

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2018**

The board (the “Board”) of directors (the “Directors”) of China Smarter Energy Group Holdings Limited (the “Company”) announces the condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2018 together with comparative figures for the corresponding period in 2017. These condensed consolidated financial statements have not been audited but have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 September 2018*

		(Unaudited)	
		Six months ended	
		30 September	
		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<i>4</i>	792,179	198,615
Cost of sales		(726,419)	(64,775)
Gross profit		65,760	133,840
Other income	<i>4</i>	7,502	5,225
Other losses, net	<i>4</i>	(28,130)	(124,521)
Gain on bargain purchase of subsidiaries	<i>14</i>	–	6,683
Administrative and operating expenses		(39,470)	(35,309)
PROFIT/(LOSS) FROM OPERATION		5,662	(14,082)
Finance costs		(169,562)	(89,482)
LOSS BEFORE TAX	<i>5</i>	(163,900)	(103,564)
Income tax credit	<i>6</i>	3,382	2,129
LOSS FOR THE PERIOD		(160,518)	(101,435)

		(Unaudited)	
		Six months ended	
		30 September	
		2018	2017
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
ATTRIBUTABLE TO:			
Owners of the Company		(162,836)	(101,432)
Non-controlling interests		<u>2,318</u>	<u>(3)</u>
		<u>(160,518)</u>	<u>(101,435)</u>
PROPOSED INTERIM DIVIDEND			
	7	<u>–</u>	<u>–</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
	8		
Basic		<u>HK(1.74) cents</u>	<u>HK(1.08) cents</u>
Diluted		<u>HK(1.74) cents</u>	<u>HK(1.08) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	(Unaudited)	
	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(160,518)	(101,435)
OTHER COMPREHENSIVE (EXPENSE)/INCOME:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(87,513)	57,193
Item that will not be reclassified to profit or loss:		
Fair value change on equity instruments at fair value through other comprehensive income	14,277	–
Other comprehensive income for the period, net of tax	(73,236)	57,193
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(233,754)	(44,242)
ATTRIBUTABLE TO:		
Owners of the Company	(236,074)	(44,239)
Non-controlling interests	2,320	(3)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(233,754)	(44,242)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		(Unaudited) 30 September 2018 Notes HK\$'000	(Audited) 31 March 2018 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,362,634	2,627,292
Prepaid lease payments		962	1,376
Intangible assets		682,894	765,463
Available-for-sale financial assets		–	204,955
Equity instruments at fair value through other comprehensive income		218,219	–
Club membership debenture		1,013	–
Deposits for acquisitions		334,267	337,461
		<u>3,599,989</u>	<u>3,936,547</u>
CURRENT ASSETS			
Trade and bills receivables	9	530,233	440,783
Contract assets		32,670	–
Prepayments, deposits and other receivables		93,379	195,210
Prepaid lease payment		93	102
Financial assets at fair value through profit or loss		45,857	99,124
Derivative financial instruments	10	9,410	–
Derivative financial assets – Derivative component of the convertible bonds		–	10,958
Loan receivable	11	50,000	–
Restricted bank deposit		13,178	311
Cash and cash equivalents		184,670	526,994
		<u>959,490</u>	<u>1,273,482</u>
CURRENT LIABILITIES			
Trade payables	12	75,870	2
Other payables and accruals		214,320	275,666
Customers' deposits		–	331
Amount due to a shareholder	13	70,200	–
Bank and other borrowings		494,159	349,335
Convertible bonds		–	375,554
		<u>854,549</u>	<u>1,000,888</u>

	(Unaudited) 30 September 2018 <i>Notes</i> <i>HK\$'000</i>	(Audited) 31 March 2018 <i>HK\$'000</i>
NET CURRENT ASSETS	<u>104,941</u>	<u>272,594</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,704,930</u>	<u>4,209,141</u>
NON-CURRENT LIABILITIES		
Bank and other borrowings	1,770,779	2,004,014
Deferred tax liabilities	<u>246,151</u>	<u>273,239</u>
	<u>2,016,930</u>	<u>2,277,253</u>
NET ASSETS	<u><u>1,688,000</u></u>	<u><u>1,931,888</u></u>
CAPITAL AND RESERVES		
Share capital	23,436	23,436
Reserves	<u>1,657,751</u>	<u>1,903,959</u>
Total equity attributable to owners of the Company	1,681,187	1,927,395
Non-controlling interests	<u>6,813</u>	<u>4,493</u>
TOTAL EQUITY	<u><u>1,688,000</u></u>	<u><u>1,931,888</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), as well as 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”).

The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 March 2018, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The 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.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations. The Group recognises revenue from the following major sources:

- **Sale of electricity**

The performance obligation to transfer electricity to the customer is satisfied over time as the customer simultaneously receives and consumes the benefits of the electricity provided by the Group as it performs, therefore, revenue arising from the sale of electricity is recognised over time.

The revenue from sale of electricity is based on the on-grid benchmark tariff rates of local coalfire power plants, which vary across provinces and can be adjusted by the government. It is currently settled by state grid companies for the electricity generated by the solar power plants on a monthly basis.

- **Tariff subsidy**

Tariff subsidy represents subsidy received and receivable from the government authorities in respect of the Group's solar power generation business. Tariff subsidy is recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

The revenue from tariff subsidy is based on the difference between the feed-in-tariff regime implemented by the government for the provision of subsidy to the solar power plants operators and the revenue from sales of electricity.

- **Sale of bulk commodities**

In respect of sale of bulk commodities, the Group recognises the revenue at a point in time when there is persuasive evidence that the control of bulk commodities has been transferred to the customer, the customer has adequate control over the product and the Group has no unfulfilled obligations that could affect customer's acceptance of products.

The Group has adopted HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Variable consideration

For contracts that contain variable consideration in relation to sale of electricity to the state grid companies which contain tariff adjustments related to solar power plant yet to obtain approval for registration in the Catalogue by the PRC government, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Existence of significant financing component

In respect of sales of electricity, in determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract of sales of electricity and tariff subsidy.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on the Group's accumulated losses as at 1 April 2018.

	Impact of adoption of HKFRS 15 on 1 April 2018 HK\$'000
Accumulated losses as at 31 March 2018	(2,542,224)
Imputed interest adjustment due to significant financing component arising from sales of electricity (<i>note (i)</i>)	(9,570)
Adjusted balance as at 1 April 2018	(2,551,794)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 HK\$'000	Reclassification HK\$'000	Remeasurement HK\$'000 (<i>note (i)</i>)	Carrying amounts under HKFRS 15 at 1 April 2018 HK\$'000
Current assets				
Trade and bill receivables (<i>note (ii)</i>)	440,783	(113,584)	(7,554)	319,645
Contract assets (<i>note (ii)</i>)	–	113,584	(2,580)	111,004
Equity				
Accumulated losses	(2,542,224)	–	(9,570)	(2,551,794)
Exchange fluctuation reserve	47,722	–	(564)	47,158
Current liabilities				
Customers' deposit (<i>note (iii)</i>)	331	(331)	–	–
Contract liabilities (<i>note (iii)</i>)	–	331	–	331

Notes:

- (i) As at 1 April 2018, the remeasurement of approximately HK\$9,570,000 and HK\$564,000 adjusted to accumulated losses and exchange fluctuation reserve respectively on 1 April 2018, which was resulted from the revenue recognition on tariff subsidy. As a result, significant financing component on sales of electricity, amount of approximately HK\$7,554,000 and HK\$2,580,000 had been adjusted to trade receivables and contract assets in relation to those accrued revenue of tariff subsidy generating from the solar power plants that had not been registered to the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the “Catalogue”) respectively. As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly.
- (ii) At the date of initial application, approximately HK\$111,004,000 represented the accrued revenue on tariff subsidy generating from the solar power plants that has not completed the registration to the Catalogue as at 1 April 2018. Such cumulative balance as at 1 April 2018 was classified as contract assets as the Group had not obtained unconditional right to payment yet.
- (iii) As at 1 April 2018, cash received of HK\$331,000 previously included in customers’ deposits were entirely reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group’s condensed consolidated statement of financial position as at 30 September 2018 and its condensed consolidated statement of profit or loss for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported as at 30 September 2018 HK\$’000	Effect of the adoption of HKFRS 15 HK\$’000	Amounts without adoption of HKFRS 15 as at 30 September 2018 HK\$’000
Current assets			
Trade and bill receivables	530,233	41,987	572,220
Contract assets	32,670	(32,670)	–
Equity			
Accumulated losses	(2,417,959)	9,644	(2,408,315)
Exchange fluctuation reserve	(40,357)	(327)	(40,684)

Impact on the condensed consolidated statement of profit or loss

	As reported for the six months ended 30 September 2018 <i>HK\$'000</i>	Effect of the adoption of HKFRS 15 <i>HK\$'000</i>	Amounts without adoption of HKFRS 15 for the six months ended 30 September 2018 <i>HK\$'000</i>
Revenue (Note)	792,179	6,152	798,331
Cost of sales	(726,419)	–	(726,419)
Gross profit	65,760	6,152	71,912
Other income (Note)	7,502	(6,078)	1,424
Other losses	(28,130)	–	(28,130)
Administrative and operating expenses	(39,470)	–	(39,470)
Profit from operations	5,662	74	5,736
Finance costs	(169,562)	–	(169,562)
Loss before tax	(163,900)	74	(163,826)
Income tax credit	3,382	–	3,382
Loss for the period	(160,518)	74	(160,444)

Note: Taking into account the significant financing component resulted from the recognition of accrued revenue on tariff subsidy, the adjustment of approximately HK\$6,152,000 would lower the revenue in the current interim period, while the imputed interest income of approximately HK\$6,078,000 was released to other income.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets, and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “other income” line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

The directors of the Company reviewed and assessed the Group’s financial assets and financial liabilities as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in Note 2.2.2.

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses (“ECL”) associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and bill receivables and contract assets arising from HKFRS 15, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.2.2 Summary of effects arising from initial application of HKFRS 9

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group’s financial assets as at 1 April 2018.

Financial assets		Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 HK\$'000	Carrying amount under HKFRS 9 HK\$'000
	<i>Note</i>				
Equity investments	(i)	Available-for-sale	FVTOCI	203,942	203,942
Club membership debenture		Available-for-sale	FVTOCI	1,013	1,013

The impact of these changes on the Group's equity is as follows:

	<i>Note</i>	Effect on investment revaluation reserve HK\$'000	Effect on accumulated losses HK\$'000
Opening balance – HKAS 39		–	(2,542,224)
Reclassify non-trading equity investments from available-for-sale to financial assets at FVTOCI	(i)	<u>(136,654)</u>	<u>136,654</u>
Opening balance – HKFRS 9		<u><u>(136,654)</u></u>	<u><u>(2,405,570)</u></u>

Notes:

- (i) From available-for-sale (“AFS”) financial assets to financial assets at FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as AFS financial assets, of which approximately HK\$203,942,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK\$203,942,000 were reclassified from AFS financial assets to equity instruments at FVTOCI, of which HK\$203,942,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. Accordingly, impairment losses previously recognised of approximately HK\$136,654,000 were transferred from accumulated losses to investment revaluation reserve as at 1 April 2018.

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of HKFRS 15 and HKFRS 9

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	As at 31 March 2018 (Audited) HK\$'000	HKFRS 15 HK\$'000	HKFRS 9 HK\$'000	As at 1 April 2018 (Restated) HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	2,627,292	–	–	2,627,292
Prepaid land lease payments	1,376	–	–	1,376
Intangible assets	765,463	–	–	765,463
Available-for-sale financial assets	204,955	–	(204,955)	–
Equity instruments at fair value through other comprehensive income	–	–	203,942	203,942
Club membership debenture	–	–	1,013	1,013
Deposits for acquisitions	337,461	–	–	337,461
Total non-current assets	3,936,547	–	–	3,936,547
Current assets				
Prepaid land lease payments	102	–	–	102
Trade and bill receivables	440,783	(121,138)	–	319,645
Contract assets	–	111,004	–	111,004
Prepayments, deposits and other receivables	195,210	–	–	195,210
Financial assets at fair value through profit or loss	99,124	–	–	99,124
Derivative financial assets – Derivative component of the convertible bonds	10,958	–	–	10,958
Restricted bank deposit	311	–	–	311
Time deposit and cash and bank balances	526,994	–	–	526,994
Total current assets	1,273,482	(10,134)	–	1,263,348

	As at 31 March 2018 (Audited) HK\$'000	HKFRS 15 HK\$'000	HKFRS 9 HK\$'000	As at 1 April 2018 (Restated) HK\$'000
LIABILITIES				
Current liabilities				
Trade payable	2	–	–	2
Other payables and accruals	275,666	–	–	275,666
Customers' deposits	331	(331)	–	–
Contract liabilities	–	331	–	331
Bank and other borrowings	349,335	–	–	349,335
Convertible bonds	375,554	–	–	375,554
Total current liabilities	1,000,888	–	–	1,000,888
Net current assets	272,594	(10,134)	–	262,460
Total assets less current liabilities	4,209,141	(10,134)	–	4,199,007
LIABILITIES				
Non-current liabilities				
Bank and other borrowings	2,004,014	–	–	2,004,014
Deferred tax liabilities	273,239	–	–	273,239
Total non-current liabilities	2,277,253	–	–	2,277,253
Net assets	1,931,888	(10,134)	–	1,921,754
EQUITY				
Equity attributable to owners of the company				
Share capital	23,436	–	–	23,436
Other reserves	1,903,959	(10,134)	–	1,893,825
	1,927,395	(10,134)	–	1,917,261
Non-controlling interests	4,493	–	–	4,493
Total equity	1,931,888	(10,134)	–	1,921,754

3. SEGMENT INFORMATION

(a) Segment revenue and results

For the six months ended 30 September 2018 (Unaudited)

	Clean energy <i>HK\$'000</i>	Trading in securities <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Trading of bulk commodities <i>HK\$'000</i>	Trading of fur products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:						
Revenue from external customers	168,945	–	–	617,569	–	786,514
Dividend income	–	3,668	1,997	–	–	5,665
Reportable segment revenue	168,945	3,668	1,997	617,569	–	792,179
Segment results	57,071	(23,215)	–	8,057	–	41,913
Reconciliation:						
Interest income						1,424
Change in fair value of derivative component of convertible bonds						(10,958)
Unallocated corporate expenses						(26,717)
Profit from operation						5,662
Finance costs						(169,562)
Loss before tax						(163,900)
Income tax credit						3,382
Loss for the period						(160,518)

For the six months ended 30 September 2017 (Unaudited)

	Clean energy <i>HK\$'000</i>	Trading in securities <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Trading of fur-related products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:					
Revenue from external customers	86,411	–	–	–	86,411
Dividend income	–	158	112,046	–	112,204
Consolidated revenue	86,411	158	112,046	–	198,615
Segment results	12,431	(23,239)	27,163	307	16,662
Reconciliation:					
Interest income					4,553
Change in fair value of derivative components of convertible bonds					(16,271)
Gain on bargain purchase					6,683
Unallocated corporate expenses					(25,709)
Loss from operations					(14,082)
Finance costs					(89,482)
Loss before tax					(103,564)
Income tax credit					2,129
Loss for the period					(101,435)

(b) Segment assets and liabilities

At 30 September 2018 (Unaudited)

	Clean energy <i>HK\$'000</i>	Trading in securities <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Trading of bulk commodities <i>HK\$'000</i>	Trading of fur products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Reportable segment assets	3,802,405	45,857	218,219	165,371	–	327,627	4,559,479
Reportable segment liabilities	2,733,426	–	2,491	74,465	–	61,097	2,871,479

At 31 March 2018 (Audited)

	Clean energy <i>HK\$'000</i>	Trading in securities <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Trading of bulk commodities <i>HK\$'000</i>	Trading of fur products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Reportable segment assets	4,358,019	99,124	203,943	994	–	547,949	5,210,029
Reportable segment liabilities	2,674,819	–	2,491	1,557	–	599,274	3,278,141

(c) **Geographical information**

Revenue from external customers

The Group's activities are conducted predominantly in the People's Republic of China (the "PRC") 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	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	1,997	112,046
Singapore	617,569	–
The PRC	172,613	86,569
Total revenue	792,179	198,615

4. REVENUE, OTHER INCOME AND OTHER LOSSES, NET

	(Unaudited)	
	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
Revenue		
Sales of electricity	168,945	86,411
Sales of bulk commodities	617,569	–
Dividend income from listed financial assets at fair value through profit or loss	3,668	158
Dividend income from unlisted available-for-sale financial assets	–	112,046
Dividend income from equity instruments at fair value through other comprehensive income	1,997	–
	792,179	198,615
Other income		
Bank interest income	574	4,553
Interest income from loan receivable	850	–
Imputed interest income of accrued revenue on tariff subsidy	6,078	–
Others	–	672
	7,502	5,225
Other losses, net		
Exchange loss, net	(2,560)	–
Impairment on unlisted available-for-sale financial assets	–	(84,853)
Fair value change on derivative components of convertible bonds	(10,958)	(16,271)
Net realised and unrealised loss on listed equity securities	(26,883)	(23,397)
Net realised and unrealised gains on derivative financial instruments	12,271	–
	(28,130)	(124,521)

5. LOSS BEFORE TAX

	(Unaudited)	
	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
The Group's loss before tax is arrived at after charging:		
Write-off of deposits and other receivables (included in administrative and operating expenses)	–	1,445
Depreciation	76,013	38,480
Amortisation of intangible assets	17,451	17,033
Release of prepaid lease payments	52	26
Operating lease rentals on lands and buildings	8,885	7,642
Staff costs (including directors' remuneration)	5,758	7,937

6. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made in these condensed consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 September 2018 and 30 September 2017. Overseas taxes on assessable profits of the Group, 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.

The Group's operations in the PRC are subject to the enterprise income tax law of the PRC (the "PRC Enterprise Income Tax"). The standard PRC Enterprise Income Tax rate is 25% (six months ended 30 September 2017: 25%). During the six months ended 30 September 2017, nine subsidiaries (2016: five) of the Group which are engaging in the operation of solar power plant and distributed solar power stations have obtained the relevant preferential tax concession. These subsidiaries are fully exempted from the PRC enterprise income tax for the first three years, followed by a 50% tax exemption for the next three years.

	(Unaudited)	
	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
Deferred tax credit	3,382	2,129

7. PROPOSED INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share for the period is based on the Group's loss attributable to owners of the Company for the six months ended 30 September 2018 of HK\$162,836,000 (six months ended 30 September 2017: HK\$101,432,000). The basic loss per share is based on the weighted average number of 9,374,351,360 (six months ended 30 September 2017: 9,374,351,360) ordinary shares in issue during the six months ended 30 September 2018.

Diluted loss per share for the six months ended 30 September 2018 and 2017 are the same as the basic loss per share, as the Company's convertible bonds existed in the respective period had an anti-dilutive effect on the basic loss per share for these periods.

9. TRADE AND BILLS RECEIVABLES

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

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Trade receivables		
Unbilled	406,344	396,506
Current to 30 days	86,208	13,802
31 days to 60 days	1,213	6,359
Over 60 days	20,271	17,635
	<u>514,036</u>	<u>434,302</u>
Bills receivables	<u>16,197</u>	<u>6,481</u>
	<u>530,233</u>	<u>440,783</u>

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

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Unbilled and neither past due nor impaired	492,552	410,308
Less than 1 month past due	1,213	6,359
1 to 3 months past due	4,870	3,750
Over 3 months past due	15,401	13,885
	21,484	23,994
	514,036	434,302

Based on the track record of regular repayment of receivables from sales of electricity, all trade receivable from sales of electricity were expected to be recoverable. In respect of tariff subsidy receivables, the collection of which is supported by the government policy and hence, all tariff subsidy receivables were expected to be recoverable. Accordingly, no provision for impairment of trade receivables was recognised as at 30 September 2018 (31 March 2017: nil). The Group does not hold any collateral over these balances.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments, denominated in United State dollars ("USD"), represent publicly traded contracts for crude oil-related products and are measured at fair value at the end of the reporting period based on quoted rates.

11. LOAN RECEIVABLE

On 31 July 2018, the Group entered into a HK\$50,000,000 loan agreement ("HK\$50M Loan") with a Hong Kong individual, who is an independent third party to the Group. The HK\$50M Loan carries an interest rate of 10% and will be repayable for three months. The HK\$50M Loan was secured by equity interests of a company incorporated in the British Virgin Island ("BVI") and 100% owned by the individual.

Upon the maturity, the HK\$50M Loan's repayment date was extended for another three months with the other terms unchanged.

12. TRADE PAYABLES

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

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Less than 60 days	75,868	–
Over 60 days	2	2
	<u>75,870</u>	<u>2</u>

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

13. AMOUNT DUE TO A SHAREHOLDER

On 27 July 2018, the Group entered into a USD9,000,000 loan agreement (the “USD9M Loan”) with a shareholder, Gorgeous Investment Group Holding Co., Limited, a company incorporated in the BVI and held 43.65% of the shares of the Company. The USD9M Loan was unsecured, carried an interest rate of 10% per annum and had a repayment term of three months. The USD9M Loan was fully settled upon maturity in October 2018.

14. BUSINESS COMBINATIONS

During the six months ended 30 September 2017, the Group completed the following acquisitions:

- i) In June 2017, the Group acquired 100% equity interest in Dezhou Jiayang New Energy Company Limited 德州佳陽新能源有限公司 (“Dezhou Jiayang”) for a cash consideration of RMB15,300,000 (approximately HK\$17,548,000) from China Minsheng New Energy (Shanghai) Investment Company Limited 中民新能(上海)投資有限公司.

Dezhou Jiayang owns and operates a 10MW rooftop distributed solar power station located in Dezhou City, Shandong Province, PRC.

- ii) In June 2017, the Group acquired 100% equity interest in Changfeng Hongyang New Energy Power Generation Company Limited 長豐紅陽新能源發電有限公司 (“Changfeng Hongyang”) for a cash consideration of RMB75,525,000 (approximately HK\$86,167,000) from China Minsheng New Energy Investment Company Limited 中民新能投資集團有限公司 (“Minsheng New Energy Investment”).

Changfeng Hongyang owns and operates a 20MW solar power station located in Changfeng County, Hefei City, Anhui Province, PRC.

- iii) In July 2017, the Group acquired 100% equity interest in Gaoan Jinjian Power Generation Company Limited 高安市金建發電有限公司 (“Gaoan Jinjian”) for a cash consideration of RMB51,941,000 (approximately HK\$59,820,000) from Minsheng New Energy Investment.

Gaoan Jinjian owns and operates a 20MW solar power station located in Jianshan Town, Gaoan City, Jiangxi Province, PRC.

The following table summarises the purchase consideration for the acquisition of each of the above subsidiaries and the fair values of assets acquired and liabilities recognised at the respective acquisition date (determined on a provisional basis):

	Dezhou Jiayang <i>HK\$'000</i>	Changfeng Hongyang <i>HK\$'000</i>	Gaoan Jinjian <i>HK\$'000</i>	Total <i>HK\$'000</i>
Purchase consideration				
Cash paid	15,793	60,317	41,874	117,984
Consideration payable	1,755	25,850	17,946	45,551
	<u>17,548</u>	<u>86,167</u>	<u>59,820</u>	<u>163,535</u>
Fair values of assets acquired and liabilities recognised at the date of the acquisitions (determined on a provisional basis) are as follows:				
Property, plant and equipment	80,328	182,561	170,286	433,175
Prepaid lease payment	–	883	465	1,348
Trade receivables	5,562	33,746	31,289	70,597
Prepayments, deposits and other receivables	8,458	16,459	17,226	42,143
Cash and bank balances	3,538	4,903	8,473	16,914
Other payables and accruals	(74,522)	(146,678)	(163,891)	(385,091)
Deferred tax liabilities	(1,709)	(3,316)	(3,843)	(8,868)
	<u>21,655</u>	<u>88,558</u>	<u>60,005</u>	<u>170,218</u>
Gain on bargain purchase	<u>4,107</u>	<u>2,391</u>	<u>185</u>	<u>6,683</u>
Net cash outflow arising from the acquisitions				
Consideration paid in cash	(15,793)	(60,317)	(41,874)	(117,984)
Less: cash and cash equivalents acquired	3,538	4,903	8,473	16,914
	<u>(12,255)</u>	<u>(55,414)</u>	<u>(33,401)</u>	<u>(101,070)</u>

Notes:

- (a) Impact of acquisition on the results of the Group for the six months period ended 30 September 2017

The table below illustrates the revenue on sales of electricity and the profits included in the condensed consolidated statement of profit or loss since the acquisition dates contributed by each acquisition.

	Dezhou Jiayang <i>HK\$'000</i>	Changfeng Hongyang <i>HK\$'000</i>	Gaoan Jinjian <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	4,881	6,752	6,080	17,713
Profits contributed to the Group	3,327	2,822	3,136	9,285

Had the acquisitions as mentioned in (i) to (iii) above been effected at the beginning of the period, total amount of the revenue and loss for the period of the Group would have been further increased and decreased by HK\$13,335,000 and HK\$3,044,000 respectively. Such pro-forma information is for illustrative purpose only and is not necessarily an indicator of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed at the beginning of the period, nor is it intended to be a projection of the future results.

- (b) Fair values of assets acquired and liabilities recognised (determined on a provisional basis)

The initial accounting of these acquisitions is not yet completed and the assets acquired and liabilities recognised and the amounts recognised in these condensed consolidated financial statements for these acquisitions have been determined provisionally. The purchase price allocation exercise in respect of the above acquisitions has not yet been finalised on the date when these condensed consolidated financial statements are issued.

- (c) Acquisition-related costs of HK\$2,410,000 have been recognised in the condensed consolidated statement of profit or loss.

15. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF THE GROUP

During the first six months, the Group's revenue was HK\$792,179,000 (2017: HK\$198,615,000), an increase of 298.9% compared to the corresponding period last year. The increase in revenue was mainly attributable to i) increase in sales of electricity from HK\$86,411,000 to HK\$168,945,000 representing an increase of 95.5% when compared to corresponding period in last year; ii) increase in sales of bulk commodities (crude oil) of HK\$617,569,000 (2017: Nil); and iii) dividend income of HK\$5,665,000 (2017: HK\$112,204,000) from financial assets.

The net losses for the period attributed to owners of the Company was HK\$162,836,000, as compared to net losses of HK\$101,432,000 for the last corresponding period, representing an increase in loss of 60.5%.

The increase in loss for the period was the combined effect of i) increase in revenue as stated above; and ii) increase in finance costs from HK\$89,482,000 for the six months period ended 30 September 2017 to HK\$169,562,000 for the six months period ended 30 September 2018, representing an increase of 89.5%.

The basic loss per share for the current period is HK1.74 cents (2017: a basic loss per share of HK1.08 cents), representing an increase by 61.1%.

BUSINESS REVIEW

Clean Energy Business

Clean-energy power generation business is the principal business of the Group. As at the end of the reporting period, the Group's power generation capacity is approximately 280 megawatt(s) ("MW") (2017: 180MW), all of which are photovoltaic power generation projects locating in four provinces, Gansu, Anhui, Jiangxi and Shandong, and one municipality, Shanghai.

During the period ended 30 September 2017, the Group completed acquisitions of 3 solar energy projects in Anhui, Jiangxi and Shandong Provinces, respectively, which have an aggregate production capacity of 50MW.

In November 2017, the Group acquired 100% equity interest in Qingdao Guxin Electricity Investment Company Limited 青島谷欣電力投資有限公司, which in return owns 100% equity interest in Jinchang Disheng Solar Energy Electricity Generation Company Limited 金昌迪生太陽能發電有限公司 ("Jinchang Disheng"). Jinchang Disheng owns and operates a 100MW solar power station located in Jinchang, Gansu Province, PRC.

During the period, the on-grid power generation was approximately 184,134,000 kilowatt hour(s) ("KWh") (2017: 95,478,000KWh) and generated revenue of approximately HK\$168,945,000 as compared to revenue of approximately HK\$86,411,000 in the corresponding period in last period. The revenue was mainly contributed by two 100% owned subsidiaries, namely Jinchang Jintai Photovoltaic Company Limited 金昌錦泰光伏電力有限公司 and Jinchang Disheng, which have an aggregate production capacity of 200MW.

Segment profit of HK\$57,071,000 was recorded during the period as compared to a profit of HK\$12,431,000 in the corresponding period in last year. The increase was mainly attributable to 3 newly acquired solar plants in June 2017 and 1 newly acquired solar plant in November 2017, respectively.

Details of the Group's principal solar plants are as follows:

Jintai 100MW Project in Jinchang, Gansu: During the period, sale of electricity was 65,478,000 KWh (2017: 66,555,000 KWh), revenue was HK\$56,266,000 (2017: HK\$49,981,000), representing an increase of 12.6%.

Jiayang 10MW Project in Dezhou, Shandong: During the period, sale of electricity was 6,670,000 KWh (2017: 4,334,000 KWh), revenue was HK\$7,555,000 (2017: HK\$4,881,000), representing an increase of 54.8%.

Hongyang 20MW Project in Changfeng, Anhui: During the period, sale of electricity was 13,689,000 KWh (2017: 6,851,000 KWh), revenue was HK\$17,500,000 (2017: HK\$6,752,000), representing an increase of 159.2%.

Jinjian 20 MW Project in Gaoan, Jiangxi: During the period, sale of electricity was 13,122,000 KWh (2017: 5,141,000 KWh), revenue was HK\$18,869,000 (2017: HK\$6,080,000), representing an increase of 210.3%.

Disheng 100MW Project in Jinchang, Gansu: The project was newly acquired in November 2017. During the period, sales of electricity was 66,042,000 KWh, revenue was HK\$56,046,000.

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

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

The Group is 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 period, the net realised and unrealised loss resulted from trading of listed equity securities was HK\$26,883,000 (2017: HK\$23,397,000). Loss of HK\$23,215,000 was recorded from this business sector during the period as compared to a record of segment loss of HK\$23,239,000 for the same period in last year.

Investments

During the period, the Group had investments in certain unlisted companies, the investment of which was to utilise its funds for potential high return on one hand, to diversify its investments and hence reduce business risk on the other. The Group closely monitors the market conditions and may consider to change its portfolio of investment from time to time. A dividend income of HK\$1,997,000 (2017:HK\$112,046,000) is recognised in profit or loss during the period.

The gain on change of fair value on these equity instruments at fair value through other comprehensive income of HK\$14,277,000 (2017: an impairment loss of HK\$84,853,000) was recognised during the period.

Trading of Bulk Commodities

In December 2017, the Group and Growth Rings Holdings Pte. Ltd., a company incorporated under the laws of Singapore and an independent third party, entered into a Promoters Agreement for the establishment of a trading company, which would be incorporated under the laws of Singapore. The trading company is to be principally engaged in (i) the trading of solid, liquid and gaseous fuels and other related products; and (ii) the trading of bulk commodities derivatives. Subsequent to that, in January 2018, the Group established a non-wholly owned subsidiary company, Gravifield Energy Trading Pte Ltd, in Singapore, which is held as to 70% by the Group and 30% by Growth Rings Holdings Pte. Ltd. Gravifield Energy Trading Pte Ltd commenced its business, principally crude oil trading and derivative trading, in Singapore in May 2018.

During the period, the revenue from this segment was HK\$617,569,000 (2017: Nil) and recorded a segment profit of HK\$8,057,000 (2017: Nil).

PROSPECTS

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

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

The Group establishes the vision of “strategy is core competitiveness” and focus on the collection, research and analysis of information, which includes domestic and overseas clean energy related industrial policies, regional electric energy market and industry development prospect. On this basis, the Group will establish the practicable development strategies with strategic forward-looking prospective that are in line with its own actual situation, laying the foundation in maintaining its leading position in the competitive environment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group derives fund for operation both from internally generated cash flows and from banks and financial institutions in Hong Kong and PRC. As at 30 September 2018, the Group had cash and bank balances of approximately HK\$184,670,000 (31 March 2018: HK\$526,994,000). As at 30 September 2018, the Group’s interest bearing borrowings (including bank and other borrowings and convertible bonds) amounted to approximately HK\$2,264,938,000 (31 March 2018: HK\$2,728,903,000). As at 30 September 2018, total equity attributable to owners of the Company amounted to approximately HK\$1,681,187,000 (31 March 2018: HK\$1,927,395,000). The gearing ratio was 123.7% as at 30 September 2018 (31 March 2018: 114.2%).

CAPITAL STRUCTURE

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

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

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Bank and other borrowings	2,264,938	2,353,349
Convertible bonds	–	375,554
Total borrowings	2,264,938	2,728,903
Less: cash and cash equivalents	(184,670)	(526,994)
Net debt	2,080,268	2,201,909
Total equity attributable to owners of the Company	1,681,187	1,927,395
Gearing ratio	123.7%	114.2%

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

The Company had not conducted any equity fund raising activities both in the six months period ended 30 September 2017 and 2018.

During the six months period ended 30 September 2018, The Group's convertible bonds amounting to USD50,000,000 as held by three subscribers were mature in July 2018. Of the USD50,000,000, USD30,000,000 was settled with the remaining USD20,000,000 the expiry date be extended and certain terms changed including the removal of the convertible options, rendering the extended convertible bonds to become a borrowing. The details are in the Company's announcement dated 3 August 2018 and 8 August 2018. In addition, the Group's other borrowing of USD30,000,000 (HK\$221,168,000) was also mature in end of July 2018. The lender in principle agreed not to charge default interest to the Company as a series of discussion is underway between the Group and the lender to renew/extend the borrowing, which is expected to be concluded in due course.

During the six months period ended 30 September 2017, the Group obtained a loan of RMB478,000,000 (approximately HK\$561,172,000) from a financial institution to finance the acquisition of Jinchang Disheng, the acquisition of which was completed in November 2017.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are mainly conducted in Renminbi and USD. Currently the Group has not implement 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 investments with the investment costs exceeding 1% of the total assets of the Group held at 30 September 2018 stated in this report as follow:

Stock code (where applicable)	Name of investment	Principal Business	Nature of Investment	Percentage of total share capital	Carrying amount as at 1 April 2018 HK\$'000	Fair value as at 30 September 2018 HK\$'000	FVTOCI HK\$'000	Dividends received HK\$'000	Percentage of carrying amounts to the Group's total assets
<i>Equity instrument at fair value through other comprehensive income</i>									
Not applicable	Satinu	Investment holding, property investment, commodities dealer, money lending, nominees, integrated financial services	Investment in shares	4.07%	164,738	164,835	97	–	3.6%

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

- 1) Market risk arising from fluctuations in global stock markets and changes in the global economy.
- 2) Policy risks in China that may materially and adversely affect the outlook for companies in its portfolio.
- 3) Financial performance and development plans of the relevant companies, as well as the outlook of the industry in which such companies operate.

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

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

No significant event noted subsequent to the reporting period.

EMPLOYEES

As at 30 September 2018, the Group employed approximately 44 (31 March 2018: 45) employees in Hong Kong, Singapore and the PRC. The Group's remuneration policies are based primarily on the prevailing market rate and the performance of individual employees. Fringe benefits, including Mandatory Provident Fund, medical benefits and training are provided. The Group has also established a discretionary bonus scheme for its management and staff with awards determined annually based upon the performance of the Group and individual employees.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 September 2018.

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 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its the code of conduct regarding securities transactions 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 during the six months ended 30 September 2018.

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:

- (i) 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 2018, the three independent non-executive Directors are not appointed for a specific term, but they are subject to the retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with the Company's bye-laws (the "Bye-Laws").

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the six months ended 30 September 2018.

CHANGE IN INFORMATION OF DIRECTORS

During the period, pursuant to Rule 13.51B(1) of the Listing Rule, the changes in information of the Directors are set out below:

On 14 September 2018, Ms. Gao Shujuan tendered her resignation as an executive director of the Company as she would like to devote more time to pursue their own businesses.

REMUNERATION COMMITTEE

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

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. Li Hui and Mr. Lam Cheung Mau. 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 2018.

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. Li Hui and Mr. Lam Cheung Mau. 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. Ko Tin Kwok, and three independent non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Li Hui and Mr. Lam Cheung Mau. The chairman of the Nomination Committee is Mr. Ko Tin Kwok.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2018 (six months ended 30 September 2017: Nil). No dividend was paid during the period under review.

PUBLICATION OF INTERIM REPORT

The interim report will be published on the website of the Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.cse1004.com in due course. Printed copies in both languages will be posted to shareholders.

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

Hong Kong, 23 November 2018

As at the date of this announcement, Mr. Sun Liang, Mr. Ko Tin Kwok (Vice Chairman), Ms. Zhao Li, Mr. Zeng Weibing and Mr. Hu Hanyang are the executive directors of the Company; and Mr. Fok Ho Yin, Thomas, Mr. Li Hui and Mr. Lam Cheung Mau are the independent non-executive directors of the Company.

* *For identification purpose only*