of HK$148,145,000 (initially having a principal amount of US$20 million, as subsequently reduced to USUS$19.2 million in July 2019) from a financial institution in Hong Kong was due in August 2019 ("US$20M Loan"). The Group had been in negotiation with the lender for renewal/extension. However, on 15 August 2019, the lender served a repayment notice to the Company requesting the Company to repay the full amount of USD19,404,000 (being the sum of the outstanding principal amount of the borrowing and the default interest as of 15 August 2019) and the default interest accrued on the convertible bonds from and including 15 August 2019 until the day on which all sums due in respect of the borrowing are paid by the Company. Details are set out in the Company's announcement dated 22 August 2019.

   In accordance with a settlement agreement in November 2019 between the lender and the Group, the outstanding balance (both outstanding principal and interests) is to be settled in batches with the last batch of settlement in March 2020. However, the Group was in default and subsequently another settlement agreement verbally reached and to be entered into between the lender and the Group in April 2020 that the outstanding balance (both outstanding principal and interests) is to be fully settled by batches with the last batch of settlement in June 2020.

c) The Group's other borrowings having an aggregate principal amount of HK$299,167,000 (RMB267,400,000) from a financial institution in the PRC mature in November 2019. The Group had been in negotiation with the lender for renewal/extension and in March 2020, the Group obtained a confirmation from the lender to extend the maturity date to 30 June 2021.

CHARGES ON ASSETS

The Group's US$30M Loan and US$20M Loan were secured by pledge of the share capital of certain subsidiaries of the Group and floating charges on property, assets, goodwill, rights and revenue of the Company and certain wholly-owned subsidiaries of the Company, Max Access Limited and Surplus Basic Limited, and guarantee by the Company's wholly-owned subsidiaries, Max Access Limited and Rising Group International Limited.

At 31 December 2019, the Group's bank borrowing of HK$382,809,000 was secured by the Group's property plant and equipment with net carrying amount of HK$945,253,000 and trade receivables of HK$238,763,000.

Saved as above, no assets of the Group and the Company had been pledged to secure the bank loans at 31 December 2019.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are mainly conducted in Renminbi and USD. Currently the Group has not implemented any foreign currency forward contracts to hedge the Group's exchange rate exposure. However, the Group will consider necessary policies, where needed, to minimise its foreign currency exposure in the future.

SIGNIFICANT INVESTMENTS

The Group had no significant investments with carrying amount exceeding 5% of the total asset of the Group as at 31 December 2019.

The Board provides the information of the Group's investment with the carrying amount exceeding 5% of the total assets of the Group held at 31 December 2018 stated in this announcement as follow:

Stock code (where applicable)	Name of investment	Principal Business	Nature of Investment	Number of shares	Percentage of total share capital	Fair value as at 31 December 2018 *HK$'000*	Dividends received *HK$'000*	Percentage of carrying amounts to the Group's total assets
Financial assets at FVTOCI								
Not applicable	Satinu Resources Group Limited	Investment holding, property investment, commodities dealer, money lending, nominees, integrated financial services	Investment in shares	28,150,048	2.72%	225,120	–	5.17%

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

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.

In May 2018, the Group and the vendors entered into a supplemental agreement to the sale and purchase agreement, pursuant to which the parties agreed to (i) include an additional condition; and (ii) amend certain terms of the sale and purchase agreement regarding the rights and obligations of the first vendor and the second vendor.

On 27 June 2018, as additional time is required to prepare and finalise certain information to be included in the circular for the acquisition, the Group announced that it expected that the despatch date of the circular will be postponed to a date falling on or before 30 September 2018.

On 27 September 2018, the Group announced that 1) as additional time is required for the parties to satisfy the conditions for completion, the purchaser, the first vendor, the target company and the project company have entered into a second supplemental agreement to the sale and purchase agreement dated 27 September 2018, pursuant to which the parties have agreed to extend the long stop date to 30 June 2019. Save as disclosed above, all other terms of the sale and purchase agreement shall remain unchanged and in full force and effect; 2) as additional time is required to prepare and finalise certain information to be included in the circular, it is expected that the despatch date of the circular will be postponed to a date falling on or before 31 March 2019.

On 29 March 2019, as additional time is required for the parties to satisfy the conditions for completion, the purchaser, the first vendor, the target company and the project company have entered into a third supplemental agreement to the sale and purchase agreement dated 29 March 2019, pursuant to which the parties have agreed to extend the long stop date to 31 December 2019.

On 31 December 2019, as no agreement was reached by the parties to the agreement to further extend the long stop date and the conditions have not been fulfilled by the long stop date, the agreement has lapsed. Accordingly, the parties shall have no further obligation to proceed with the Acquisition and no parties shall have any claim against the other thereunder.

Details of this acquisition are disclosed in the announcements issued by the Company on 13 March 2018, 24 May 2018, 27 June 2018, 27 September 2018, 29 March 2019 and 31 December 2019.

Disposal of Shanghai Xin Lan Electric Company Limited having 8MW solar power station in Shanghai, PRC

In November 2018, a sale and purchase agreement (and a series of supplemental agreements entered in 2019) (the "Sale and Purchase Agreements") was entered between the Group and a purchase, a company incorporated in the PRC, in connection with the Group's disposal of all the equity interest in Shanghai Xin Lan Electric Company Limited, a then subsidiary company of the Group engaging in operation of solar plant station, to the purchase, the completion of which took place in October 2019 upon the full execution of the Sale and Purchase Agreements.

Save as disclosed above, the Group did not carry out any material acquisition and disposal during the Current Year and the Comparative Period.

EMPLOYEES

At 31 December 2019, the Group employed around 38 employees in Hong Kong, Singapore and the PRC (31 December 2018: 36). 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

The Group did not have any significant contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Current Year (Comparative Period: 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, 26 June 2020 ("2020 AGM"), the register of members of the Company will be closed from Tuesday, 23 June 2020 to Friday, 26 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 22 June 2020.

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 Current Year, 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 Current Year, 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");

2. Code provision A.5.1 of the CG Code requires the Nomination Committee to be chaired by the Chairman of the Board or an independent non-executive director. During the Current Year, the chairman of the Nomination Committee was Mr. Ko Tin Kwok, a then Executive Director and Vice Chairman of the Board. In this regard, Mr. Zhang Liang, an Executive Director and Chairman of the Board, was appointed to replace Mr. Ko Tin Kwok as the chairman of the Nomination Committee, details of which are set out in the Company's announcement dated 30 August 2019;

3. Under Code Provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

   During the Current Year, the Company has not separated the roles of chairman and chief executive officer of the Company since 30 August 2019. Mr. Zhang is acting as the chairman of the Board and our chief executive officer of the Company who is responsible for overseeing the operations of the Group during reporting period. In view of the present composition of the Board, Mr. Zhang's in-depth knowledge and experience in the industry in which the Group operates and his familiarity with the operations of the Group, the Company believes that it is in the best interest of the Group for Mr. Zhang to assume both roles as the Chairman and the chief executive officer of the Company. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole; and

4. Following the resignation of Mr. Li Hui on 5 December 2019, the number of independent non-executive directors ("INEDs') on the Board and the audit committee of the Company (the "Audit Committee") had fallen below the minimum of three members as required under Rules 3.10(1) and 3.21 of the Listing Rulesand the Company had not yet appointed an additional INED within three months from 5 December 2019 under Rules 3.11 and 3.23 of the Listing Rules.

   In order to ensure compliance with the Listing Rules, the Company will make its best endeavours to identify new additional INED and new additional member of the Audit Committee as soon as practicable and in any event on or before 4 May 2020 under the waiver from strict compliance with Rules 3.10(1), 3.11, 3.21 and 3.23 of the Listing Rules granted to the Company on 11 March 2020, details of which are set out in the Company's announcements dated 5 December 2019 and 11 March 2020.

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 Current Year.

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 Current Year, 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 Current Year.

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 Current Year, 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 6 June 2019, Ms. Zhao Li tendered her resignation as an executive director of the Company as she would like to devote more time to pursue her own businesses.

On 16 August 2019, Mr. Zeng Weibing tendered his resignation as an executive director of the Company as he would like to devote more time to pursue his own businesses.

On 20 August 2019, Mr. Zhang Liang was appointed as an executive director of the Company and was subsequently appointed as the Chairman of the Board and Chairman of the Nomination Committee of the Company on 30 August 2019.

On 30 August 2019, Mr. Sun Liang tendered his resignation as an executive director of the Company as he would like to devote more time to pursue his own business. Accordingly, Mr. Sun Liang also ceased to be the Chairman of the Board with effect from the same date.

On 5 December 2019, Mr. Li Hui tendered his resignation as an independent non-executive director of the Company as he would like to devote more time to pursue his own business. Accordingly, Mr. Li Hui also ceased to be the member of audit committee, remuneration committee and nomination committee of the Company with effect from the same date.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Current Year, 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 two independent non-executive Directors of the Company as at 31 December 2019.

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 Current Year.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by RSM Hong Kong, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2019.

Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the consolidated financial statements, which indicates the Group incurred a net loss of approximately HK$121,861,000 for the year ended 31 December 2019 and, as of that date, the Group's net current liabilities exceeded its current assets by approximately HK$466,665,000. As at that date, the Group's total borrowings amounted to approximately HK$2,066,648,000, of which current borrowings amounted to approximately HK$1,277,312,000, while its cash and cash equivalents amounted to approximately HK$48,523,000 only. Besides, the Group was in default of borrowings of approximately HK$299,167,000 which were due for payment in November 2019. As at 31 December 2019, the Group was also in breach of certain covenants of a borrowing with carrying amount of approximately HK$180,380,000 which required the Group to maintain the total equity attributable to owners of the Company of no less than HK$1.6 billion. Moreover, subsequent to the reporting period, the Group was in default of another borrowing of approximately HK$133,526,000 which was due for payments by instalments in February and March 2020 respectively.

As stated in note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 December 2019 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 Current 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 26 June 2020. 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. Zhang Liang, Mr. Hu Hanyang, Mr. Weng Xiaoquan, Mr. Bo Dateng, Mr. Gao Fei and Mr. Yin Yilin are the executive directors of the Company; and Mr. Fok Ho Yin, Thomas 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
Zhang Liang
Chairman

Hong Kong, 31 March 2020