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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)

**UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

The Board of Directors (the “Directors”) of China Smarter Energy Group Holdings Limited (the “Company”) hereby announce the unaudited condensed interim consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2015 together with the comparative figures for the corresponding period in 2014. These condensed interim consolidated financial statements have not been audited but have been reviewed by the Company’s Audit Committee.

* For identification purpose only

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		(Unaudited) Six months ended 30 September 2015 HK\$'000	2014 HK\$'000 (Restated)
	Note		
CONTINUING OPERATIONS			
REVENUE	4	98,010	159,196
Cost of sales		(1,144)	(1,905)
Gross profit		96,866	157,291
Other income	4	1,447	1,603
Other gains/(losses), net	4	(2,649)	(3,023)
Gain on bargain purchase of subsidiaries		1,688	–
Selling and distribution expenses		(2,224)	(2,094)
Operating and administrative expenses		(76,969)	(11,010)
PROFIT FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS			
Finance costs	5	18,159 (72,984)	142,767 (3,953)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS			
INCOME TAX EXPENSE	6 7	(54,825) –	138,814 (6,789)
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS			
		(54,825)	132,025
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	20(a)	(221,480)	(43,308)
(LOSS)/PROFIT FOR THE PERIOD			
		(276,305)	88,717
ATTRIBUTABLE TO:			
Equity shareholders of the Company			
Continuing operations		(54,825)	131,983
Discontinued operation		(177,184)	(34,647)
		(232,009)	(97,336)
Non-controlling interests		(44,296)	(8,619)
(LOSS)/PROFIT FOR THE PERIOD			
		(276,305)	88,717
PROPOSED INTERIM DIVIDEND			
	8	–	–
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY			
Basic	9		
For (loss)/profit for the period		HK(3.32) cents	HK1.64 cents
For (loss)/profit for the period from continuing operations		HK(0.78) cents	HK2.22 cents
Diluted			
For (loss)/profit for the period		HK(3.32) cents	HK1.64 cents
For (loss)/profit for the period from continuing operations		HK(0.78) cents	HK2.22 cents

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	(Unaudited)	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
		(Restated)
(LOSS)/PROFIT FOR THE PERIOD	(276,305)	88,717
OTHER COMPREHENSIVE (LOSS)/INCOME:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of		
foreign operations	<u>(25,622)</u>	<u>4,255</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(25,622)</u>	<u>4,255</u>
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD	<u>(301,927)</u>	<u>92,972</u>
ATTRIBUTABLE TO:		
Equity shareholders of the Company	(256,613)	100,755
Non-controlling interests	<u>(45,314)</u>	<u>(7,783)</u>
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD	<u>(301,927)</u>	<u>92,972</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015 AND 31 MARCH 2015

	Note	(Unaudited) 30 September 2015 HK\$'000	(Audited) 31 March 2015 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	891,396	856,102
Available-for-sale financial assets	11	7,800	7,800
Exploration and evaluation assets	12	–	300,985
Intangible assets		838,592	876,272
		1,737,788	2,041,159
CURRENT ASSETS			
Inventories		3,972	3,241
Accounts receivables	13	39,334	25,096
Prepayments, deposits and other receivables	14	265,216	241,419
Financial assets at fair value through profit or loss	15	246,325	217,671
Time deposit and cash and bank balances		617,710	138,008
		1,172,557	625,435
Assets classified as held for sale	20(b)	1,673	–
Total current assets		1,174,230	625,435
CURRENT LIABILITIES			
Accounts payables	16	2	2
Other payables and accruals		38,821	29,162
Customers' deposits		–	802
Other loans	17	7,442	7,497
Current portion of long term bank loans	18	4,884	4,996
Convertible bonds	19	676,941	–
		728,090	42,459
Liabilities directly associated with assets classified as held for sale	20(b)	97	–
Total current liabilities		728,187	42,459
NET CURRENT ASSETS		446,043	582,976
TOTAL ASSETS LESS CURRENT LIABILITIES		2,183,831	2,624,135
NON-CURRENT LIABILITIES			
Long term bank loans	18	717,889	736,851
Convertible bonds	19	366,642	663,246
Deferred tax liabilities		193,868	272,707
		1,278,399	1,672,804
NET ASSETS		905,432	951,331
CAPITAL AND RESERVES			
Share capital		17,471	17,471
Reserves		888,551	889,136
Equity attributable to equity shareholders of the Company		906,022	906,607
Non-controlling interests		(590)	44,724
TOTAL EQUITY		905,432	951,331

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 March 2015.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company. None of these developments are relevant to the Group’s results and financial position. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT INFORMATION

The following tables present revenue, (loss)/profit and expenditure information for the Group's business and geographical segments:

(a) Operating segments information:

(Unaudited)								
Six months ended 30 September 2015								
	Continuing Operations					Others	Discontinued operation	
	Trading in securities HK\$'000	Investments HK\$'000	Trading of fur garment HK\$'000	Trading of fur skins HK\$'000	Clean energy HK\$'000		Total HK\$'000	Mine HK\$'000
								Consolidated HK\$'000
Segment revenue:								
Revenue from external customers	(1,764)	–	1,751	–	69,354	–	69,341	–
Investment income and net gains	28,669	–	–	–	–	–	28,669	–
Inter-segment sales	–	–	194	–	–	–	194	–
Reportable segment revenue	26,905	–	1,945	–	69,354	–	98,204	–
Elimination of inter-segment sales								(194)
Consolidated revenue								98,010
Segment results	22,423	(4,833)	(2,237)	(94)	16,930	(1,008)	31,181	(221,480)
Reconciliation:								
Interest income								242
Change in fair value of derivative components of convertible bonds								(2,649)
Unallocated corporate expenses								(10,615)
Loss from operating activities								(203,321)
Finance costs								(72,984)
Loss before tax								(276,305)
Income tax								–
Loss for the period								(276,305)

(Unaudited)
Six months ended 30 September 2014 (Restated)

	Continuing operations						Discontinued operation	
	Trading in securities	Investments	Trading of fur garment	Trading of fur skins	Clean energy	Others	Total	Mine Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 HK\$'000
Segment revenue :								
Revenue from external customers	(1,131)	–	2,716	–	–	–	1,585	– 1,585
Investment income and net gains	157,611	–	–	–	–	–	157,611	– 157,611
Inter-segment sales	–	–	–	–	–	–	–	– –
Reportable segment revenue	156,480	–	2,716	–	–	–	159,196	– 159,196
Elimination of inter-segment sales								–
Consolidated revenue								159,196
Segment results	155,806	(675)	(2,749)	1,093	(2,114)	(809)	150,552	(43,308) 107,244
Reconciliation:								
Interest income								316
Change in fair value of derivative components of convertible bonds								(3,059)
Unallocated corporate expenses								(5,042)
Profit from operating activities								99,459
Finance costs								(3,953)
Profit before tax								95,506
Income tax expense								(6,789)
Profit for the period								88,717

(b) The segment assets and liabilities at the end of the reporting period are as follows:

(Unaudited)									
As at 30 September 2015									
	Continuing Operations						Discontinued operation		
	Trading in securities	Investments	Trading of fur garment	Trading of fur skins	Clean Energy	Others	Total	Mine	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	<u>246,325</u>	<u>12,385</u>	<u>12,586</u>	<u>15,732</u>	<u>2,021,759</u>	<u>795,063</u>	3,103,850	<u>1,673</u>	3,105,523
Elimination of inter-segment receivables							<u>(811,215)</u>		<u>(811,215)</u>
							2,292,635		2,294,308
Unallocated assets:									
Cash and cash equivalents							<u>617,710</u>		<u>617,710</u>
Total assets per consolidated statement of financial position							<u>2,910,345</u>		<u>2,912,018</u>
Reportable segment Liabilities	<u>-</u>	<u>(3,458)</u>	<u>(59,919)</u>	<u>(25,342)</u>	<u>(1,646,251)</u>	<u>(25,399)</u>	(1,760,369)	(13,849)	(1,774,218)
Elimination of inter-segment payables							<u>797,463</u>	<u>13,752</u>	<u>811,215</u>
							<u>(962,906)</u>	<u>(97)</u>	<u>(963,003)</u>
Unallocated liabilities:									
Convertible bonds									<u>(1,043,583)</u>
Total liabilities per consolidated statement of financial position									<u>(2,006,586)</u>
Other segment information									
Additions to property, plant and equipment during the period	-	-	-	-	1,992	684	2,676	-	2,676
Property, plant and equipment arising from acquisition of a subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,877</u>	<u>152</u>	<u>75,029</u>	<u>-</u>	<u>75,029</u>

	(Audited)							
	As at 31 March 2015							
	Trading in securities <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Trading of fur garment <i>HK\$'000</i>	Trading of fur skins <i>HK\$'000</i>	Mine <i>HK\$'000</i>	Clean Energy <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Reportable segment assets	<u>217,671</u>	<u>10,417</u>	<u>12,626</u>	<u>15,732</u>	<u>301,680</u>	<u>1,889,521</u>	<u>196,885</u>	2,644,532
Elimination of inter-segment receivables								(115,946)
								2,528,586
Unallocated assets:								
Cash and cash equivalents								138,008
Total assets per consolidated statement of financial position								<u>2,666,594</u>
Reportable segment Liabilities	<u>–</u>	<u>(2,990)</u>	<u>(58,440)</u>	<u>(25,235)</u>	<u>(87,698)</u>	<u>(967,101)</u>	<u>(26,499)</u>	(1,167,963)
Elimination of inter-segment payables								115,946
								(1,052,017)
Unallocated liabilities:								
Convertible bonds								(663,246)
Total liabilities per consolidated statement of financial position								<u>(1,715,263)</u>
Other segment information								
Additions to property, plant and equipment during the year	–	–	4	–	8	81	21	114
Property, plant and equipment and intangible assets arising from acquisition of Rander International Limited	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,727,187</u>	<u>–</u>	<u>1,727,187</u>

(c) Geographical information:

Revenue from external customers

The Group's activities are conducted predominantly in Mainland China and Hong Kong. Revenue by geographical location is determined on the basis of the locations of operations.

The following table provides an analysis of the Group's revenue by geographical location:

	(Unaudited)	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong	28,656	159,196
Mainland China	69,354	—
Total revenue	98,010	159,196

4. REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	(Unaudited)	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
		(Restated)
Revenue		
Sales of electricity to a provincial power grid company	69,354	—
Sales of fur skins and garment	1,750	2,716
Net realized and unrealized gains on trading securities	26,890	156,362
Dividend income from listed financial assets at fair value through profit or loss	16	118
	98,010	159,196
Other income		
Bank interest income	242	315
Compensation on trading of fur skins	—	1,187
Profit on disposal of property, plant and equipment	65	—
Others	1,140	101
	1,447	1,603
Other gains/(losses), net		
Fair value change on derivative component of convertible bonds	(2,649)	(3,059)
Exchange gain	—	36
	(2,649)	(3,023)
	(1,202)	(1,420)

5. FINANCE COSTS

	(Unaudited)	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Interest expenses on convertible bonds	49,863	3,360
Interest on bank loans not wholly repayable within five years	22,934	–
Interest on other borrowings wholly repayable within five years:		
Margin loan payable	–	123
Other loans	187	470
	<u>72,984</u>	<u>3,953</u>

6. (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	(Unaudited)	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
		(Restated)
The Group's (loss)/profit before tax is arrived at after charging:		
Cost of inventories sold	1,144	1,905
Depreciation	21,601	97
Amortisation of intangible assets	18,257	–
Operating lease rentals on land and buildings	2,942	1,930
Staff costs (including directors' remuneration)	10,351	6,190
Exchange loss	950	–
	<u>55,245</u>	<u>9,122</u>

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong for the periods ended 30 September 2015 and 2014. Overseas taxes on assessable profits of the Company or its subsidiaries, if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

(Unaudited)	
Six months ended	
30 September	
2015	2014
HK\$'000	HK\$'000
	(Restated)

Tax represents income tax credit as follows:

Provision for Hong Kong profits tax – underprovision of
profits tax in respect of prior years

<u>–</u>	<u>6,789</u>
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8. PROPOSED INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015 (2014: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount for the period is based on the Group's loss attributable to equity holders of the Company of HK\$232,009,000 (2014: profit of HK\$97,336,000). The basic (loss)/earnings per share is based on the weighted average of 6,988,392,660 (2014: 5,944,914,400 (restated)) ordinary shares in issue during the period.

Diluted (loss)/earnings per share amounts for the six months ended 30 September 2015 and 2014 are the same as the basic (loss)/earnings per share, as the Company's outstanding convertible bonds during these periods had an anti-dilutive effect on the basic (loss)/earnings per share for these periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired items of property, plant and equipment with cost of HK\$2,676,000 (year ended 31 March 2015: HK\$114,000) and disposed of items of property, plant and equipment of HK\$601,000 (year ended 31 March 2015: HK\$Nil).

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	(Unaudited) 30 September 2015 <i>HK\$'000</i>	(Audited) 31 March 2015 <i>HK\$'000</i>
Unlisted equity securities outside Hong Kong		
At cost	<u>7,800</u>	<u>7,800</u>

At the end of the reporting period, the above unlisted equity securities are not stated at fair value but at cost less any impairment loss because they do not have a quoted market price in an active market and the fair value cannot be reliably measured.

12. EXPLORATION AND EVALUATION ASSETS

	Exploration rights <i>HK\$'000</i>	Evaluation expenditure <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2013 (Audited)	1,089,128	11,213	1,100,341
Exchange adjustment	1,133	12	1,145
Impairment loss	<u>(131,281)</u>	<u>(2,800)</u>	<u>(134,081)</u>
Balance at 31 March 2014 and 1 April 2014 (Audited)	958,980	8,425	967,405
Exchange adjustment	(1,074)	(12)	(1,086)
Impairment loss	<u>(656,921)</u>	<u>(8,413)</u>	<u>(665,334)</u>
Balance at 31 March 2015 and 1 April 2015 (Audited)	300,985	–	300,985
Exchange adjustment	(6,748)	–	(6,748)
Impairment loss	<u>(294,237)</u>	<u>–</u>	<u>(294,237)</u>
Balance at 30 September 2015 (Unaudited)	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

The exploration rights represent the carrying amount of the mining rights for mining, exploration and exploitation in a Vanadium mine located in Shaanxi, PRC. The exploitation licence of the Vanadium mine has been renewed in 2014 for 3 years till September 2017 and is renewable on an ongoing basis.

The management has engaged an independent professional valuer, BMI Appraisals Limited (the “Appraiser”), to carry out a valuation as at 30 September 2015 on the exploration rights for the purposes of an impairment review on the exploration rights. Based on the report of this Appraiser, the management considers that the exploration and evaluation assets should be impaired as the carrying amount of exploration and evaluation assets exceeds its estimated recoverable amount at 30 September 2015. Accordingly, an impairment loss of HK\$294,237,000 (2014: HK\$56,588,000) was recognized in profit or loss for the six months ended 30 September 2015.

13. ACCOUNTS RECEIVABLES

The Group's trading terms with its customers other than sales of electricity are mainly on credit. The Group allows a credit period of 30 days for its customers. The provincial power grid company usually settled the payment of electricity consumed within one month.

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

	(Unaudited) 30 September 2015 HK\$'000	(Audited) 31 March 2015 HK\$'000
Current to 30 days	12,020	13,702
31days to 60 days	12,870	10,320
Over 60 days	14,444	1,074
	<u>39,334</u>	<u>25,096</u>

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	(Unaudited) 30 September 2015 HK\$'000	(Audited) 31 March 2015 HK\$'000
Deposits for acquisitions	100,000	162,445
Deposits for construction in progress	74,122	–
Value added tax receivable	66,746	70,805
Prepayments, other deposits and receivables	24,348	8,169
	<u>265,216</u>	<u>241,419</u>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) 30 September 2015 HK\$'000	(Audited) 31 March 2015 HK\$'000
Equity securities listed in Hong Kong at fair value	<u>246,325</u>	<u>217,671</u>

16. ACCOUNTS PAYABLES

An ageing analysis of trade payables at the end of the reporting period is as follows:

	(Unaudited) 30 September 2015 <i>HK\$'000</i>	(Audited) 31 March 2015 <i>HK\$'000</i>
Current to 30 days	—	—
31days to 60 days	—	—
Over 60 days	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

17. OTHER LOANS

	(Unaudited) 30 September 2015 <i>HK\$'000</i>	(Audited) 31 March 2015 <i>HK\$'000</i>
Other loans	<u>7,442</u>	<u>7,497</u>

As at 30 September 2015, the other loans are unsecured and carry interest at the range from 6% to 12% (as at 31 March 2015: from 6% to 12%) per annum. These loans are wholly repayable within one year from the end of the reporting period.

18. BANK LOANS

The bank loans to be repayable as follows:

	(Unaudited) 30 September 2015 <i>HK\$'000</i>	(Audited) 31 March 2015 <i>HK\$'000</i>
Within one year	<u>4,884</u>	<u>4,996</u>
After 1 year but within 2 years	26,860	16,236
After 2 years but within 5 years	183,135	157,361
After 5 years	<u>507,894</u>	<u>563,254</u>
	<u>717,889</u>	<u>736,851</u>
	<u>722,773</u>	<u>741,847</u>

19. CONVERTIBLE BONDS

- (1) On 12 September 2014, the Company issued convertible bonds (the “HK\$700,000,000 Convertible Bonds”) to an independent third party, Shanghai Electric Hongkong Co. Limited, in the principal amount of HK\$700,000,000 which are convertible into 206,489,675 new shares at the initial conversion price of HK\$3.39 per share (subject to adjustment). The HK\$700,000,000 Convertible Bonds bear interest at 3 months HIBOR plus 5.5% per annum payable quarterly with maturity date on the 716th day after the date of first issue of HK\$700,000,000 Convertible Bonds. As disclosed in the Company’s announcement dated 8 October 2014, a put event has occurred pursuant to the terms and conditions of the HK\$700,000,000 Convertible Bonds, and the Company has the right to issue conversion shares in satisfaction of its obligations to repay or redeem at face value all or part of the outstanding HK\$700,000,000 Convertible Bonds during the 90 day period from the first anniversary of the date of the initial issue date of the HK\$700,000,000 Convertible Bonds. The effective interest rate of the liability component is 9.92% per annum.

The conversion price of the bonds was adjusted to HK\$0.8475 per share with effect from 19 December 2014 as a result of the share subdivision. The Company may issue 825,958,700 conversion shares to redeem at fair value all of the outstanding convertible bonds during the 90 day period from the first anniversary of the date of the initial issue date of the convertible bonds. Further details of the convertible bonds are set out in the Company’s announcement dated 22 August 2014.

- (2) On 30 July 2015, the Company issued convertible bonds with an aggregated principal amount of US\$80,000,000 (the “US\$80,000,000 Convertible Bonds”) pursuant to the four conditional subscription agreements each dated 14 July 2015 entered between the Company and four subscribers, which are independent third parties to the Company. The US\$80,000,000 Convertible Bonds bear interest at 6% per annum payable semi-annually in arrears, with maturity date before the third anniversary after the date of first issue of US\$80,000,000 Convertible Bonds (that is, 30 July 2018) and the bondholders have the right to convert them into shares credited as fully paid at any time from the issue date up to the date which is 7 days prior to the maturity date and convertible into 571,481,039 new shares at the initial conversion price of HK\$1.0891 (subject to adjustment). The Company shall have the right at any time on or after the first anniversary of the date of issue of the US\$80,000,000 Convertible Bonds and until the last day immediately preceding the maturity date to redeem all or part of outstanding convertible bonds. The effective interest rate of the liability component is 24.04% per annum. Further details of the convertible bonds are set out in the Company’s announcement dated 14 July 2015.

The convertible bonds as stated in (1) and (2) above were split into liability, derivative and equity components upon initial recognition by recognising the liability component and derivative component at their fair value and attributing to the equity components the residual amount. The liability component is subsequently carried at amortised cost while the derivative component is carried at fair value to be remeasured at the end of each reporting period. The equity component is recognised in the convertible bonds equity reserve. The fair value of the liability component upon the issuance was calculated at the present value of the estimated interest payments and principal amount. The fair value of the convertible bonds were determined as of the date of issue and 30 September 2015 by reference to value performed by an independent firm of professionally qualified valuers, Eidea Professional Service Company Limited.

The movements of the components of the convertible bonds during the six months ended 30 September 2015 is as follows:

	HK\$700,000,000	US\$80,000,000	
	Convertible	Convertible	
	Bonds	Bonds	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Liability component			
Balance at 1 April 2014 (Audited)	–	–	–
Issued during the year	651,858	–	651,858
Transaction costs	(1,627)	–	(1,627)
Imputed interest charges	35,683	–	35,683
Interest paid/payable	(22,668)	–	(22,668)
Balance at 31 March and 1 April 2015 (Audited)	663,246	–	663,246
Issued during the period	–	393,778	393,778
Transaction costs	–	(1,078)	(1,078)
Imputed interest charges	33,341	16,522	49,863
Interest paid/payable	(19,646)	(18,720)	(38,366)
Balance at 30 September 2015 (Unaudited)	<u>676,941</u>	<u>390,502</u>	<u>1,067,443</u>
Equity component			
Balance at 1 April 2014 (Audited)	–	–	–
Issued during the year	57,959	–	57,959
Transaction costs	(144)	–	(144)
Balance at 31 March and 1 April 2015 (Audited)	57,815	–	57,815
Issued during the period	–	256,731	256,731
Transaction costs	–	(703)	(703)
Balance at 30 September 2015 (Unaudited)	<u>57,815</u>	<u>256,028</u>	<u>313,843</u>
Derivative component			
Balance at 1 April 2014 (Audited)	–	–	–
Issued during the year	(9,817)	–	(9,817)
Change in fair value	9,817	–	9,817
Balance at 31 March and 1 April 2015 (Audited)	–	–	–
Issued during the period	–	(26,509)	(26,509)
Change in fair value	–	2,649	2,649
Balance at 30 September 2015 (Unaudited)	<u>–</u>	<u>(23,860)</u>	<u>(23,860)</u>

20. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION

The Group plans to focus its resources on its clean energy business and has decided to cease the mining business and to sell the mine during the six months ended 30 September 2015. The mining business was undertaken by Shaanxi Jiuquan Mining Company Limited 陝西久權礦業有限公司. As the operation of the mining business is considered as a separate major line of business and the management of the Group committed to sell the mine and accordingly, the mine segment is accounted for as a discontinued operation.

- (a) The results of a discontinued operation dealt with in the interim condensed consolidated financial statements for the six months ended 30 September 2015 and 2014 are summarised as follows:

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Loss before tax from a discontinued operation	(295,040)	(57,455)
Income tax credit	73,560	14,147
	<u>(221,480)</u>	<u>(43,308)</u>
Loss for the period from a discontinued operation	<u>(221,480)</u>	<u>(43,308)</u>
Attributable to:		
Shareholders of the Company	(177,184)	(34,647)
Non-controlling interests	(44,296)	(8,661)
	<u>(221,480)</u>	<u>(43,308)</u>

- (b) The major classes of assets and liabilities of disposal group classified as held for sale at the end of the reporting periods are as follows:

	(Unaudited)	(Audited)
	30 September	31 March
	2015	2015
	HK\$'000	HK\$'000
Assets		
Property, plant and equipment	263	—
Inventories	8	—
Prepayments, deposits and other receivables	409	—
Cash and cash equivalents	140	—
Deferred tax assets	853	—
	<u>1,673</u>	<u>—</u>
Liabilities		
Other payables and accruals	97	—
Liabilities directly associated with assets classified as held for sale	97	—
Net assets of disposal group classified as held for sale	<u>1,576</u>	<u>—</u>

- (c) The net cash flow of a discontinued operation dealt with in the interim condensed consolidated financial statements for the six months ended 30 September 2015 and 2014 are as follows:

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating activities	(700)	(1,073)
Investing activities	—	1
Net cash outflow attributable to a discontinued operation	<u>(700)</u>	<u>(1,072)</u>

- (d) Loss per share from a discontinued operation

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK cents	HK cents
Basic and diluted	<u>(2.54)</u>	<u>(0.58)</u>

The calculation of the basic loss per share amounts from a discontinued operation is based on the loss for the period from a discontinued operation attributable to shareholders of the Company of HK\$177,184,000 (six months ended 30 September 2014: HK\$34,647,000) and the weighted average number of 6,988,392,660 (six months ended 30 September 2014: 5,944,914,400 (restated)) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts from a discontinued operation presented for the six months ended 30 September 2015 and 2014 in respect of a dilution as the Company's outstanding convertible bonds during the periods have an anti-dilutive effect on the basic loss per share amounts from a discontinued operation presented.

21. CHARGES ON ASSETS

Details of other loans, bank loans and convertible bonds are set out in notes 17, 18 and 19 respectively.

At 30 September 2015, the Group had pledged share capital of certain subsidiaries to secure the convertible bonds of US\$80 million. No assets of the Group and the Company had been pledged to secure the other loans and bank loans at 31 March 2015.

22. CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 September 2015.

At 30 September 2015, the Company has issued a single guarantee of RMB598,000,000 (HK\$730,098,200) to a bank in respect of the loans granted by the bank to a wholly-owned subsidiary of the Company.

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

23. COMPARATIVE PRESENTATION

As a result of the discontinuance of the mining business as further detailed in note 20 to the condensed consolidated financial statements, certain comparative amounts have been restated and reclassified and the comparative consolidated statement of profit or loss has been re-presented as if the mining business discontinued during the current period had been discontinued at the beginning of the comparative period.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF THE GROUP

During the first six months, the Group's revenue was HK\$98,010,000 (2014: HK\$159,160,000), a decrease of 38.40% compared to the corresponding period last year. The decrease in revenue was mainly due to a record of decrease in net realized and unrealized gain in financial assets at fair value through profit or loss. The net loss attributed to equity shareholders of the Company was HK\$232,009,000 as compared to a net profit of HK\$97,336,000 for the last corresponding period, resulting in a basic loss per share for the current period of HK\$3.32 cents (2014: a basic earnings per share of HK\$1.64 cents (restated)). The loss was mainly due to a record of substantial impairment loss of HK\$294,237,000 in the mining business based on market valuation at the end of the six months period of the mining right respect to the vanadium (V₂O₅) mine.

BUSINESS REVIEW

CONTINUING OPERATIONS

Clean Energy Business

This sector of business is the main focus of our Group, the revenue in this sector is HK\$69,354,000 during the period as compared to nil revenue of the same period last year, the income for our Group from selling of solar power was commenced on 17 February 2015. Profit of HK\$16,930,000 which included amortization of intangible asset of HK\$18,257,000 was recorded, as compared to a loss of HK\$2,114,000 at the same period last year. The profit was mainly due to steady income received from solar power sold to Gansu Electric Power Company in Gansu Province, PRC.

Jilin Hareon: On 27 March 2014, the Group acquired 51% equity interest in Jilin Hareon Electric Development Company Limited 吉林海潤電力技術開發有限公司 ("JHED") from an independent third party for the purpose of investing into a solar energy business at a consideration of RMB510,000 (HK\$638,000). JHED was established on 22 November 2013 and is a project company for the development of the 40MW photovoltaic power generation plant in Taonan, Jilin, the PRC.

Jinchang Jintai: This includes phase I and phase II photovoltaic power plants, with an aggregate production capacity of 100MW, and the power dispatch agency of which is Gansu Power Dispatch Centre. From 1 April to 30 September 2015, all equipment in the power plants was under normal operation, and the on-grid power generation was approximately 65,650,000 kilowatt hour(s) ("KWh") as shown in the electricity bills. From 1 January 2015 to 30 September 2015, the average utilization hours of solar power plants in Gansu was 806, and the utilization hours of Jinchang Jintai was 860.5, which was at a middle to high level. Despite the impact of grid curtailment, the utilization hours of Jinchang Jintai was more than 60 which was higher than the average.

For the period from 1 April to 30 September 2015, the aggregate production capacity was 100MW.

Shanghai Xin Lan: On 17 June 2015, the Tianhe Smarter Energy Company Limited* 天合智慧能源有限公司, ("Tianhe Smarter Energy") (which is wholly-owned subsidiary of the Company) entered into the acquisition agreement to acquire, from the Shanghai Hua Xing Electronic Company Limited* 上海華星電器有限公司 ("Vendor"), 100% equity interest in Shanghai Xin Lan Electric Company Limited* 上海昕嵐電力有限公司 ("Shanghai Xin Lan") which holds directly and indirectly (through its wholly owned subsidiary), three distributed solar power projects for which "filing for record" has been accepted by the relevant local

Development and Reform Commission. Shanghai Xin Lan and its subsidiary holds (i) two distributed solar power projects (of 3 MW and 5 MW respectively) in Shanghai which are under construction; (ii) one distributed solar power project in Dezhou, Shandong (of up to 11 MW) for which filing for record has been accepted by the local Development and Reform Commission for its first phase (of 5.5 MW). The total contract sum under contracts for EPC works (and related materials and equipments procurement) that have been signed by Shanghai Xin Lan and/or its subsidiary is approximately RMB157.2 million, subject to further due diligence.

Shanghai Xin Lan 3MW and 5MW Project: As of 30 September 2015, approximately 80% of construction work of Shanghai Xin Lan 8MW Project had been completed. And both the completion of construction and inspection acceptance were finished in November 2015.

Phase I 5.5MW project of Dezhou, Guanyang. The construction of the Project commenced on 12 September 2015. As of 30 September 2015, approximately 40% of the project had been completed, and the installation of solar modules has commenced. Complete on-grid connection is planned for November 2015 and inspection acceptance is planned to take place in early December 2015.

Shanghai Zhu An: In addition, Tianhe Smarter Energy also entered into a cooperation framework agreement with the Vendor, Shanghai Zhu An Construction Services Company Limited* 上海築安建设工程有限公司 (“Shanghai Zhu An”) in relation to the Vendor, companies that are controlled by the Vendor or the majority shareholder of the Vendor, who is an Independent Third Party (“affiliate”) (an affiliate of the Vendor) in relation to the future cooperation between them with respect to future distributed solar power projects that the Vendor may assist Shanghai Xin Lan to source and for which Shanghai Zhu An may be appointed as the main EPC contractor.

Baotou Project: 100MW ground-mounted solar power plant project in Baotou, Inner Mongolia. The development work of the project has been substantially completed, and the construction work will commence after new energy subsidy quota has been granted by Inner Mongolia Development And Reform Commission.

On 3 June 2015, Tianhe Smarter Energy and Jinhua 658 Investment Management Company Limited 金華658 投資管理有限公司 (“658”) entered into an agreement to establish a joint venture, Shanghai Tianhe Smarter Energy Technology Company Limited* 上海天合智慧能源科技有限公司, a 51% – owned subsidiary of the Company established in PRC (“Shanghai Tianhe”), in Shanghai, the People’s Republic of China (the “PRC”). 658 is a third party independent from the Company and its connected persons.

On 3 August 2015, the board of directors of the Company announced that the Company entered into a strategic cooperation framework agreement (the “Strategic Cooperation Framework Agreement”) with Terrajoule Corporation (“Terrajoule”) in relation to their cooperation in the investment and development, promotion, construction, operation and management of the uninterruptible distributed solar power generation and smart micro-grid projects that deploy Terrajoule developed technology. The detailed terms of cooperation are to be set out in the definitive agreements to be negotiated and agreed between the parties.

Headquartered in California, the United States, Terrajoule is developing modular solar power stations with output of 100KW and above. Terrajoule’s technology incorporates energy storage with solar power generation at a storage cost lower than that for chemical battery storage, to enable a solar power station to provide electricity on demand for up to 24 hours per day, with rapid ramp, controllable power output.

On 17 September 2015, the board of directors of the Company announced that the Company's wholly owned subsidiary, Tianhe Smarter Energy Company Limited 天合智慧能源有限公司 entered into a framework agreement (the "Framework Agreement") with Anhui Province Quanjiao County People's Government 安徽省全椒縣人民政府 in relation to their cooperation in the development of the 100MW fishing-solar complementary distributed photovoltaic power generation project (the "Project") in Quanjiao, Anhui Province, the People's Republic of China.

The Group will establish a project company (the "Project Company") for the development of the Project in phases, which is contemplated to involve the construction of 20MW fishing-solar complementary power plants in Phase I. Anhui Province Quanjiao County People's Government is to assist the Project Company on, among other things, application for the relevant regulatory authorisations and licences necessary for the construction and operation of the Project.

On 22 September 2015, the Company announced that further to the Company's announcement dated 17 June 2015, the Group has made further progress in securing possible distributed solar power projects with government and non-government parties in various parts of the People's Republic of China (the "PRC"). The Company's wholly owned subsidiary, Tianhe Smarter Energy Company Limited 天合智慧能源有限公司 ("Tianhe Smarter Energy") entered into the following framework agreements:-

- (a) a framework agreement (the "Macheng Framework Agreement") dated 21 August 2015 with Central (Macheng) Stone Industrial Park Development Limited 中部(麻城)石材產業園開發有限公司 ("Central (Macheng) Stone") and Macheng County Yunzhuo New Energy Company Limited 麻城市運灼新能源有限公司 ("Yunzhuo New Energy") in relation to their cooperation in the development of the 50MW rooftop distributed solar power projects (the "Macheng Projects") in Macheng County, Huanggang City, Hubei Province, the PRC 湖北省黃岡市麻城市; and
- (b) a framework agreement (the "Yizheng Framework Agreement") dated 17 September 2015 with Jiangsu Province Yizheng County Vehicle Industrial Limited 江蘇省儀征市汽車工業公司 in relation to their cooperation in the development of the 50MW rooftop distributed solar power projects (the "Yizheng Projects") in Yangzhou (Yizheng) Vehicle Industrial Park, Yizheng County, Jiangsu Province 揚州(儀征)汽車工業園, the PRC.

It is contemplated under the Macheng Framework Agreement that Tianhe Smarter Energy and Yunzhuo New Energy will establish a project company (the "Macheng Project Company") for the development of the Macheng Project and Yunzhuo New Energy is to assist the Macheng Project Company on, among other things, application for the relevant regulatory authorisations and licences necessary for the construction and operation of the Macheng Project. Central (Macheng) Stone will source rooftop units for the Macheng Project.

In addition, the ground work of 100 MW fishing-solar complementary distributed solar power project in Quanjiao, Anhui Province, 50MW rooftop distributed solar power project in Yizheng Vehicle Industrial Park (儀征汽車工業園), Jiangsu Province, 50MW rooftop distributed solar power project in Central (Macheng) Stone Industrial Park (中部(麻城)石材產業園), Macheng, Hubei Province had commenced.

On 25 September 2015, the board of directors of the Company announced that the Company entered into a cooperative framework agreement (the “Framework Agreement”) with GreenEfW Investments Limited (the “Target Company”) which is engaged in the project development of energy from waste facilities in the United Kingdom. Under the Framework Agreement, the Company intends to acquire 55% equity interest in the Target Company through subscription of new shares in the Target Company (the “Transaction”). It is contemplated that if the Transaction proceeds, it will be on the basis that Shanghai Electric Group Company Limited (“SEC”) also acquires 15% equity interest in the Target Company through subscription of new shares at the same time.

The Target Company plans to develop a pipeline of Energy from Waste projects in the United Kingdom, the first being located in the Cornwall Bio-Park Development, Scorrier, Cornwall (hereinafter referred to as “the Project”). The Project will have a new export capacity of 4MW and is capable of processing up to 40,000 tonnes per annum of local waste.

Under the Framework Agreement, the Target Company agreed to give to the Company exclusively in the negotiations of the Transaction for a period from the date of the Framework Agreement to November 2015. The Transaction will proceed only after the execution of the definitive documentation by the parties. It is the intention of the Target Company to grant SEC the right to provide EPC services to the Project.

SEC, a joint stock limited company incorporated in the PRC, the H shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code:2727) and the A shares of which are listed on the Shanghai Stock Exchange (stock code:601727), wholly owns Shanghai Electric Hongkong Co. Limited which holds the HK\$700 million convertible bonds due 2016 issued by the Company in 2014.

On 15 October 2015, the Company entered into a non-legally-binding heads of terms (the “Heads of Terms”) with ECO2 Management Limited (“ECO2M”) in respect of the possible formation of joint venture to develop renewable energy power plants in the United Kingdom and Europe. It is contemplated that the joint venture will be owned as to 70% by the Company and 30% by ECO2M.

ECO2M has interests in certain potential renewable energy projects to be developed in the United Kingdom and Europe.

Under the Heads of Terms, the Company is given an exclusivity period of 60 days to conduct due diligence and to negotiate definitive documentation. The Company may, subject to result of due diligence, elect to acquire equity interests in ECO2M such that ECO2M becomes a subsidiary of the Company.

On 2 November 2015, the Company made an announcement regarding lapse of major transaction in relation to the acquisition of Incentive Power Limited, reference is made to the announcements of the Company dated 13 February 2014, 4 November 2014, 31 December 2014, 26 February 2015, 30 April 2015, 29 June 2015, 3 August 2015 and 28 August 2015 (the “Announcement(s)”) respectively, in relation to, among other things, the proposed acquisition of the entire equity interest in Incentive Power Limited.

Pursuant to the Acquisition Agreement (as supplemented by the First Supplemental Agreement and Second Supplemental Agreement), Completion is conditional upon the fulfillment (or waiver, as the case may be) of the conditions precedent to the Acquisition Agreement on or before 31 October 2015 or such other date as the Vendor and the Purchaser may agree in writing (the “Long Stop Date”).

As no agreement was reached by the parties to the Acquisition Agreement to extend the Long Stop Date, and the conditions precedent to the Acquisition Agreement have not been fulfilled by the Long Stop Date, the Acquisition Agreement has lapsed and ceased to have any effect except for antecedent breach of any obligations of any parties under the Acquisition Agreement and save that the Vendor has the obligation to refund the deposit of HK\$100,000,000 paid without interest to the Purchaser.

The Board considers that the lapse of the Acquisition Agreement will not have any material adverse impact on business, operation and financial position of the Group.

Investment Business

Trading in securities

During the period, the revenue from trading in securities was HK\$26,905,000 representing a decrease by 82.80% as compared with the corresponding period last year of HK\$156,480,000. Profit of HK\$22,423,000 was recorded from this sector during the period, representing an decrease by 85.60% as compared to a profit of HK\$155,806,000 recorded in the corresponding period last year. The profit was mainly due to the decrease in the unrealized gain on investment in listed financial assets at fair value through profit or loss.

Investments

The Group's revenue in investments was nil during the period and was the same for the corresponding period last year. Loss from investments was HK\$4,833,000 as compared to a loss of HK\$675,000 for the corresponding period last year. The loss was due to no dividend income received from unlisted available for sale financial assets, an investment involved in a property project in Vietnam and increase in administration expenses during the period.

Fur Business

Trading of Fur Garment

During the period, a revenue in the trading and sales of fur garment of HK\$1,751,000 was recorded compared to the same period of last year of HK\$2,716,000, representing a decrease in revenue by 35.50%. Loss of HK\$2,237,000 was recorded compared to the loss of HK\$2,749,000 for the same period last year, representing a slight decrease in loss by 18.60%. The decrease in loss was mainly due to decrease in administrative expenses. In the forthcoming year as the economic growth in major markets is expected to be sluggish, weaker consumption is also expected especially for the luxury market. We will maintain a conservative outlook for the sale of the fur garments in the forthcoming year and we will monitor and exercise tighter control on our costs and expenses to overcome the challenges ahead.

Trading of Fur Skins

During the period, the revenue in the trading of fur skin was nil, as was the same for last year. Loss of HK\$94,000 was recorded during the period, as compared to a profit of HK\$1,093,000 in the corresponding period last year due to compensation income in last year. International auction prices for fur skins dropped by about 30% during the recent auctions. Volatile and low skin prices reflect a decrease in demand as a result of slow economic growth in major markets such as PRC, Russia, Europe and Japan. We are not planning to participate in this sector of business in the short run. To consider resuming in this business, a careful review will have to be conducted in due course.

DISCONTINUED OPERATION

Mining Business

The Company acquired the 80% Vanadium Deposit of Xunyangba County, Ningshan Town, Shaanxi Province in April 2008. The current mining licence covers an area of approximately 2.2 square-kilometers. The Company's acquisition took place prior to current requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Stock exchange of Hong Kong Limited (the "Listing Rules") coming into effect and was based on a geological model prepared by the Institute of Mineral Resources Chinese Academy of Geological Sciences (中國地質科學院礦產資源研究所) in accordance with the Chinese Mineral resource/reserves Classification (固體礦產資源／儲量分類GB/T17766-1999) which identified approximately 300,761 metric tonnes of Vanadium Pentoxide (V_2O_5) reserve. As disclosed in the shareholders circular dated 26 February 2008 of the Company (the "circular"), the first stage of mining operation of the Vanadium Mine with refinery and daily production capacity of 500 metric tonnes ores was originally scheduled to commence production in early 2009.

The reserves of the Vanadium Mine (of average grade at 1.13%) according to the Chinese Mineral Resource/Reserves

Classification as included in the Circular was as follows:

Category	Ore Quantity (tonne)	Grade (% V_2O_5)	Contained V_2O_5 (tonne)
332	6,545,401	1.15	75,083
333	14,209,599	1.13	160,669
334	5,916,518	1.10	65,009
Total	26,671,518	1.13	300,761

The reserves of the Vanadium Mine as at 30 September 2015 remains unchanged since the acquisition (being 300,761 metric tonne of V_2O_5) given that no material extraction was done due to the delay in the development of the mine.

The mining business of the Group had not started contributing revenue during the period under review and revenue in this business was the same nil for the corresponding period last year. During the period, a loss of HK\$221,480,000 was recorded in this sector, as compared to a loss of HK\$43,308,000 in the corresponding period last year, representing an increase in loss by 411.41% compared to that of last year. The loss was mainly due to the impairment loss of mining right and based on its fair value as at 30 September 2015 primarily due to significant drop in market price of vanadium pentoxide (V_2O_5). This would result in that the book value of the vanadium mining right as at 30 September 2015 recorded as HK\$0 as the market price of vanadium pentoxide (V_2O_5) having dropped much below the production cost, due to a negative cash income stream occurred in the valuation from the vanadium project. The valuation was conducted by an independent valuer, BMI Appraisals Limited ("BMI") which amounted to nominal, equivalent to HK\$0 with V_2O_5 at around RMB41,000/metric tonne as at 30 September 2015 as compared to its carrying amount of RMB241,000,000, equivalent to HK\$300,985,000 with V_2O_5 at around RMB55,000/metric tonne as at 31 March 2015. The Valuer provided to the Company that the current Vanadium price lower than the estimated cost of production (at over RMB50,000/metric tonne), the fair value of the exploration and evaluation assets of the Vanadium mine is nominal. The impairment loss during the period included HK\$294,237,000, and its related exchange loss of HK\$6,748,000 that have been booked in exchange reserve, as compared to last year

impairment loss of HK\$56,588,000. The Valuer confirmed that it adopted the same valuation methodology as the valuation as at 31 March 2015 and apart from the issue associated with Vauadium market price described above all other key parameters of valuation used are largely the same. Such impairment losses, being accounting related adjustments to financial statements of the Group, are non-cash in nature and do not affect the Group's cash flow condition. The Board has decided to cease the mining business of the Group. The Group is planning to dispose of the equity interest in Shaanxi Jiuquan Mining Company Limited 陝西久權礦業有限公司 who operates the mine. The mine is therefore classified as discontinued operation at the end of the reporting period. Certain comparative amounts have been restated and reclassified.

PROSPECTS

Clean Energy Business

To pursue the clean energy policy implement in PRC and try to capture the business opportunities in this area, the Group has been and keep on putting more investments in the energy section including solar energy, renewable energy and energy develop from waste. In the first quarter we successfully acquired a 100MW solar plant in Jinchang, Gansu Province and we are now in the process to develop more solar energy plants in China, at the same also try to participate renewable energy and energy from waste in Europe. We believe this would assist us seeking more business partners and at the same time obtaining more new technologies. As China policy makers have put forward the “internet Plus” action plan in an effort to facilitate the transformation and upgrade of traditional industries, which provides development opportunities for the energy internet sector. The Group will actively explore and engage in the energy internet sector. In the coming financial year, the Group will continue to focus on the developing its energy internet business and other clean-energy generation business besides solar energy such as wind power, biomass power and small and medium hydro power. We are confident that the Group will achieve its goal of becoming an international innovative clean energy company in the future.

In response to supportive policies introduced by decision makers in China, the Company is actively involved in clean-energy power generation businesses such as solar power, and studied and selected a number of clean energy projects for future development since the first half of the year. In the meantime, we noted that clean-energy power generation market in China has been in the time of change. Therefore, the Company will be more active in selecting quality projects, reducing construction cost and improving return on projects.

In terms of overseas markets, we monitored and visited European clean energy markets including UK. The clean energy market in UK is promising, highly regulated, supported by transparent and stable policies. Among various sources of clean energy, waste gasification projects are favored by governments and companies due to their cleaner emission, higher subsidy and better return on the projects. Under the background of ever improving gasification technology and emission standard, waste gasification is expected to be the main way of waste disposal in UK and the rest of Europe. Looking forward, the Company will increase its investment in European countries such as UK, with a focus on waste gasification and straw-fired power projects.

Investment Business

China is facing temporarily economic adjustment as symbolized by slowdown of economic growth from double digit to single, the most recent figure was 6.9% in the third quarter of 2015. The GDP growth is endorsed by the China central bank that sees “very normal” growth of 6-7 percent in the next few years. China is trying to exercise easing monetary policy by both cutting bank reserve requirement ratio and interest rate hopefully to keep the growth in target range so as to offset the decline in industrial production, fixed-asset investment and export, trying to support reasonable employments for its huge population. As China is among the world’s second largest economy region, its slumping economy would lead to negative impacts in emerging markets and other leading economies that would on the other hand create unfavorable ripple effects for global economy that definitely affects Hong Kong which relies quite substantial on global and China’s growth.

Financial year 2015-2016 is a volatile and challenging year for investment as United States is trying to call for increase in interest rate and tighten its monetary policy while China, Europe and Japan is on the reverse side trying to exercise easing monetary policy. We will try to keep and enhance our return in the sector under such fluctuated environment with cautious and risk evaluations.

Fur Business

Trading of Fur Garment

Marketing channels have been established in various parts of China including the north-eastern, north-western and southern parts of China, and Hong Kong, for the wholesale and retail of trading and sales of fur garments. We will continue to fully utilize these links and channels such as fashion shops, department stores, and seasonal outlets to develop and further expand our businesses at minimal costs.

Sales of fur garments during the period have dropped by about 30% compared to last year as a result of the tightening of government expenditures and decrease in GDP growth, which both suppressed the purchasing power especially in the area of luxury items. The anti-corruption campaign also lessened the demand on the luxury gifts market which contributed adversely to our sales. Further, the deep plunge encountered in the securities market in China during the second half of 2015 has also posed a negative impact on personal consumptions. We therefore expect the market situation to worsen substantially this year.

On the wholesales front, we have adopted different modes of cooperation with our customers including consignments, OEM, OBM and/or using our designs in order to maintain our sales target. Simultaneously, we will continue our strategy in strengthening our own designer’s label collection under the brands of LECOTHIA and FREDE DERICK with an aim for profit contribution in the long run. In the short to medium term, we will reduce a portion of our raw skin inventory by manufacturing garments for our wholesale and retail joint co-operations with high end department stores such as Harvey Nichols, Lane Crawford, On Pedder, Sogo, The Stairs, Lily, Sincere and Wing On. We will continue to keep a cautious approach in order to face the cold front ahead that will be challenging us in the second half of coming 2015 and 2016.

Trading of Fur Skins

The auction price of raw skin have dropped substantially in the recent international auction, which is in line with the recent sluggish global economic growth particularly in PRC, Europe and Japan. In view of the economic downturn faced by the major fur skin consumers in China and Russia, the auction prices are expected to drop further in the near future. Hence our management has decided to adopt a wait-and-see approach in the meantime, and will temporarily halt the accumulation of inventory as well as our agency businesses. We will closely monitor the market situation before we consider resuming this line of business.

OPERATING AND ADMINISTRATIVE EXPENSES

For the six months ended 30 September 2015, the amount of operating and administrative expenses was approximately HK\$76,969,000 (2014: HK\$11,010,000). The increase in operating and administrative expenses was mainly due to the increase in legal and professional fee, staff salaries, depreciation, amortization of intangible assets and rental expenses during the period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally derives cash for operation from internal cash flow from banks in Hong Kong and PRC. As at 30 September 2015, the Group had time deposits and cash and bank balances of approximately HK\$617,710,000 (31 March 2015: HK\$138,008,000). As at 30 September 2015, the Group's interest bearing borrowings (including other loans, bank loans and convertibles bonds) amounted to approximately HK\$1,773,798,000 (31 March 2015: HK\$1,412,590,000). As at 30 September 2015, the shareholders' funds amounted to approximately HK\$905,432,000 (31 March 2015: HK\$951,331,000). Accordingly, the gearing ratio was 128% (31 March 2015: 134%).

CAPITAL STRUCTURE

- 1) On 12 September 2014, the Company issued convertible bonds (the "HK\$700,000,000 Convertible Bonds") to an independent third party, Shanghai Electric Hongkong Co. Limited, in the principal amount of HK\$700,000,000 which are convertible into 206,489,675 new shares at the initial conversion price of HK\$3.39 per share (subject to adjustment). The HK\$700,000,000 Convertible Bonds bear interest at 3 months HIBOR plus 5.5% per annum payable quarterly with maturity date on the 716th day after the date of first issue of HK\$700,000,000 Convertible Bonds. As disclosed in the Company's announcement dated 8 October 2014, a put event has occurred pursuant to the terms and conditions of the HK\$700,000,000 Convertible Bonds, and the Company has the right to issue conversion shares in satisfaction of its obligations to repay or redeem at face value all or part of the outstanding HK\$700,000,000 Convertible Bonds during the 90 day period from the first anniversary of the date of the initial issue date of the HK\$700,000,000 Convertible Bonds. The effective interest rate of the liability component is 9.92% per annum. The proceed was mainly used in acquisition or investments in the solar energy businesses.

The conversion price of the bonds was adjusted to HK\$0.8475 per share with effect from 19 December 2014 as a result of the share subdivision. The Company may issue 825,958,700 conversion shares to redeem at fair value all of the outstanding convertible bonds during the 90 day period from the first anniversary of the date of the initial issue date of the convertible bonds.

- 2) On 30 July 2015, the Company issued convertible bonds with an aggregated principal amount of US\$80,000,000 (the "US\$80,000,000 Convertible Bonds") pursuant to the four conditional subscription agreements each dated 14 July 2015 entered between the Company and four subscribers, which are independent third parties to the Company. The US\$80,000,000 Convertible Bonds bear interest at 6% per annum payable semi-annually in arrears, with maturity date before the third anniversary after the date of first issue of US\$80,000,000 Convertible Bonds (that is, 30 July 2018) and the bondholders have the right to convert them into shares credited as fully paid at any time from the issue date up to the date which is 7 days prior to the maturity date and convertible into 571,481,039 new shares at the initial conversion price of HK\$1.0891 (subject to adjustment) which intended to be used for acquisitions or investments in the solar energy businesses of the proceed was still not yet been used as at 30 September 2015. The Company shall have the right at any time on or after the first anniversary of the date of issue of the US\$80,000,000 Convertible Bonds and until the last day immediately preceding the maturity date to redeem all or part of outstanding convertible bonds. The effective interest rate of the liability component is 24.04% per annum.

The convertible bonds as stated in (1) and (2) above were split into liability, derivative and equity components upon initial recognition by recognising the liability component and derivative component at their fair value and attributing to the equity components the residual amount. The liability component is subsequently carried at amortised cost while the derivative component is carried at fair value to be remeasured at the end of each reporting period. The equity component is recognised in the convertible bonds equity reserve. The fair value of the liability component upon the issuance was calculated at the present value of the estimated interest payments and principal amount. The fair value of the convertible bonds were determined as of the date of issue and 30 September 2015 by reference to value performed by an independent firm of professionally qualified valuers, Eidea Professional Service Company Limited.

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 deposits, cash and bank balances, and excludes discontinued operations. Capital includes equity attributable to equity holders of the Company. The gearing ratio of the Group as at the end of the reporting periods was as follows:

	(Unaudited) 30 September 2015 HK\$'000	(Audited) 31 March 2015 HK\$'000
Borrowings		
Other loans	7,442	7,497
Bank loans	722,773	741,847
Convertible bonds	<u>1,043,583</u>	<u>663,246</u>
Total borrowings	1,773,798	1,412,590
Less: time deposits, cash and bank balances	<u>(617,710)</u>	<u>(138,008)</u>
Net debt	<u><u>1,156,088</u></u>	<u><u>1,274,582</u></u>
Total equity	<u><u>905,432</u></u>	<u><u>951,331</u></u>
Gearing ratio	<u><u>128%</u></u>	<u><u>134%</u></u>

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

Details in the changes of the capital structure of the Company during the six months ended 30 September 2015 are set out in notes 17, 18 and 19 to the unaudited consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The Group's business are mainly conducted in Unites States dollars and Renminbi, with minimal exposure to fluctuations in foreign exchanges.

EMPLOYEES

As at 30 September 2015, the Group employed around 66 employees in Hong Kong, Macau and Mainland China. 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.

CHARGES ON ASSETS

Details of other loans, bank loans and convertible bonds are set out in notes 17, 18 and 19 respectively.

At 30 September 2015, the Group had pledged share capital of certain subsidiaries to secure the convertible bonds of US\$80 million. No assets of the Group and the Company had been pledged to secure the other loans and bank loans at 31 March 2015.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 September 2015.

At 30 September 2015, the Company has issued a single guarantee of RMB598,000,000 (HK\$730,098,200) to a bank in respect of the loans granted by the bank to a wholly-owned subsidiary of the company.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2015.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices which are considered appropriate to the conduct and growth of the Group's business.

The Company has applied the principles of all the applicable code provisions of the Corporate Governance Codes (the “CG Code”) as set out in Appendix 14 of the Listing Rules as its own code on corporate governance practices. During the period, the Company complied with all the CG Code, except the following deviation:

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

On 11 March 2015, Mr. Wang Hao was appointed as an executive director and was elected Chairman of the Board. Upon his appointment as the Chairman of the Board, he takes up the role of the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman of the Board and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as the execution of long-term business strategies. The Board considers that such an arrangement will not impair the balance of power and authority between the Board and the management of the Company.

- (2) Code provision A.4.1 of the CG Code, requires the non-executive directors should be appointed for a specific term and subject to re-election. During the six months ended 30 September 2015, the terms of appointment of the three independent non-executive Directors expired and thereafter they are not appointed for a specific term, but they are subject to the retirement by rotation and re-election at the Company’s annual general meeting at least once every three years in accordance with the Company’s bye-laws (the “Bye-Laws”).
- (3) The Code Provision A.4.2 of the CG Code requires every director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. Pursuant to the Bye-laws, all directors, excluding the Chairman of the Board, shall retire from office by rotation at least once every three years. The Board considers that, though there is a deviation from the Code provision A.4.2 of the CG Code, the aforementioned provision in the Bye-laws is appropriate to the Company since the continuous leadership by the Chairman of the Board allows for effective and efficient planning and implementation of business decisions and strategies which is significant for stability and growth of the Group.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the six months ended 30 September 2015.

CHANGE IN INFORMATION OF DIRECTORS

During the period, pursuant to Rule 13.51B(1) of the Listing Rule, there is no changes in information of the Directors.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

REMUNERATION COMMITTEE

The Remuneration Committee has been established by the Company in accordance with the requirements of the Code on CGP.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Group's policy and structure for the overall remuneration of directors and management, including the policy of granting of share options to employees under the Company's share option scheme. No director or any of his/her associates may be involved in any decisions as to his/her own remuneration.

The Remuneration Committee currently comprises the three independent non-executive directors, namely Mr. Fok Ho Yin, Thomas, Mr. Tsui Ching Hung and Ms. Cheung Oi Man, Amelia. The chairman of the Remuneration Committee is Mr. Fok Ho Yin, Thomas.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed interim consolidated financial statements for the six months ended 30 September 2015.

The main duties of the Audit Committee include review of the effectiveness of financial reporting system, internal control systems and risk management system of the Group, review of the Group's financial information and compliance, making recommendation to the Board on the appointment and removal of external auditors and assessing their independence and performance.

The Audit Committee comprises the three independent non-executive directors, namely Mr. Fok Ho Yin, Thomas, Mr. Tsui Ching Hung and Ms. Cheung Oi Man, Amelia. The chairman of the Audit Committee is Mr. Fok Ho Yin, Thomas.

NOMINATION COMMITTEE

The Nomination Committee has reviewed and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of Directors.

The Nomination Committee comprises one executive Director, namely Mr. Wang Hao, and three independent non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Tsui Ching Hung and Ms. Cheung Oi Man, Amelia. The chairman of the Nomination Committee is Mr. Wang Hao.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2015 (six months ended 30 September 2014: Nil). No dividend was paid during the period under review.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement and interim report are published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.cse1004.com. Printed copies in both languages are posted to shareholders.

By order of the Board
China Smarter Energy Group Holdings Limited
Wang Hao
Chairman

Hong Kong, 27 November 2015

As at the date of this announcement, the executive Directors are Mr. Wang Hao, Mr. Lai Leong, Mr. Lam Kwan Sing, Mr. Wong Nga Leung, Mr. Hon Ming Sang and Mr. Zhou Chengrong; and the independent non-executive Directors are Mr. Fok Ho Yin, Thomas, Mr. Tsui Ching Hung and Ms. Cheung Oi Man, Amelia.