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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 2020

The Board of Directors (the "Board") of China Smarter Energy Group Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (together hereinafter referred to as the "Group") for the year ended 31 December 2020 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	**2020** ***HK$'000***	2019 *HK$'000*
Continuing operations			
Revenue	*3*	**560,450**	1,122,958
Cost of sales		**(449,466)**	(1,021,549)
Gross profit		**110,984**	101,409
Other income		**8,458**	11,051
Other gains and losses		**(147)**	29,609
Impairment losses on property, plant and equipment		**(309,861)**	–
Impairment losses on intangible assets		**(144,399)**	–
Impairment losses on trade receivables		**(694)**	(7,407)
Impairment losses on loans receivable		**–**	(32,700)
(Impairment losses)/reversal of impairment losses on other receivables		**(13,907)**	83
Provisions for litigations and claims		**(236,932)**	–
Administrative and operating expenses		**(59,543)**	(62,251)

* *For identification purpose only*

	Note	**2020** *HK$'000*	2019 *HK$'000*
(Loss)/profit from operations		**(646,041)**	39,794
Finance costs		**(169,682)**	(160,339)
Loss before tax		**(815,723)**	(120,545)
Income tax credit/(expense)	*5*	**38,369**	(3,511)
Loss for the year from continuing operations		**(777,354)**	(124,056)
Discontinued operations			
Profit for the year from discontinued operations	*6*	**–**	2,195
Loss for the year	*7*	**(777,354)**	(121,861)
Attributable to:			
Owners of the Company		**(772,377)**	(122,175)
Non-controlling interests		**(4,977)**	314
		(777,354)	(121,861)
Loss per share	*9*		
From continuing and discontinued operations			
Basic *(cents per share)*		**(8.24)**	(1.30)
Diluted *(cents per share)*		**(8.24)**	(1.30)
From continuing operations			
Basic *(cents per share)*		**(8.24)**	(1.33)
Diluted *(cents per share)*		**(8.24)**	(1.33)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(777,354)**	(121,861)
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Fair value changes of financial assets at fair value through other comprehensive income ("FVTOCI")	**(42,490)**	(34,191)
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**33,561**	(17,553)
Other comprehensive income for the year, net of tax	**(8,929)**	(51,744)
Total comprehensive income for the year	**(786,283)**	(173,605)
Attributable to:		
Owners of the Company	**(781,306)**	(173,919)
Non-controlling interests	**(4,977)**	314
	(786,283)	(173,605)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,708,778**	2,053,798
Right-of-use assets		**20,340**	35,870
Intangible assets		**479,265**	627,992
Financial assets at FVTOCI	*10*	**189,064**	231,554
Club membership debenture	*10*	**130**	130
Contract assets	*11*	**–**	7,564
Total non-current assets		**2,397,577**	2,956,908
Current assets			
Trade and bill receivables	*11*	**813,194**	695,021
Prepayments, deposits and other receivables		**80,367**	100,033
Refundable deposits	*12*	**335,646**	333,564
Financial assets at fair value through profit or loss ("FVTPL")		**46**	36
Contract assets	*11*	**–**	46,085
Derivative financial instruments		**25,841**	1,751
Loans receivable		**–**	–
Restricted bank deposit		**1,299**	6,979
Cash and bank balances		**36,780**	48,523
Total current assets		**1,293,173**	1,231,992

	Note	2020 HK$'000	2019 HK$'000
LIABILITIES			
Current liabilities			
Trade payables	*13*	**47**	185,716
Other payables and accruals		**395,291**	225,276
Amounts due to related parties		**46,302**	–
Provisions for litigations and claims		**250,354**	–
Lease liabilities		**6,026**	8,851
Bank and other borrowings		**1,769,733**	1,277,312
Current tax liabilities		**8,288**	1,502
Total current liabilities		**2,476,041**	1,698,657
Net current liabilities		**(1,182,868)**	(466,665)
Total assets less current liabilities		**1,214,709**	2,490,243
Non-current liabilities			
Lease liabilities		**14,796**	26,452
Bank and other borrowings		**350,994**	789,336
Deferred tax liabilities		**194,018**	233,271
Total non-current liabilities		**559,808**	1,049,059
Net assets		**654,901**	1,441,184
EQUITY			
Equity attributable to owners of the Company			
Share capital		**23,436**	23,436
Other reserves		**629,313**	1,410,619
		652,749	1,434,055
Non-controlling interests		**2,152**	7,129
Total equity		**654,901**	1,441,184

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 and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

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.

Going concern basis

The Group incurred a net loss of approximately HK$777,354,000 for the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$1,182,868,000. As at that date, the Group's total borrowings amounted to approximately HK$2,120,727,000, of which current borrowings amounted to approximately HK$1,769,733,000, while its cash and cash equivalents amounted to approximately HK$36,780,000 only.

On 15 May 2020, the Company received a winding-up petition issued by Cheer Hope Holdings Limited ("Cheer Hope") concerning a sum of approximately US$26,402,000 (equivalent to HK$205,935,000)(the "Cheer Hope Petition") and on 9 July 2020, the Company received another winding-up petition issued by AI Global Investment SPC (formerly known as Haitong Global Investment SPC III) ("AI Global") concerning a sum of approximately US$7,601,000 (equivalent to HK$59,288,000)(the "AI Global Petition"). Details of these two petitions were set out in the announcements of the Company dated 15 May 2020, 20 May 2020 and 10 July 2020. The total outstanding principal and interest payable of these two loans were HK$349,369,000 (equivalent to RMB293,179,000) as at 31 December 2020.

As at 31 December 2020, the Group was also in default of the repayment of other loans with total principal amount of RMB745,400,000 (equivalent to HK$885,685,000), and the installment repayments of a loan with total principal amount of RMB465,900,000 (equivalent to HK$553,582,000).

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.

On 27 January 2021, Qingdao Guxin Electricity Investment Company Limited ("Qingdao Guxin"), a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement (the "S&P Agreement") with Gansu Jintai Electricity Company Limited ("Gansu Jintai") to sell the entire issued share capital of Qingdao Guxin's wholly owned subsidiary, Jinchang Disheng Solar Energy Company Limited ("Jinchang Disheng"), and the outstanding shareholder's loan of approximately RMB138,480,000 due from Jinchang Disheng to the Group at a consideration of RMB350,000,000 (the "Consideration") (the "Jinchang Disheng Disposal"). The completion of the Jinchang Disheng Disposal is conditional upon satisfaction of the conditions precedent set out in the S&P Agreement, including the approval from the shareholders of the Company in the Company's extraordinary general meeting to be convened. Details of the Jinchang Disheng Disposal are set out in the Company's announcement dated 27 January 2021. The Jinchang Disheng Disposal has not yet been completed as at the date of approval of these financial statements.

1. BASIS OF PREPARATION (CONT'D)

Going concern basis (Cont'd)

The first payment of the Consideration amounting to RMB300,000,000 was received by the Group on 3 February 2021. Should the Jinchang Disheng Disposal eventually not be completed, the Group will be required to refund RMB300,000,000 to Gansu Jintai.

On 3 February 2021, the Group made a payment of RMB129,778,000 to AI Global. On 5 February 2021, the Company and AI Global have executed and filed a consent summons to the High Court of Hong Kong to withdraw the AI Global Petition and an order of the same has been granted.

On 3 February 2021, the Group had also made a payment of RMB163,401,000 to Cheer Hope. Cheer Hope and the Company have executed and filed a consent summons to the High Court of Hong Kong to dismiss the Cheer Hope Petition. On 30 April 2021, the Company received the sealed court order from the High Court of Hong Kong that, inter alia, the Cheer Hope Petition was dismissed.

The directors have estimated the Group's cash requirements by preparing a Group cashflow forecast for the 12 months ending 31 December 2021 and have, during the year and up to the date of the approval of these consolidated financial statements, instituted the following financing plans and measures to mitigate the liquidity pressure on the Group, to restructure its financial obligations and to improve its financial position:

(a) The Group has been working to complete the procedures required to execute the Jinchang Disheng Disposal;

(b) The Group has been negotiating with its lenders for the extension of the maturity dates of debts fallen due or expected to fall due within the next 12 months;

(c) The Group has been negotiating with its lenders of borrowings maturing after the next 12 months, requesting to further delay the loan repayment schedules;

(d) The Group has been working to obtain other possible financings;

(e) The Group has been working to dispose certain of its other solar power plants.

The directors of the Company therefore consider it appropriate in light of the above financing plans and measures 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 Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The application of the amendments had no impact on the consolidated financial statements.

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 applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. 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 16 COVID-19 Related Rent Concession	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Definition of Accounting Estimates	1 January 2023
Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	date to be determined

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 from continuing operation is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sale of electricity	**309,980**	295,598
– Sale of bulk commodities	**250,095**	826,647
	560,075	1,122,245
Revenue from other sources		
Dividend income from unlisted investment funds at FVTPL	**1**	–
Dividend income from listed financial assets at FVTPL	**–**	370
Dividend income from financial assets at FVTOCI	**374**	343
	560,450	1,122,958

Sale of electricity included HK$245,750,000 (year ended 31 December 2019: HK$217,997,000) 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 some other borrowings and unallocated liabilities. Segment non-current assets do not include financial assets at FVTOCI and club membership debenture and contract assets.

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 2020					
Revenue from external customers	309,980	–	–	250,095	560,075
Dividend income	–	1	374	–	375
Total revenue of reportable segments	309,980	1	374	250,095	560,450
Segment (loss)/profit	(372,188)	(47,818)	329	(16,240)	(435,917)
Depreciation and amortisation	168,401	3,481	–	997	172,879
Income tax (credit)/expenses	(38,745)	394	–	(18)	(38,369)
Additions to segment non-current assets	–	39	–	–	39
Impairment losses on property, plant and equipment	309,861	–	–	–	309,861
Impairment losses on intangible assets	144,399	–	–	–	144,399
At 31 December 2020					
Segment assets	3,111,237	16,943	189,064	1,444	3,318,688
Segment liabilities	1,701,477	653,969	2,491	16,943	2,374,880

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*
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

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

	2020 ***HK$'000***	2019 *HK$'000*
Revenue		
Total revenue of reportable segments	**560,450**	1,122,958
Elimination of intersegment revenue	**–**	–
Consolidated revenue from continuing operations	**560,450**	1,122,958
Profit or loss		
Total profit or loss of reportable segments	**(435,917)**	98,575
Unallocated amounts:		
Interest income	**40**	4,397
Provisions for litigations and claims	**(181,432)**	–
Unallocated corporate expenses	**(28,732)**	(63,178)
Finance costs	**(169,682)**	(160,339)
Consolidated loss before tax from continuing operations	**(815,723)**	(120,545)

4. SEGMENT INFORMATION (CONT'D)

Reconciliations of segment assets and liabilities:

	2020	2019
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**3,318,688**	3,793,766
Unallocated amounts:		
Cash and bank balances	**36,780**	48,523
Prepayment, deposits, other receivables and other assets	**335,282**	346,611
Consolidated total assets	**3,690,750**	4,188,900
Liabilities		
Total liabilities of reportable segments	**2,374,880**	2,322,705
Unallocated amounts:		
Other payables and accruals	**172,764**	96,486
Provisions for litigations and claims	**181,432**	–
Borrowings	**306,773**	328,525
Consolidated total liabilities	**3,035,849**	2,747,716

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**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**309,981**	295,968	**2,204,344**	2,701,244
Hong Kong	**374**	343	**2,964**	15,992
Singapore	**250,095**	826,647	**1,075**	424
Consolidated total	**560,450**	1,122,958	**2,208,383**	2,717,660

4. SEGMENT INFORMATION (CONT'D)

Revenue from major customers:

	2020	2019
	HK$'000	*HK$'000*
Clean energy segment		
Customer A	**228,898**	235,103
Trading of bulk commodities segment		
Customer B	**–**	277,167
Customer C	**–**	267,979
Customer D	**–**	201,051
Customer E	**95,797**	–

5. INCOME TAX (CREDIT)/EXPENSE

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

	2020	2019
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax – Overseas		
Provision for the year	**12,474**	10,289
	12,474	10,289
Deferred tax	**(50,843)**	(6,778)
	(38,369)	3,511

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

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2020 (2019: Nil).

No provision for Singapore Corporate Tax is required since the Group has no assessable profit for the year ended 31 December 2020 (2019: at a rate of 17%).

PRC Enterprise Income Tax has been provided at a rate of 25% (2019: 25%). During the year, eight (2019: eight) 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 or are entitling to PRC enterprise income tax at concessionary rate of 15% during the reporting period.

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.

The reconciliation between the income tax credit/expense and the product of loss before tax multiplied by the PRC EIT rate is as follows:

	2020	2019
	HK$'000	*HK$'000*
Loss before tax (from continuing operations)	**(815,723)**	(120,545)
Tax at the PRC EIT rate of 25% (2019: 25%)	**(203,931)**	(30,136)
Tax effect of income that is not taxable	**(62)**	(57)
Tax effect of expenses that are not deductible	**13,684**	11,794
Tax effect of temporary differences not recognised	**133,277**	3,376
Effect on tax holiday on assessable profit of subsidiaries established in the PRC	**(6,184)**	(6,124)
Tax effect of utilisation of tax losses not previously recognised	**–**	(3,675)
Tax effect of tax losses not recognised	**23,910**	19,292
Effect of different tax rates of subsidiaries	**937**	9,041
Income tax (credit)/expense (relating to continuing operations)	**(38,369)**	3,511

6. DISCONTINUED OPERATIONS

In November 2018, a sale and purchase agreement (and a series of supplemental agreements entered into in 2019) (the "Sale and Purchase Agreements") was entered into between the Group and a purchaser, an independent third party and 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 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.

	2019 *HK$'000*
Profit for the year from discontinued operations:	
Revenue – Contracts with customers	7,865
Cost of sales	(3,318)
Gross profit	4,547
Other income	1
Other gains and losses	–
Administrative expenses	(432)
Finance costs	(324)
Profit before tax	3,792
Income tax expense	(34)
	3,758
Loss on disposal of operations	(1,563)
Income tax expense	–
	(1,563)
Profit for the year from discontinued operations (attributable to owners of the Company)	2,195

6. DISCONTINUED OPERATIONS (CONT'D)

Profit for the year from discontinued operations include the following:

	2019
	HK$'000
Depreciation of property, plant and equipment	3,161
Depreciation of right-of-use assets	332
Auditor's remuneration	–
Gain on disposal of property, plant and equipment	–

Cash flows from discontinued operations:

Net cash inflows from operating activities	259
Net cash inflows from investing activities	95
Net cash outflows from financing activities	(354)
Net cash outflows	–

7. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration		
– audit services	**1,800**	1,800
– other services	**270**	–
	2,070	1,800
Depreciation of property, plant and equipment	**136,775**	141,227
Depreciation of right-of-use assets	**9,120**	8,099
Amortisation of intangible assets (included in cost of sales)	**33,221**	33,513
Impairment losses on property, plant and equipment	**309,861**	–
Impairment losses on intangible assets	**144,399**	–
Impairment losses/(reversal of impairment losses) on other receivables	**13,907**	(83)
Impairment losses on loans receivable	**–**	32,700
Operating lease charges	**1,163**	4,932
Impairment losses on trade receivables	**694**	7,407

(i) Cost of sales includes depreciation, amortisation of intangible assets and operating lease charges of approximately HK$168,290,000 (2019: HK$169,761,000).

8. DIVIDENDS

No dividends have been paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (year ended 31 December 2019: Nil).

9. LOSS PER SHARE

From continuing and discontinued operations

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

	2020	2019
Earnings		
Loss for the year attributable to owners of the Company for the purpose of calculating basic earnings per share *(HK$'000)*	**(772,377)**	(122,175)
Weighted average number of ordinary shares in issue *(thousands)*	**9,374,351**	9,374,351

Diluted loss per share is the same as the basic loss per share as the Company did not have any dilutive potential shares for the financial years ended 31 December 2020 and 2019.

From continuing operations

Basic and diluted loss per share from the continuing operations is HK8.24 cents per share (2019: HK1.33 cents per share), based on the loss for the year from continuing operations attributable to the owners of the Company of approximately HK$772,377,000 (2019: approximately HK$124,370,000) 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 HK$Nil cents per share (2019: HK0.03 cents per share), based on the profit for the year from discontinued operations attributable to the owners of the Company of approximately HK$Nil (2019: approximately HK$2,195,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

10. FINANCIAL ASSETS AT FVTOCI AND CLUB MEMBERSHIP DEBENTURE

	Note	**2020** **HK$'000**	2019 HK$'000
Unlisted equity securities			
Company A	*(i)*	**177,424**	182,398
Company B	*(ii)*	**3,147**	32,362
Company C	*(iii)*	**8,493**	16,794
Total financial assets at FVTOCI		**189,064**	231,554
Club membership debenture	*(iv)*	**130**	130
		189,194	231,684
Analysed as:			
Non-current assets			
Financial assets at FVTOCI		**189,064**	231,554
Club membership debenture		**130**	130
		189,194	231,684

Financial assets at FVTOCI and club membership debenture are denominated in the following currencies:

	2020 **HK$'000**	2019 HK$'000
Hong Kong dollars	**189,194**	231,684

The unlisted equity investments relate to investments in private entities, which were intended to hold for long-term strategic purpose at the time of acquisitions. Company A, Company B and Company C are engaged in the provision of advisory and financial services, investment in securities trading and money lending, respectively.

Notes:

(i) At 31 December 2020, the Group had shareholding of approximately 2.27% (2019: 2.27%) in Company A.

The fair value of the investment in Company A as at 31 December 2020 was estimated by Eidea Professional Services Company Limited, independent professional qualified valuer, derived from estimations of the equity value by using market approach with reference to recent market transactions.

(ii) At 31 December 2020, the Group had shareholding of approximately 5.07% (2019: 5.07%) in Company B.

The fair value of the investment in Company B as at 31 December 2020 was estimated by Eidea Professional Services Company Limited, independent professional qualified valuer, derived from estimations of the equity value by using market approach with reference to benchmarks of price-to-book ratio.

10. FINANCIAL ASSETS AT FVTOCI AND CLUB MEMBERSHIP DEBENTURE (CONT'D)

Notes: (Cont'd)

(iii) At 31 December 2020, the Group had shareholding of approximately 2.58% (2019: 4.60%) in Company C.

The fair value of the investment in Company C as at 31 December 2020 was estimated by Eidea Professional Services Company Limited, independent professional qualified valuer, derived from estimations of the equity value by using market approach with reference to benchmarks of price-to-book ratio.

(iv) Club membership debenture is classified as amortised costs at initial recognition. The Group does not intend to dispose the investment in the near future.

During the year ended 31 December 2020, no impairment loss on club membership debenture was recognised (2019: Nil).

11. TRADE AND BILL RECEIVABLES AND CONTRACT ASSETS

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**838,999**	718,375
Allowance for doubtful debts	**(30,368)**	(27,904)
	808,631	690,471
Bills receivables	**4,563**	4,550
	813,194	695,021

	2020	2019
	HK$'000	*HK$'000*
Contract assets		
Tariff adjustment		
– Non-current	**–**	7,564
– Current	**–**	46,085
	–	53,649

11. TRADE AND BILL RECEIVABLES AND CONTRACT ASSETS (CONT'D)

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

	2020	2019
	HK$'000	*HK$'000*
Unbilled	**646,998**	623,589
0 to 30 days	**27,059**	18,936
Over 30 days	**134,574**	47,946
	808,631	690,471

12. REFUNDABLE DEPOSITS

	2020	2019
	HK$'000	*HK$'000*
Refundable deposits	**335,646**	333,564

The Group paid deposits for the potential acquisition of solar power plant in Ningdong, Ningxia, the PRC. Details of the potential acquisition were disclosed in the Company's announcements on 11 December 2015 and 13 March 2019.

At 31 December 2019, as no agreement was reached by the Group and the potential vendor to the further extension of the completion date of the potential acquisition, the potential acquisition has been lapsed and terminated. Accordingly, the parties shall have no further obligation to proceed with the potential acquisition and the deposit paid would be refunded in due course.

In March 2020, the Group agreed a repayment timetable with the vendor for settlement before September 2020, and such was pledged by certain solar plants and machineries owned by the vendor to secure the repayments of the deposits to the Group. The vendor was in default of the payment on 30 September 2020. The deposits have not been repaid during the year and the Group continuously negotiated with the vendor for the repayments of the deposits.

The directors estimated the ECL of the refundable deposits to be insignificant as at 31 December 2020 and considered the deposits would be fully recoverable.

Pursuant to a separate agreement dated 9 June 2021 entered into between the Group and the vendor, the vendor intended to transfer certain assets held by the vendor to the Group to settle the refundable deposits. The final settlement amount will be finalised after the Group completes the due diligence review of the assets to be transferred and a final settlement agreement is signed between the Group and the vendor.

13. TRADE PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
Over 60 days	**47**	185,716

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

14. LEGAL PROCEEDINGS

(a) During the year ended 31 December 2019, Gansu Jintai and 林范有, who were the former shareholders (collectively the "Former Shareholders") of Jinchang Jintai, a subsidiary of the Group, initiated arbitrations against 上海典陽光伏電力有限公司(" 上海典陽"), an indirectly owned subsidiary of the Group, for outstanding receivables of RMB146,000,000 (equivalent to approximately HK$163,344,000) and RMB41,000,000 (equivalent to approximately HK$45,871,000), respectively, in respect of the acquisition of Jinchang Jintai in 2014. As at 31 December 2019, according to the opinion from the Group's legal advisor, 上海典陽 already paid the consideration in accordance with the said sale and purchase contract and the Former Shareholders did not have a valid ground for the claim. Accordingly, in the opinion of the directors, no provision for litigation was required to be made for the year ended 31 December 2019.

Pursuant to a settlement agreement ("Settlement Agreement") entered into between, inter alia, 上海典陽, Gansu Jintai and 林范有 on 27 January 2021, the Group was required to make immediate repayment of RMB98,478,000 (equivalent to HK$117,012,000) and corresponding late penalties of RMB9,227,000 (equivalent to HK$10,964,000). These amounts were included in the provisions for litigations and claims as at 31 December 2020 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

(b) On 11 November 2019, Jinchang Disheng received an arbitration petition dated 11 October 2019 from Gansu Jintai due to, inter alia, an alleged late payment on the part of Jinchang Disheng and a third party in aggregate of RMB21,986,000 (equivalent to approximately HK$24,185,000) 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 of HK$6,699,000 was ordered by the court to be frozen. Pursuant to the Settlement Agreement entered into between, inter alia, Jinchang Disheng and Gansu Jintai on 27 January 2021, the Group was required to make immediate repayment of RMB18,333,000 (equivalent to HK$21,783,000) and corresponding late penalties of RMB1,419,000 (equivalent to HK$1,686,000). These amounts were included in the provisions for litigations and claims as at 31 December 2020 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

(c) On 20 November 2019, 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 in the aggregate amount of RMB10,533,000 (equivalent to approximately HK$11,586,000) 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, an indirect wholly-owned subsidiary of the Company. As at the approval date of these financial statements, no settlement regarding the aforesaid case has been made. On 11 December 2020, Hongxiang initiated a lawsuit counterclaiming against Dezhou Miaoli for recovery of, inter alia, electricity and late payment fee in the aggregate amount of RMB6,080,000 (equivalent to HK$7,224,000). With reference to advice of the Group's legal advisor, the directors estimated the Group will likely to be liable to pay a total of approximately RMB6,080,000 (equivalent to HK$7,224,000). The Group recognised the amount in the financial statements during the year ended 31 December 2020 and included in provision for litigations and claims and other payables and accruals as at 31 December 2020.

14. LEGAL PROCEEDINGS (CONT'D)

(d) During the year ended 31 December 2020, Jinchang Jintai and a third party received an arbitration petition from Gansu Jintai due to an alleged late payment on the part of Jinchang Jintai and a third party in aggregate of RMB22,027,000 (equivalent to HK$26,172,000) pursuant to various service agreements entered into between, inter alia, Jinchang Jintai and Gansu Jintai. During the year ended 31 December 2020, pursuant to a Settlement Agreement entered into between, inter alia, Jinchang Jintai and Gansu Jintai on 27 January 2021 and the judgement made by the court in the PRC in relation to this litigation, the Group was required to make payments of RMB21,210,000 (equivalent to HK$25,202,000) and corresponding late penalties of RMB1,701,000 (equivalent to HK$2,021,000) to Gansu Jintai and RMB21,706,000 (equivalent to HK$25,791,000) and corresponding late penalties of RMB3,575,000 (equivalent to HK$4,248,000) to a third party. These amounts were included in the provisions for litigations and claims as at 31 December 2020 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

(e) During the year ended 31 December 2020, Gansu Jintai, initiated arbitrations petition against Jinchang Jintai, for outstanding receivables of RMB47,771,000 (equivalent to approximately HK$56,762,000) and corresponding late penalties of RMB4,533,000 (equivalent to HK$5,386,000) in respect of the acquisition of Jinchang Jintai in 2014. The Group is concurrently in the process of negotiating with Gansu Jintai for a settlement and an amicable disposal of the matter. The aggregate amount was included in the provisions for litigations and claims as at 31 December 2020 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

(f) During the year ended 31 December 2020, 中民新能投資集團有限公司 who was the former shareholder of Gaoan Jinjian, a subsidiary of the Group, initiated arbitrations against Shanghai Gorgeous Smarter Energy Company Limited, an indirectly owned subsidiary of the Group, and Gaoan Jinjian, for outstanding receivables due from Shanghai Gorgeous Smarter Energy Company Limited of RMB15,582,000 (equivalent to approximately HK$18,515,000) and corresponding late penalties of RMB3,286,000 (equivalent to approximately HK$3,904,000) and outstanding receivables due from Gaoan Jinjian of RMB6,435,000 (equivalent to HK$7,646,000), in respect of the Group's acquisition of Gaoan Jinjian in 2017. As at the approval date of these financial statements, no settlement regarding the aforesaid case has been reached. With reference to advice of the Group's legal advisor, the directors estimated that the Group would likely to be liable to pay a total of approximately RMB25,303,000 (equivalent to HK$30,065,000) for this case. The Group recognised the amount in the financial statements during the year and included in provision for litigations and claims and other payables and accruals as at 31 December 2021.

(g) Subsequent to the reporting period, there were legal claims brought against subsidiaries of the Group by certain service providers of the clean energy segment. In the opinion of the directors, adequate liabilities of these claims were already provided in provisions for litigations and claims and other payables as at 31 December 2020.

The Group consider that there were no significant contingent liabilities arising from these cases.

15. CONTINGENT LIABILITIES

At 31 December 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil) other than as disclosed in note 14.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the year ended 31 December 2020 ("Current Year") against the year ended 31 December 2019 ("Comparative Year") is as follows:

- Clean Energy: approximately HK$309,980,000 (Comparative Year: approximately HK$295,598,000)

- Trading in securities: approximately HK$1,000 (Comparative Year: approximately HK$370,000)

- Investments: approximately HK$374,000 (Comparative Year: approximately HK$343,000)

- Trading of bulk commodities: HK$250,095,000 (Comparative Year: approximately HK$826,647,000)

Revenue by Geographical Region

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

- Hong Kong: approximately HK$374,000 (Comparative Year: approximately HK$343,000)

- The People's Republic of China ("PRC"): approximately HK$309,981,000 (Comparative Year: approximately HK$295,968,000)

- The Republic of Singapore ("Singapore"): approximately HK$250,095,000 (Comparative Year: approximately HK$826,647,000)

BUSINESS REVIEW

Clean Energy

Clean-energy power generation business is the principal business of the Group. As at 31 December 2020, the Group's installed capacity is approximately 272 megawatt(s) ("MW") (as at 31 December 2019: 272MW), all of which are photovoltaic power generation projects locating in four provinces, Gansu, Anhui, Jiangxi and Shandong.

During the Current Year, sale of electricity of the on-grid was approximately 332,990,000 kilowatt hour(s) ("KWh") (Comparative Year: approximately 365,940,000KWh) and generated revenue of approximately HK$309,980,000 as compared to revenue of approximately HK$295,598,000 in the Comparative Year. 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.

Segment loss of approximately HK$372,188,000 was recorded during the Current Year as compared to a profit of approximately HK$96,999,000 in the Comparative Year. The current year loss is principally due to the combined effect of i) impairment losses on property, plant and equipment of approximately HK$309,861,000 during the year (Comparative Year: HK$Nil); and ii) impairment losses on intangible assets of approximately HK$144,399,000 during the year (Comparative Year: HK$Nil).

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 approximately 130,080,000KWh, representing a decrease of 3.1% as compared with Comparative Year's sale of electricity of approximately 134,240,000KWh. Sales revenue was approximately HK$106,921,000, representing an increase of 3.5% as compared with Comparative Year's revenue of approximately HK$103,350,000.

Xin Lan 8MW Project in Shanghai: The project have been disposed last year. The sale of electricity was approximately 6,525,000 KWh, the sales revenue was approximately HK$7,865,000 last year.

Guanyang 8.25MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was approximately 7,626,000KWh, representing a decrease of 14.2% as compared with Comparative Year's sale of electricity of approximately 8,890,000KWh. Sales revenue was approximately HK$7,605,000, representing a decrease of 6% as compared with Comparative Year's revenue of approximately HK$8,088,000.

Hongxiang 8MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was approximately 4,536,000KWh, representing a decrease of 50.2% as compared Comparative Year's sale of electricity of approximately 9,110,000KWh. Sales revenue was approximately HK$4,527,000, representing a decrease of 41.6% as compared with Comparative Year's revenue of approximately HK$7,747,000.

Jinde 5MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was approximately 4,387,000KWh, representing a decrease of 22.8% as compared with Comparative Year's sale of electricity of approximately 5,680,000KWh. Sales revenue was approximately HK$4,425,000, representing a decrease of 8.1% as compared with Comparative Year's revenue of approximately HK$4,813,000.

Jiayang 10MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was approximately 8,241,000KWh (Comparative Year: approximately 10,430,000KWh), representing a decrease of 21%. Sales revenue was approximately HK$8,188,000 (Comparative Year: approximately HK$11,043,000), representing a decrease of 25.9%.

Hongyang 20MW Project in Changfeng, Anhui: During the Current Year, sale of electricity was approximately 23,209,000KWh (Comparative Year: approximately 24,870,000KWh), representing a decrease of 6.7%. Sales revenue was approximately HK$29,614,000 (Comparative Year: approximately HK$28,283,000), representing an increase of 4.7%.

Jinjian 20MW Project in Gaoan, Jiangxi: During the Current Year, sale of electricity was approximately 20,894,000KWh (Comparative Year: approximately 19,590,000KWh), representing an increase of 6.7%. Sales revenue was approximately HK$23,669,000 (Comparative Year: approximately HK$21,537,000), representing an increase of 9.9%.

Disheng 100MW Project in Jinchang, Gansu: During the Current Year, sale of electricity was approximately 135,203,000KWh (Comparative Year: approximately 144,130,000KWh), representing a decrease of 6.2%. Sales revenue was approximately HK$110,405,000 (Comparative Year: approximately HK$110,737,000), representing a decrease of 0.3%.

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$Nil (Comparative Year: Profit of HK$6,202,000). Loss of approximately HK$47,818,000 was recorded from this business segment during the Current Year as compared to a record of segment loss of approximately HK$221,000 for the Comparative Year. Dividend income from listed equity securities was approximately HK$1,000 (Comparative Year: approximately HK$370,000).

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 approximately HK$374,000 is recognised in profit or loss during the Current Year (Comparative Year: approximately HK$343,000).

The loss on change of fair value of approximately HK$42,490,000 on these financial assets at fair value through other comprehensive income was recognised during the Current Year (Comparative Year: approximately HK$34,191,000).

Trading of Bulk Commodities

During the Current Year, the revenue from this segment was approximately HK$250,095,000 (Comparative Year: approximately 826,647,000) and recorded a segment loss of approximately HK$16,240,000 (Comparative Year: segment Profit of approximately HK$1,492,000).

PROSPECTS

China officially made its commitment to the world that green development and carbon neutrality are the key macro themes in its long-term development. It aims to achieve "carbon neutrality" before 2060 and have carbon dioxide emissions reaching its peak before 2030. The proportion of non-fossil energy to total energy consumption will increase from 15.9% in 2020 to 20% in 2025 and further to 25% in 2030. The energy consumption and carbon dioxide emissions per unit of GDP will reduce by 13.5% and 18%, respectively during the 14th Five-year Plan period. The government plans to implement systems focusing on carbon intensity control and supported by the control on total carbon emissions. It implies that the economic structure will transform towards energy concentration and the efficiency of energy utilization is expected to improve and the energy structure will transform towards low carbon intensity. China's 14th Five-year Plan requires to vigorously expand the size of wind power and photovoltaic power generation. As of the end of 2020, the installed capacities of photovoltaic power and on-grid wind power in China amounted to 253.43GW and 281.53 GW, respectively. Based on the target of reaching over 1.2 billion KW in total installed capacities of wind power and solar power generation, the newly-added installed capacities of wind power and photovoltaic power will reach 665GW from 2020 to 2030. During the period, China will "reasonably control" the construction size and development pace of coal-fired power generation projects. At the same time, China will advance the green transformation of iron & steel, petrochemical, construction materials and other traditional industries that have high energy consumption. It will also adopt other measures such as the implementation of the market-based trading of energy usage quota and carbon emission quota.

In the new energy sector, energy storage and comprehensive energy services will enjoy huge development potential. In addition to the traditional energy storage such as peak-load shifting and on-grid frequency modulation, at least 8 provinces in China have explicitly required the construction of 5%-20% ancillary energy storage facilities for newly-built wind power and solar plant stations. For existing plants, enterprises are encouraged to equip energy storage facilities appropriately in different stages. Comprehensive energy services are an important path in accelerating the digital and intelligent transformation of the energy industry, which plays a key role in improving the efficiency of the energy system and the modernization of industrial chains and supply chains. For the power industry, it will innovate and improve the integration of power sources, grid, load and storage, increase the power distribution business and develop distributed energy, microgrid, energy storage, intelligent charging and discharging for electric vehicles, demand-side response and other intelligent and high-efficient energy utilization models to promote the intelligent and green improvement of industries, transportation, construction and other scenarios with energy consumption. With the power system as the center, it will speed up the construction of Internet-based energy platforms. It will promote the digital upgrading of facilities in all links covering production, transportation, storage, sales and use of energy and implement the digital construction and transformation of coal mines, oil and gas fields, power plants and grids. It will facilitate the construction of digital platforms based on supply and demand matching, production services, supervision and management and other business relations, including data center, control center and trading platforms.

China's green development policies will not only bring precious historical opportunities for the development of new energy in China, it will also propel the development of global new energy and its comprehensive utilization. The Company will seize the historical opportunity and actively expand its business development in energy storage, comprehensive energy services and other industries based on its existing photovoltaic power generation business and energy trading.

RESULTS OF THE GROUP

During the Current Year, the Group recorded a revenue of approximately HK$560,450,000 as compared to revenue of approximately HK$1,122,958,000 in Comparative Year, The change in revenue was due to the decrease in sales of bulk commodities from approximately HK$826,647,000 to approximately HK$250,095,000, representing a decrease of 69.7%.

The net loss of the Group for the Current Year amounted to approximately HK$777,354,000 (Comparative Year: approximately HK$121,861,000), representing an increase in loss of 537.9%. The increase in loss was a combined effect of i) increase in provisions for litigations and claims of approximately HK$236,932,000; ii) increase in impairment losses on property, plant and equipment of approximately HK$309,861,000; and iii) increase in impairment losses on intangible assets of approximately HK$144,399,000.

COST OF SALES

For the Current Year, the amount of cost of sales was approximately HK$449,466,000 (Comparative Year: approximately HK$1,021,549,000), representing a decrease of 56.0%, primarily due to decrease in cost of sales of bulk commodities from approximately HK$822,367,000 to approximately HK$256,555,000, representing an decrease of 68.8%.

OPERATING AND ADMINISTRATIVE EXPENSES

For the Current Year, the amount of operating and administrative expenses was approximately HK$59,543,000 (Comparative Year: approximately HK$62,251,000). 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.

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 2020, the Group had cash and bank balances of approximately HK$36,780,000 (At 31 December 2019: approximately HK$48,523,000). As at 31 December 2020, the Group's interest bearing bank and other borrowings amounted to approximately HK$2,120,727,000 (At 31 December 2019: approximately HK$2,066,648,000). Total equity attributable to owners of the Company amounted to approximately HK$652,749,000 (At 31 December 2019: approximately HK$1,434,055,000). The gearing ratio is 319.3% (At 31 December 2019: 140.7%).

As at 31 December 2020, the Group had net current liabilities of approximately HK$1,182,868,000 (At 31 December 2019: approximately HK$466,665,000) and current ratio (being current assets over current liabilities) of 0.52 (At 31 December 2019: 0.73).

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 is as follows:

	31 December 2020 *HK$'000*	31 December 2019 *HK$'000*
Bank and other borrowings	**2,120,727**	2,066,648
Less: time deposit and cash and bank balances	**(36,780)**	(48,523)
Net debt	**2,083,947**	2,018,125
Total equity attributable to owners of the Company	**652,749**	1,434,055
Gearing ratio	**319.3%**	140.7%

Save as the minimum public float imposed by the Stock Exchange, neither the Company nor its subsidiaries are subject to externally imposed capital restrictions.

The Company had not conducted any equity fund raising activities during the Current Year. However, the Group conducted certain refinancing activities as follow:

(i) At 31 December 2020, the Group's bank borrowings of HK$553,582,000 (2019: HK$521,361,000) were guaranteed by a subsidiary up to a total amount of RMB465,900,000 (equivalent to HK$553,582,000) (2019: RMB466,000,000 (equivalent to HK$521,361,000)). According to the repayment terms set out in two separate agreements, the bank borrowings will be repayable by semi-annual instalments with the last instalments due in July 2027 and September 2028, respectively. The bank borrowings were interest-bearing per annum at the benchmark interest rate for loans over 5 years determined by the People's Bank of China to financial institutions (2019: same). The Group was in default of the installment repayments during the year. Accordingly, the whole amount of the loan was classified as current liabilities as at 31 December 2020. The default has not been remedied at the date these financial statements were authorised for issue.

(ii) At 31 December 2020, the Group's bank borrowing of HK$374,687,000 (2019: HK$382,809,000) was secured by the Group's property, plant and equipment with net carrying amount of HK$747,625,000 (2019: HK$945,150,000), trade receivables of HK$307,523,000 (2019: HK$235,742,000), and was guaranteed by a related company, Shanghai Gorgeous Investment Development Company Limited（上海國之杰投資發展有限公司）("Shanghai Gorgeous"), which is a substantial shareholder of the Company and managed by an ex-director of the Company, Mr. Ko Tin Kwok. At 31 December 2020, the entire equity interest in a subsidiary in the PRC was pledged to the bank (2019: same). According to the repayment terms, the bank borrowing will be repayable by semi-annual instalments. During the year, the Group entered into a loan extension agreement with the bank and the last instalment would be extended to January 2028. The bank borrowing was interest-bearing at 4.57% per annum.

(iii) Other loan amounted to HK$180,413,000 represented the loan from Cheer Hope.

As at 31 December 2019, the loan carried interest at 7.55% per annum and was secured by (1) the personal guarantee of Mr. Ko Tin Kwok, an ex-director of the Company; (2) shares of the Company held by two shareholders who hold less than 10% of the shares of the Company; (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. In November 2019, the Group received a statutory demand issued by Cheer Hope in respect of an alleged claim for a total amount of US$26,402,000 (equivalent to approximately HK$205,936,000), being, inter alia, the unpaid principal amount by the Company to lender together with interest accrued thereon. As at 31 December 2019, the Group's total equity attributable to owners of the Company was less than HK$1.6 billion, rendering it technically in breach of the loan covenant.

On 15 May 2020, the Company received a winding-up petition issued by Cheer Hope concerning a sum of approximately US$26,402,000 (the "Cheer Hope Petition").

On 3 February 2021, the Group made a payment of RMB163,401,000 to Cheer Hope. Cheer Hope and the Company had executed and filed a consent summons to the High Court to dismiss the Cheer Hope Petition. On 30 April 2021, the Company received the sealed court order from the High Court that, inter alia, the Cheer Hope Petition was dismissed.

(iv) At 31 December 2020, the Group's other loan of HK$567,960,000 (2019: HK$534,786,000) was interest-bearing at 7.90% per annum, and was guaranteed by an independent company and Shanghai Gorgeous. According to the repayment terms, the other loan was repayable in June 2020. The Group was in default of repayment of this loan and the default has not been remedied at the date these financial statements were authorised for issue.

(v) At 31 December 2020, the Group's other loans of HK$317,725,000 (2019: HK$299,167,000) were interest-bearing at 7.00% per annum, and were guaranteed by a subsidiary of the Group. According to the repayment terms, the other loans were due for repayment in November 2019 and the default has not been remedied at the date these financial statements were authorised for issue.

(vi) Other loan amounted to HK$126,360,000 represented the loan from AI Global.

As at 31 December 2019, the loan carried interest at 10% per annum and was secured by pledge of the share capital of certain subsidiaries of the Group and floating charges on property, assets, rights and revenue of the Company and certain wholly-owned subsidiaries of the Company, Max Access Limited and Surplus Basic Limited, and was guarantee by the Company's wholly-owned subsidiaries, Max Access Limited and Rising Group International Limited, a related company, Shanghai Gorgeous and Mr. Ko Tin Kwok, an ex-director of the Company.

In January 2020, the Group repaid principal of US$2,800,000 (equivalent to HK$21,840,000) to AI Global. On 9 July 2020, the Company received winding-up petition issued by AI Global concerning a sum of approximately US$7,601,000 (the "AI Global Petition").

On 3 February 2021, the Group made a payment of RMB129,778,000 to AI Global. On 5 February 2021, the Company and AI Global have executed and filed a consent summons to the High Court of Hong Kong to withdraw the AI Global Petition and an order of the same has been granted.

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 2020, the Group's bank borrowing of HK$374,687,000 was secured by the Group's property plant and equipment with net carrying amount of HK$747,625,000 and trade receivables of HK$307,523,000.

Saved as above, no assets of the Group and the Company had been pledged to secure the bank loans at 31 December 2020.

The Company had not conducted any equity fund raising activities during the year ended 31 December 2020.

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 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 December 2020 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 2020 *HK$'000*	Dividends received *HK$'000*	Percentage of carrying amounts to the Group's total assets
Financial assets at FVTOCI								
Not applicable	Seekers Partners Limited (formerly known as Satinu Resources Group Limited)	Investment holding, property investment, commodities dealer, money lending, nominees, integrated financial services	Investment in shares	28,150,048	2.27%	177,424	–	4.81%

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 December 2019 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 2019 *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	2.27%	182,398	–	4.35%

The Company expects that the performance of the Group's investment portfolio (including the investment described above) will 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

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

EMPLOYEES

At 31 December 2020, the Group employed around 37 employees in Hong Kong, Singapore and the PRC (31 December 2019: 38). 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 2020 (31 December 2019: Nil).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Current Year (Comparative Year: 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 9 August 2021 ("2021 AGM"), the register of members of the Company will be closed from 4 August 2021 to 9 August 2021, 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 3 August 2021.

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 and up to the date of this announcement, the terms of appointment of the three independent non-executive Directors and one non-executive Director, 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. 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 had not separated the roles of chairman and chief executive officer of the Company. From 30 August 2019 to 9 March 2021 and from 15 March 2021 to 24 June 2021, Mr. Zhang and Mr. Xu had, respectively during such two periods, acted as the chairman of the Board and our chief executive officer of the Company who was responsible for overseeing the operations of the Group during such two periods. In view of the composition of the Board of such two periods, Mr. Zhang's and Mr. Xu's in-depth knowledge and experience in the industry in which the Group operates and their familiarity with the operations of the Group, the Company believes that it is in the best interest of the Group for them to assume both roles as the Chairman and the chief executive officer of the Company during such two periods. Following the resignation of Mr. Xu on 25 June 2021, the office of the chief executive officer of the Company is vacated and the Company is making its best endeavours for a suitable person to act as the chief executive officer of the Company;

3. 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 had fallen below the minimum of three members as required under Rules 3.10(1) and 3.21 of the Listing Rules and the Company had not appointed an additional INED within three months from 5 December 2019 under Rules 3.11 and 3.23 of the Listing Rules. On 11 March 2020, the Stock Exchange granted to the Company a waiver from strict compliance with Rules 3.10(1), 3.11, 3.21 and 3.23 of the Listing Rules and have granted additional time to appoint an additional INED.

   After the appointment of Mr. Pun Hau Man as an INED and member of the Audit Committee on 4 May 2020, the Company was in compliance with Rules 3.10(1) and 3.21 of the Listing Rules.

4. Following the resignation of Mr. Fok Ho Yin, Thomas on 10 June 2020, (i) the number of INEDs on the Board and the Audit Committee had fallen below the minimum of three members as required under Rules 3.10(1) and 3.21 of the Listing Rules and (ii) the vacancy of the office of the Chairman for each of the Audit Committee and the remuneration committee of the Company (the "Remuneration Committee") did not meet the requirements under Rules 3.21 and 3.25 of the Listing Rules.

   After the appointment of Mr. Wang Yuzhou as an INED and the chairman of each of the Audit Committee and the Remuneration Committee on 30 June 2020, the Company was in compliance with Rules 3.10(1), 3.21 and 3.25 of the Listing Rules.

5. The Company failed to timely publish the 2020 annual financial information and lay the audited 2020 financial statements at the 2021 annual general meeting of the Company in accordance with Rules 13.46 and 13.49 of the Listing Rules, and published its environmental, social and governance report for the same period covered in this 2020 Annual Results under rule 13.91 of the Listing Rules. The Company has been reviewing and closely monitoring its internal control systems to avoid delay in publication of its periodic financial and non-financial information under the Listing Rules in the future.

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 to be 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.

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.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Disposal of a subsidiary

The Company announced on 27 January 2021, among other things, Qingdao Guxin Electricity Investment Company Limited* ("Qingdao Guxin"), an indirect wholly-owned subsidiary of the Company and as the seller, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Gansu Jintai Electricity Company Limited* ("Gansu Jintai") as the purchaser, in respect of the disposal of, the entire issued share capital of Jinchang Disheng Solar Energy Company Limited* ("Jinchang Disheng") and the outstanding shareholder's loan of approximately RMB138,480,000 due from Jinchang Disheng to the Group (the "Jinchang Disheng Disposal"), at a consideration of RMB350,000,000 (the "Consideration"). The completion of the Jinchang Disheng Disposal is conditional upon satisfaction of the conditions precedent set out in the Sale and Purchase Agreement, including the approval from the shareholders of the Company in the Company's extraordinary general meeting to be convened. For details of the Jinchang Disheng Disposal, please refer to the announcement of the Company dated 27 January 2021.

The first payment of the Consideration amounting to RMB300,000,000 was received by the Group on 3 February 2021. However, should the Jinchang Disheng Disposal eventually not be completed, the Group would be required to refund RMB300,000,000 to Gansu Jintai.

Possible mandatory general offer

As announced by the Company on 5 February 2021, the Company was informed by Rich Crown International Industries Limited ("Rich Crown") together with Gorgeous Investment Group Holdings Co., Limited ("Gorgeous Investment") that a dispute has arisen to which Gorgeous Investment is a party. As at the date of that announcement, Gorgeous Investment was the legal and beneficial owner of 4,092,084,312 shares of the Company, representing approximately 43.65% of the entire issued share capital of the Company. Gorgeous Investment is a wholly-owned subsidiary of Shanghai Gorgeous Investment Development Company Limited, which in turn is held by Shanghai Gu Yuan Property Development Company Limited ("Shanghai Gu Yuan") as to 75.66%. The equity interest of Shanghai Gu Yuan is held by Rich Crown and Creaton Holdings Limited ("Creaton") as to 59.79% and 40.21%, respectively. The equity interest of each of Rich Crown and Creaton is held by Mr. Ko Tin Kwok as to 100%.

The said dispute involved a facility agreement which was entered into between Rich Crown and Industrial Bank Co., Ltd. (the "Lender") in 2018. The facility agreement was secured by a total of 4,363,014,000 shares of the Company (accounted for 46.54% of the total issued share capital of the Company) (the "Pledged Shares") by way of two account charges, being (i) an account charge executed by Gorgeous Investment (as chargor) in favour of the Lender, and (ii) an account charge executed by another company (as chargor) also in favour of the Lender. In December 2020, the Lender has purportedly taken action to enforce the security interest in the Pledged Shares and appointed the purported receivers (the "Purported Receivers") over the Pledged Shares (the "Receivership"). The Board was given to understand that Gorgeous Investment has already sought legal advices and has taken active legal actions against the Lender and the Purported Receivers.

The appointment of the Purported Receivers as the receivers over the Pledged Shares may result in the sale of the Pledged Shares to other third-party purchasers, which may in turn trigger a mandatory general offer for relevant securities of the Company. The Company was informed by the Purported Receivers that they have been in discussions with several investors and no legally binding agreement in relation to the Pledged Shares has been executed. The appointment of the Purported Receivers may or may not lead to a mandatory general offer.

For details of the possible mandatory general offer, please refer to the announcements of the Company dated 5 February 2021, 8 March 2021, 8 April 2021, 7 May 2021, and 7 June 2021.

Withdrawal and dismissal of winding-up petitions

As announced by the Company on 15 May 2020, 20 May 2020 and 10 July 2020, the Company has received two winding-up petitions, with Cheer Hope Holdings Limited ("Cheer Hope") and AI Global Investment SPC (acting on behalf of and for the account of AI Investment Fund S.P.) ("AI Global") being the petitioner, respectively (the "Cheer Hope Petition" and "AI Global Petition"). The Company has successfully entered into settlement agreements with, inter alia, AI Global and Cheer Hope respectively (the "AI Global Settlement Agreement" and "Cheer Hope Settlement Agreement"), details of the settlement agreements are set out in the announcement of the Company dated 1 February 2021. Reference is made to the announcements of the Company dated 5 February 2021 and 30 April 2021. The Company has, via its subsidiary, effected payment of the AI Global settlement sum to AI Global. Pursuant to the AI Global Settlement Agreement, the Company and AI Global have executed and filed a consent summons to the High Court to withdraw the AI Global Petition and an order of the same has been granted. The Company has also, via its subsidiary, effected payment of the Cheer Hope settlement sum to Cheer Hope. Pursuant to the Cheer Hope Settlement Agreement, the Company and Cheer Hope have executed and filed a consent summons to the High Court to dismiss the Cheer Hope Petition, and the Company has received the sealed court order from the High Court that, inter alia, the Cheer hope Petition has been dismissed.

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 three independent non-executive Directors of the Company as at 31 December 2020.

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.

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020:

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Smarter Energy Group Holdings Limited and its subsidiaries (the "Group") set out in the 2020 Annual Report, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer Opinion

1. *Scope limitation in relation to going concern*

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$777,354,000 for the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$1,182,868,000. As at that date, the Group's total borrowings amounted to approximately HK$2,120,727,000, of which current borrowings amounted to approximately HK$1,769,733,000, while its cash and cash equivalents amounted to approximately HK$36,780,000 only.

As at 31 December 2020, the Group received two winding-up petitions from Cheer Hope Holdings Limited ("Cheer Hope") and AI Global Investment SPC ("AI Global"), concerning an aggregated sum of approximately US$34,003,000 (equivalent to HK$265,223,000). The total outstanding principal and interest payable of these two loans was HK$349,369,000 (equivalent to RMB293,179,000) as at 31 December 2020. The Group was also in default of the repayments of other loans with total principal amount of RMB745,400,000 (equivalent to HK$885,685,000), and the installment repayments of a bank loan with total principal amount of RMB465,900,000 (equivalent to HK$553,582,000).

Basis for Disclaimer Opinion (cont'd)

1. Scope limitation in relation to going concern (cont'd)

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.

On 27 January 2021, Qingdao Guxin Electricity Investment Company Limited ("Qingdao Guxin"), a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Gansu Jintai Electricity Company Limited to sell the entire issued share capital of Qingdao Guxin's wholly owned subsidiary, Jinchang Disheng Solar Energy Company Limited ("Jinchang Disheng"), and the outstanding shareholder's loan of approximately RMB138,480,000 due from Jinchang Disheng to the Group at a consideration of RMB350,000,000 (the "Consideration") (the "Jinchang Disheng Disposal"). The completion of the Jinchang Disheng Disposal is conditional upon satisfaction of the conditions precedent set out in the Sale and Purchase Agreement, including the approval from the shareholders of the Company in the Company's extraordinary general meeting to be convened. Details of the Jinchang Disheng Disposal are set out in the Company's announcement dated 27 January 2021. The Jinchang Disheng Disposal has not yet been completed as at the date of approval of these financial statements.

The first payment of the Consideration amounting to RMB300,000,000 was received by the Group on 3 February 2021. However, should the Jinchang Disheng Disposal eventually not be completed, the Group will be required to refund RMB300,000,000 to Gansu Jintai Electricity Company Limited.

On 3 February 2021, the Group made a payment of RMB129,778,000 to AI Global. On 5 February 2021, the Company and AI Global have executed and filed a consent summons to the High Court of Hong Kong to withdraw the AI Global Petition and an order of the same has been granted.

On 3 February 2021, the Group also made a payment of RMB163,401,000 to Cheer Hope. Cheer Hope and the Company have executed and filed a consent summons to the High Court of Hong Kong to dismiss the Cheer Hope Petition. On 30 April 2021, the Company received the sealed court order from the High Court of Hong Kong that, inter alia, the Cheer Hope Petition was dismissed.

Basis for Disclaimer Opinion (cont'd)

1. Scope limitation in relation to going concern (cont'd)

In view of these circumstances, the directors have estimated the Group's cash requirements by preparing a Group cashflow forecast for the 12 months ending 31 December 2021 and have, during the year and up to the date of the approval of these consolidated financial statements, instituted the financing plans and measures as set out in note 2 to the consolidated financial statements to mitigate the liquidity pressure on the Group, to restructure its financial obligations and to improve its financial position. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the successful outcome of these measures, which are subject to multiple uncertainties including:

(a) the successful completion of the procedures of the Jinchang Disheng Disposal;

(b) the successful negotiation with the lenders for extension of the maturity date of debts fallen due or expected to fall due within the next 12 months;

(c) the successful negotiation with the lenders of borrowings maturing after the next 12 months, requesting to further delay the loan repayment schedules;

(d) the successful obtaining of other possible financings; and

(e) the successful disposal of further solar power plants of the Group.

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 effects of these adjustments have not been reflected in these consolidated financial statements.

We were unable to obtain sufficient audit evidence about the appropriateness of the preparation of the consolidated financial statements on a going concern basis due to the combined effects of the multiple uncertainties described above.

2. Scope limitation on the valuation of financial assets at fair value through other comprehensive income ("FVTOCI")

As disclosed in note 24 to the consolidated financial statements, the Group invested in certain equity securities and accounted for these investments as financial assets at FVTOCI with total fair value of HK$189,064,000 as at 31 December 2020. These included equity securities with a fair value of HK$177,424,000 estimated using a market approach with reference to recent market transactions and equity securities with a fair value of HK$11,640,000 estimated using a market approach based on price to book ratios.

During the course of our audit, we were not provided with the relevant documents or information, including the financial information of the investee entities, in measuring their fair value. Accordingly, we were unable to obtain sufficient appropriate audit evidence about the fair values of these investments.

Basis for Disclaimer Opinion (cont'd)

2. ***Scope limitation on the valuation of financial assets at fair value through other comprehensive income ("FVTOCI") (cont'd)***

   As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the carrying amounts of financial assets at FVTOCI as at 31 December 2020 and fair value changes recorded in other comprehensive income for the year then ended.

3. ***Scope limitation on the estimation of expected credit losses on refundable deposits***

   As disclosed in note 27 to the consolidated financial statements, the Group had refundable deposits amounting to HK$335,646,000 receivable from a vendor in relation to a potential acquisition which was terminated in the prior year. In March 2020, the Group agreed a repayment timetable with the vendor to settle the refundable deposits by 30 September 2020 and such was pledged by certain solar plants and machineries owned by the vendor to secure the repayments of the deposits to the Group. The vendor was in default of the payment on 30 September 2020. The directors estimated the expected credit losses of the refundable deposits to be insignificant as at 31 December 2020 and considered the deposits would be fully recoverable.

   We were not provided with the financial information of the vendor nor information to support the assets pledged by the vendor as security for settlement of the refundable deposits in order for us to assess the financial capability of the vendor to repay the deposits. Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine whether the expected credit losses on the refundable deposits were properly stated.

   As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the carrying amounts of the refundable deposits as at 31 December 2020 and expected credit losses recognised in profit or loss for the year then ended.

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 2020 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 9 August 2021. Details of the AGM will be 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. Chen Xiaxuan, Mr. Hu Hanyang, Mr. Weng Xiaoquan and Mr. Bo Dateng are the executive directors of the Company; Mr. Chen Lei is the non-executive director of the Company; and Mr. Lam Cheung Mau, Mr. Pun Hau Man and Mr. Lo Ka Ki are the independent non-executive directors of the Company.

CONTINUED SUSPENSION OF TRADING

Pursuant to Rule 13.50A of the Listing Rules, the Stock Exchange will normally require suspension of trading in an issuer's securities if it publishes a preliminary results announcement for a financial year as required under rules 13.49(1) and (2) and the auditor has issued, or has indicated that it will issue, a disclaimer of opinion or an adverse opinion on the issuer's financial statements. The suspension will normally remain in force until the issuer has addressed the issues giving rise to the disclaimer or adverse opinion, provided comfort that a disclaimer or adverse opinion in respect of such issues would no longer be required, and disclosed sufficient information to enable investors to make an informed assessment of its financial positions.

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021. As disclosed in page 37-40 of this announcement, the auditors of the Company have issued a disclaimer of opinion on the Company's financial statements, hence, at the request of the Stock Exchange, trading in the shares of the Company on the Stock Exchange will remain suspended until further notice.

By order of the Board
China Smarter Energy Group Holdings Limited
Chen Xiaxuan
Chairman and Executive Director

Hong Kong, 30 June 2021