CSE

CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED

中國智慧能源集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1004)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 June 2020 together with comparative figures for the corresponding period. 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 AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2020

		(Unaudited)	
		Six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**379,222**	183,062
Cost of sales		**(343,205)**	(130,277)
Gross profit		**36,017**	52,785
Other income	*4*	**3,195**	5,493
Other gain(losses), net	*4*	**(11,861)**	11,360
Administrative and operating expenses		**(23,459)**	(38,181)
PROFIT FROM OPERATION		**3,892**	31,457
Finance costs	*5*	**(70,946)**	(79,112)
LOSS BEFORE TAX	*6*	**(67,054)**	(47,655)
Income tax (expense)/credit	*7*	**(923)**	4,484
LOSS FOR THE PERIOD		**(67,977)**	(43,171)
ATTRIBUTABLE TO:			
Owners of the Company		**(63,865)**	(39,425)
Non-controlling interests		**(4,112)**	(3,746)
		(67,977)	(43,171)
PROPOSED INTERIM DIVIDEND	*8*	**–**	–
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
Basic		**HK(0.68) cents**	HK(0.42) cents
Diluted		**HK(0.68) cents**	HK(0.42) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2020

	(Unaudited) Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(67,977)**	(43,171)
OTHER COMPREHENSIVE INCOME/(EXPENSE):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(1,337)**	1,130
Item that will not be reclassified to profit or loss:		
Fair value change on equity instruments at fair value through other comprehensive income (FVTOCI)	**(7,267)**	(57,434)
Other comprehensive income for the period, net of tax	**(8,604)**	(56,304)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(76,581)**	(99,475)
ATTRIBUTABLE TO:		
Owners of the Company	**(72,469)**	(95,729)
Non-controlling interests	**(4,112)**	(3,746)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(76,581)**	(99,475)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	(Unaudited) 30 June 2020 HK$'000	(Audited) 31 December 2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,979,261**	2,053,798
Right-of-use assets		**35,060**	35,870
Intangible assets		**599,551**	627,992
Equity instruments at fair value through other comprehensive income ("FVTOCI")		**224,287**	231,554
Club membership debenture		**130**	130
Contract assets		**15,464**	7,564
		2,853,753	2,956,908
CURRENT ASSETS			
Trade and bills receivables	*10*	**653,038**	695,021
Prepayments, deposits and other receivables		**95,153**	100,033
Refundable deposits		**332,910**	333,564
Financial assets at fair value through profit or loss ("FVTPL")		**35**	36
Contract assets		**45,187**	46,085
Derivative financial instruments		**23,305**	1,751
Restricted bank deposit		**21,422**	6,979
Cash and cash equivalents		**23,303**	48,523
		1,194,353	1,231,992
CURRENT LIABILITIES			
Trade payables	*11*	**59,298**	185,716
Other payables and accruals		**320,702**	225,276
Amounts due to related parties	*12*	**37,050**	–
Lease liabilities		**8,791**	8,851
Bank and other borrowings		**1,292,248**	1,277,312
Current tax liabilities		**60**	1,502
		1,718,149	1,698,657

	(Unaudited) 30 June 2020 *HK$'000*	(Audited) 31 December 2019 *HK$'000*
NET CURRENT LIABILITIES	**(523,796)**	(466,665)
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,329,957**	2,490,243
NON-CURRENT LIABILITIES		
Lease liabilities	**24,274**	26,452
Bank and other borrowings	**717,657**	789,336
Deferred tax liabilities	**223,423**	233,271
	965,354	1,049,059
NET ASSETS	**1,364,603**	1,441,184
CAPITAL AND RESERVES		
Share capital	**23,436**	23,436
Reserves	**1,338,150**	1,410,619
Total equity attributable to owners of the Company	**1,361,586**	1,434,055
Non-controlling interests	**3,017**	7,129
TOTAL EQUITY	**1,364,603**	1,441,184

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2020 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 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

These condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial information are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. SEGMENT INFORMATION

(a) Segment revenue and results

For the six months ended 30 June 2020 (Unaudited)

	Clean energy *HK$'000*	Trading in securities *HK$'000*	Investments *HK$'000*	Trading of bulk commodities *HK$'000*	Consolidated *HK$'000*
Segment revenue:					
Revenue from external customers	**138,938**	**–**	**–**	**240,284**	**379,222**
Dividend income	**–**	**–**	**–**	**–**	**–**
Reportable segment revenue	**138,938**	**–**	**–**	**240,284**	**379,222**
Segment results	**26,426**	**(5,541)**	**(31)**	**(1,733)**	**19,121**
Reconciliation:					
Interest income					**2,362**
Unallocated corporate expenses					**(17,591)**
Profit from operation					**3,892**
Finance costs					**(70,946)**
Loss before tax					**(67,054)**
Income tax expense					**(923)**
Loss for the period					**(67,977)**

For the six months ended 30 June 2019 (Unaudited)

	Clean energy *HK$'000*	Trading in securities *HK$'000*	Investments *HK$'000*	Trading of bulk commodities *HK$'000*	Consolidated *HK$'000*
Segment revenue:					
Revenue from external customers	157,786	–	–	23,762	181,548
Dividend income	–	1,171	343	–	1,514
Reportable segment revenue	157,786	1,171	343	23,762	183,062
Segment results	58,017	7,367	(21)	(11,115)	54,248
Reconciliation:					
Interest income					2,491
Unallocated corporate expenses					(25,282)
Profit from operation					31,457
Finance costs					(79,112)
Loss before tax					(47,655)
Income tax credit					4,484
Loss for the period					(43,171)

(b) Segment assets and liabilities

At 30 June 2020 (Unaudited)

	Clean energy ***HK$'000***	**Trading in securities** ***HK$'000***	**Investments** ***HK$'000***	**Trading of bulk commodities** ***HK$'000***	**Unallocated** ***HK$'000***	**Consolidated** ***HK$'000***
Reportable segment assets	**3,261,716**	**50,496**	**231,554**	**95,469**	**408,871**	**4,048,106**
Reportable segment liabilities	**1,378,856**	**527,521**	**2,491**	**83,892**	**690,743**	**2,683,503**

At 31 December 2019 (Audited)

	Clean energy *HK$'000*	Trading in securities *HK$'000*	Investments *HK$'000*	Trading of bulk commodities *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Reportable segment assets	3,366,947	5,760	231,554	189,505	395,134	4,188,900
Reportable segment liabilities	1,588,611	542,618	2,491	188,985	425,011	2,747,716

(c) Geographical information

Revenue from external customers

The Group's activities are conducted predominantly in the PRC, the Republic of Singapore ("Singapore") 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 June	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**–**	343
Singapore	**240,284**	23,762
The PRC	**138,938**	158,957
Total revenue	**379,222**	183,062

4. REVENUE, OTHER INCOME AND OTHER GAIN(LOSSES), NET

	(Unaudited) Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Disaggregated by major products or service lines		
– Sale of electricity	**138,938**	157,786
– Sale of bulk commodities	**240,284**	23,762
	379,222	181,548
Revenue from other sources		
Dividend income from listed financial assets at FVTPL	**–**	1,171
Dividend income from equity instruments at FVTOCI	**–**	343
	–	1,514
	379,222	183,062
Other income		
Bank interest income	**25**	105
Interest income from loan receivable	**–**	2,386
Imputed interest income of accrued revenue on tariff subsidy	**2,337**	3,002
Others	**833**	–
	3,195	5,493
Other (losses) gain, net		
Exchange loss, net	**138**	(157)
Net realised and unrealised gain on listed equity securities	**–**	6,196
Net realised and unrealised gain on derivative financial instruments	**(4,669)**	5,321
Impairment loss on trade receivables	**(7,679)**	–
Government grant	**384**	–
Others	**(35)**	–
	(11,861)	11,360

5. FINANCE COSTS

	(Unaudited) Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interest expense on lease liabilities	**956**	989
Interest on bank and other borrowings	**69,990**	78,123
	70,946	79,112

6. LOSS BEFORE TAX

	(Unaudited) Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
The Group's loss before tax is arrived at after charging:		
Depreciation of property, plant and equipment	**67,438**	71,828
Depreciation of right-of-use assets	**4,230**	4,683
Amortisation of intangible assets	**16,302**	17,072
Operating lease rentals on lands and buildings	**–**	2,203
Staff costs (including directors' remuneration and directors and staff retirement benefit scheme contributions)	**8,688**	11,481

7. INCOME TAX (EXPENSE) CREDIT

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for the period (six months ended 30 June 2019: nil).

Singapore Corporate Tax has been provided at a rate of 17% on the estimated assessable profit for the period (six months ended 30 June 2019: 17%).

PRC Enterprises Income Tax has been provided at a rate of 25% (six months ended 30 June 2019: 25%). During the period, eight (six months ended 30 June 2019: nine) subsidiaries of the Group which are engaging in the operation of solar power plants and distributed power stations have obtained the relevant preferential tax concession. These subsidiaries are having 50% tax exemption from the PRC enterprise income tax for the coming three years or being taxed at 15% in PRC enterprise income tax.

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

	(Unaudited) Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Current tax	**(6,258)**	–
Deferred tax credit	**5,335**	4,484
	(923)	4,484

8. PROPOSED INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Earnings		
Loss for the period attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**(63,865)**	(39,425)
Weighted average number of ordinary shares in issue *(thousands)*	**9,374,351**	9,374,351

Diluted loss per share for the period is the same as the basic loss per share (six months ended 30 June 2019: same).

10. 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)	(Audited)
	30 June	31 December
	2020	2019
	HK$'000	*HK$'000*
Trade receivables		
Unbilled	**647,572**	685,980
Current to 30 days	**4,370**	4,491
	651,942	690,471
Bills receivables	**1,096**	4,550
	653,038	695,021

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 June 2020 *HK$'000*	(Audited) 31 December 2019 *HK$'000*
Unbilled and neither past due nor impaired	**647,572**	685,980
Less than 1 month past due	**4,370**	4,491
	651,942	690,471

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. The Group does not hold any collateral over these balances.

11. TRADE PAYABLES

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

	(Unaudited) 30 June 2020 *HK$'000*	(Audited) 31 December 2019 *HK$'000*
Over 60 days	**59,298**	185,716

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

12. AMOUNTS DUE TO RELATED PARTIES

	(Unaudited) 30 June 2020 *HK$'000*	(Audited) 31 December 2019 *HK$'000*
Amount due to a director of a subsidiary company	**9,360**	–
Amount due to a holding company of Creaton Holdings *(note)*	**27,690**	–
	37,050	–

Note: Gorgeous Investment Group Holding Co., Limited ("Gorgeous Investment") is the immediate holding company of the Company. The amount was due to Creaton Holdings Limited ("Creaton Holdings"), a company incorporated in Hong Kong with limited liability and directly held by Mr. Ko Tin Kwok, a then director of the Company, which indirectly held 40.21% of equity interest in Gorgeous Investment.

The amounts are unsecured, interest free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF THE GROUP

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the period from 1 January 2020 to 30 June 2020 ("Current Period") against the period from 1 January 2019 to 30 June 2019 ("Comparative Period") is as follows:

- Clean Energy: approximately HK$138,938,000 (Comparative Period: HK$157,786,000)
- Trading in securities: nil (Comparative Period: HK$1,171,000)
- Investments: nil (Comparative Period: HK$343,000)
- Trading of bulk commodities: approximately HK$240,284,000 (Comparative Period: 23,762,000)

Revenue by Geographical Region

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

- Hong Kong: nil (Comparative Period: HK$343,000)
- PRC: approximately HK$138,938,000 (Comparative Period: HK$158,957,000)
- Singapore: approximately HK$240,284,000 (Comparative Period: HK$23,762,000)

The net loss for the period attributed to owners of the Company was approximately HK$63,865,000, as compared to net loss of approximately HK$39,425,000 for the Comparative Period, representing an increase in net loss of 62.0%.

The increase in net loss for the period was principally due to a combined effect of 1) decrease in operation scale, inter alia, disposal of a solar plant in October 2019, resulting in decrease of turnover and corresponding segment profits; 2) decrease in finance costs; 3) decrease in administrative expenses; and 4) income tax expense in current period against income tax credit in Comparative Period.

The basic loss per share for the Current Period is HK68 cents (Comparative Period: HK0.42 cents), representing an increase of 62.0%.

BUSINESS REVIEW

Clean Energy

Clean-energy power generation business is the principal business of the Group. During the Current Period, the Group's power generation capacity is approximately 271 megawatt(s) ("MW") (Comparative Period: 280MW), all of which are photovoltaic power generation projects locating in four provinces, Gansu, Anhui, Jiangxi and Shandong, (Comparative Period: four provinces, Gansu, Anhui, Jiangxi and Shandong, and one municipality, Shanghai).

During the Current Period, the on-grid power generation was approximately 175,205,000 kilowatt hour(s) ("KWh") (Comparative Period: 182,654,000KWh) and generated revenue of approximately HK$138.9 million as compared to revenue of approximately HK$157.8 million in the Comparative Period. The revenue was mainly contributed by two 100% owned subsidiaries, namely Jinchang Jintai Photovoltaic Company Limited (金昌錦泰光伏電力有限公司) and Jinchang Disheng Solar Energy Electricity Generation Company Limited (金昌迪生太陽能發電有限公司), which have an aggregate production capacity of 200MW.

Segment profit of approximately HK$26,426,000 was recorded during the Current Period as compared to a segment profit of approximately HK$58,017,000 in the Comparative Period.

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

Jintai 100MW Project in Jinchang, Gansu: During the Current Period, sale of electricity was 69,779,000KWh, representing a decrease of 0.2% as compared to sale of electricity of 69,917,000KWh in the Comparative Period. Sales revenue was approximately HK$50,839,000, representing a decrease of 13.9% as compared to revenue of approximately HK$59,075,000 in the Comparative Period.

Guanyang 8.25MW Project in Dezhou, Shandong: During the Current Period, sale of electricity was 3,890,000KWh, representing a decrease of 16.7% as compared to sale of electricity of 4,671,000KWh in the Comparative Period. Sales revenue was approximately HK$3,113,000, representing a decrease of 33.6% as compared to revenue of approximately HK$4,687,000 in the Comparative Period.

Hongxiang 8MW Project in Dezhou, Shandong: During the Current Period, sale of electricity was 2,771,000 KWh, representing a decrease of 42.9% as compared to sale of electricity of 4,848,000KWh in the Comparative Period. Sales revenue was approximately HK$2,694,000, representing a decrease of 32.7% as compared to revenue of approximately HK$4,002,000 in the Comparative Period.

Jinde 5MW Project in Dezhou, Shandong: During the Current Period, sale of electricity was 2,611,000KWh, representing a decrease of 13.1% as compared to sale of electricity of 3,003,000KWh in the Comparative Period. Sales revenue was approximately HK$2,185,000, representing a decrease of 20.3% as compared to revenue of approximately HK$2,741,000 in the Comparative Period.

Jiayang 10MW Project in Dezhou, Shandong: During the Current Period, sale of electricity was 3,760,000KWh (Comparative Period: 5,535,000KWh), representing a decrease of 32.1%. Sales revenue was approximately HK$3,797,000 (Comparative Period: HK$5,975,000), representing a decrease of 36.5%.

Hongyang 20MW Project in Changfeng, Anhui: During the Current Period, sale of electricity was 12,036,000KWh (Comparative Period: 11,782,000KWh), representing an increase of 2.2%. Sales revenue was approximately HK$13,986,000 (Comparative Period: HK$12,809,000), representing an increase of 9.2%.

Jinjian 20MW Project in Gaoan, Jiangxi: During the Current Period, sale of electricity was 9,558,000KWh (Comparative Period: 7,860,000KWh), representing an increase of 21.6%. Sales revenue was approximately HK$10,068,000 (Comparative Period: HK$8,557,000), representing an increase of 17.7%.

Disheng 100MW Project in Jinchang, Gansu: During the Current Period, sale of electricity was 70,800,000KWh (Comparative Period: 71,656,000KWh), representing a decrease of 1.2%. Sales revenue was approximately HK$52,256,000 (Comparative Period: HK$60,856,000), representing a decrease of 14.1%.

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

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

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

Trading in securities

During the Current Period, the net realised and unrealised gain resulted from trading of listed equity securities was nil as the listed equity securities invested by the Group had been suspended from trading (Comparative Period: gain of HK$6,196,000). Dividend income from listed equity securities was nil (Comparative Period: HK$1,171,000).

Investments

During the Current 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 investments from time to time. No dividend income was recognised in profit or loss during the Current Period (Comparative Period: HK$343,000).

The lose on change of fair value of HK$7,267,000 on these equity instruments at fair value through other comprehensive income was recognised during the Current Period (Comparative Period: HK$57,434,000).

Trading of Bulk Commodities

During the Current Period, the revenue from this segment was HK$240,284,000 (Comparative Period: HK$23,762,000) and recorded a segment loss of HK$1,733,000 (Comparative Period: segment loss of HK$11,115,000).

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.

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, PRC and Singapore. As at 30 June 2020, the Group had cash and bank balances of approximately HK$23,303,000 (31 December 2019: HK$48,523,000) and interest bearing borrowings of approximately HK$2,009,905,000 (31 December 2019: HK$2,066,648,000). As at 30 June 2020, total equity attributable to owners of the Company amounted to approximately HK$1,361,586 (31 December 2019: HK$1,434,055,000). The gearing ratio was 145.9% as at 30 June 2020 (31 December 2019: 140.7%).

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 the shareholders of the Company through the optimisation of the debt and equity balance.

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

	(Unaudited) **30 June** **2020** ***HK$'000***	(Audited) 31 December 2019 *HK$'000*
Bank and other borrowings	**2,009,905**	2,066,648
Less: cash and cash equivalents	**(23,303)**	(48,523)
Net debt	**1,986,602**	2,018,125
Total equity attributable to owners of the Company	**1,361,586**	1,434,055
Gearing ratio	**145.9%**	140.7%

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

The Company had not conducted any equity fund raising activities during the period ended 30 June 2020. However, the Group conducted certain refinancing activities as follow:

a) One of the Group's other borrowing of US$30,000,000 ("US$30M Loan") was also mature at the end of July 2018. The Group had been in a series of discussion with the lender to renew/extend/refinance the borrowing. In February 2019, the Group and the lender finally entered into a renewal agreement upon, inter alia, an early settlement of USD30,000,000 in December 2018. The renewed borrowing will carry an interest rate of 7.5% per annum and is additionally secured, as a result of the renewal, by 1) personal guarantee of Mr. Ko Tin Kwok, a then director of the Company; 2) shares of the Company held by two shareholders who hold less than 10% of the shares of the Company; and 3) certain loan covenants, inter alia, the total equity attributable to owners of the Company is no less than HK$1.6 billion, in addition to the prior securities brought forward. Unless previously purchased or redeemed, the Group shall redeem such borrowing in February 2021 (date of maturity) at the redemption amount which equals to the sum of the principal, and return of 10% per annum on the principal.

   In March and June 2019, the Group settled a principal of US$4,000,000 in aggregate, leaving the principal amount reduced to HK$179,367,000 (US$23,000,000) as at 31 December 2019.

   In mid 2019, the Group's total equity attributable to owners of the Company was less than HK$1.6 billion, rendering it technically breached one of the loan covenants. In addition, the default of US$20M Loan (see below) cross-defaulted this borrowing. In November 2019, the Group received a statutory demand issued by the legal representative of lender in respect of an alleged claim for a total amount of US$26,401,747.22 (equivalent to approximately HK$205,933,628.32), being, inter alia, the unpaid principal amount of the coupon bonds issued by the Company to lender together with interest accrued thereon. The Group has been in negotiation with the lender not to proceed with further steps of legal actions by providing solutions of fundraising for settlement, including but not limited to, disposal of subsidiary companies. Details are set out in the Company's announcement dated 29 November 2019.

   During the period ended 30 June 2020, the Company 1) received a petition issued in the Court of First Instance of the High Court of Hong Kong ("High Court") by the lender (being the petitioner) against the Company that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts on 15 May 2020. The petition concerns a sum of US$26,401,747.22 (equivalent to approximately HK$205,933,628.32), being the outstanding principal amount of the coupon bonds issued by the Company to the lender together with interest accrued thereon. The petition is scheduled to be heard at the High Court on 12 August 2020; 2) the Company had made a partial repayment in the sum of HKD533,159.00 to lender in respect of the unpaid principal of the coupon bonds issued by the Company in accordance with its debt obligations on 22 January 2020. The Company had made a further payment to the sum of RMB2,000,000.00 to the lender on 6 April 2020 in accordance with its debt obligations. The Company is in the course of seeking legal advice in relation to the petition. Since having received the petition, the Company has actively been communicating with the management of the lender for an amicable settlement of the petition. Details are set in the Company's announcements dated 15 May 2020 and 20 May 2020, respectively.

   In connection with the petition, the Company and the petitioner had on 11 August 2020 filed a consent summons to the Court for adjournment of the hearing date originally scheduled on 12 August 2020 (the "Hearing Date"). The court made an order approving the Hearing Date to be adjourned to 18 November 2020. Details are set out in the Company's announcement dated 12 August 2020.

b) The Group's other borrowing of HK$148,145,000 as at 31 December 2019 (initially having a principal amount of US$20 million, as subsequently reduced to US$19.2 million in July 2019 and US$19.0 million in November 2019) from a financial institution in Hong Kong was due in August 2019 ("US$20M Loan"). The Group had been in negotiation with the lender for renewal/extension. However, on 15 August 2019, the lender served a repayment notice to the Company requesting the Company to repay the full amount of USD19,404,000 (being the sum of the outstanding principal amount of the borrowing and the default interest as of 15 August 2019) and the default interest accrued on the convertible bonds from and including 15 August 2019 until the day on which all sums due in respect of the borrowing are paid by the Company. Details are set out in the Company's announcement dated 22 August 2019.

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

   On 19 May 2020, the Company had received a statutory demand issued by the legal representative of the lender pursuant to section 178(1)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) in respect of an alleged claim for a total amount of US$7,600,666.67 (equivalent to approximately HK$58,910,107.13), being, inter alia, the outstanding sum to a settlement agreement dated 29 November 2019 and a supplemental settlement agreement dated 7 April 2020, entered into between, inter alia, the Company and the lender. If the Company fails to repay the Debt within three weeks after the date of service of the statutory demand, a winding-up order may be made in respect of the Company. The Company is in the course of seeking legal advice on the matter and will adopt all effective measures to safeguard the interest of investors and the Company. Details are set out in the Company's announcement dated 7 April 2020 and 20 May 2020, respectively.

c) The Group's other borrowings having an aggregate principal amount of HK$375,350,000 (RMB342,160,000) from a bank in the PRC and to be settled by 2 installments each year till January 2020 had been renewed in July 2020 with 1) the principal amount to be settled in each installment be reduced and 2) the last installment be extended to January 2028.

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 June 2020 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 January 2020 *HK$'000*	Fair value as at 30 June 2020 *HK$'000*	FVTOCI *HK$'000*	Dividends received *HK$'000*	Percentage of carrying amounts to the Group's total assets
Equity instrument at fair value through other comprehensive income									
Not applicable	Satinu	Investment holding, property investment,commodities dealer, money lending, nominees, integrated financial services	Investment in shares	1.83%	182,398	178,363	4,035	–	4.4%

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 of the Company.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

(1) On 9 July 2020, the Company received a petition (the "Petition") issued in the Court of First Instance of the High Court of Hong Kong (the "High Court") by AI Global being the petitioner (the "Petitioner 2") against the Company that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts. The Petition concerns a sum of US$7,600,666.67 (equivalent to approximately HK$58,910,107.13), being the outstanding sum to a settlement agreement dated 29 November 2019 and a supplemental settlement agreement dated 7 April 2020 entered into between, inter alia, the Company and AI Global. The Petition is scheduled to be heard at the High Court on 14 October 2020.

Details of the repayment notice are set out in the Company's announcement dated 10 July 2020.

(2) The board of directors of the Company announces that on 6 August 2020, 上海國之杰智慧能源有限公司 (Shanghai Gorgeous Smarter Energy Company Limited), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company (the "Seller") entered into a memorandum of understanding with 新疆絲路坤元能源有限責任公司 (Xinjiang Silk Road Kunyuan Energy Company Limited) (the "Potential Purchaser") in respect of the mutual intention on the possible disposal of all of the equity interests beneficially held by the Seller in its direct wholly-owned subsidiary 青島谷欣電力投資有限公司 (Qingdao Guxin Electricity Investment Company Limited) to the Potential Purchaser.

EMPLOYEES

As at 30 June 2020, the Group employed approximately 39 (31 December 2019: 38) 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.

CHARGES ON ASSETS

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

At 30 June 2020, the Group's bank borrowing of HK$375,350,000 (31 December 2019: HK$382,809,000) was secured by the Group's property plant and equipment with net carrying amount of HK$819,904,000 (31 December 2019: HK$945,150,000) and trade receivables of HK$276,624,000 (31 December 2019: HK$235,742,000).

Saved as above, no assets of the Group and the Company had been pledged to secure the bank loans at 30 June 2020.

LEGAL PROCEEDINGS

(a) During the year ended 31 December 2019, Gansu Jintai and 林范有, who were the former shareholders (collectively the "Former Shareholders") of Jinchang Jintai, a subsidiary of the Group, initiated arbitrations against 上海典陽光伏電力有限公司 ("上海典陽"), an indirectly owned subsidiary of the Group, for outstanding receivables of RMB146,000,000 (equivalent to approximately HK$163,344,000) and RMB41,000,000 (equivalent to approximately HK$45,871,000), respectively, in respect of the acquisition of Jinchang Jintai in 2014. According to the opinion from the Group's legal advisor, 上海典陽 already paid the consideration in accordance with the said sale and purchase contract and the Former Shareholders did not have a valid ground for the claim.

(b) On 11 November 2019, Jinchang Disheng received an arbitration petition dated 11 October 2019 from Gansu Jintai due to, inter alia, an alleged late payment on the part of Jinchang Disheng and a third party in aggregate of RMB21,986,000 (equivalent to approximately HK$24,185,000) pursuant to various service agreements entered into between, inter alia, Jinchang Disheng and Gansu Jintai. On 7 November 2019, the bank account of Jinchang Disheng of HK$6,699,000 was ordered by the court to be frozen. The legal process of the aforesaid case is in the preliminary stage. The Group is seeking legal advice on the aforesaid case and evaluating the potential impact. The Group is concurrently in the process of negotiating with Gansu Jintai for a settlement and an amicable disposal of the matter. As at the date of this announcement, no settlement regarding the aforesaid case has been reached.

(c) The Group has initiated a lawsuit against Hongxiang New Materials Company Limited (宏祥新材料及股份有限公司) ("Hongxiang") for the recovery of, inter alia, electricity charges and late payment fee in the aggregate amount of RMB10,533,000 (equivalent to approximately HK$11,586,000) pursuant to a rooftop rental agreement dated 28 August 2015 and its supplemental agreement dated 6 June 2017 entered into between Hongxiang and Dezhou Miaoli, an indirect wholly-owned subsidiary of the Company.

In connection with the lawsuit against Hongxiang for the recovery of, inter alia, electricity charges and late payment fee (滯納金), a judgement was granted in favour to the Group in April 2020 that, Hongxiang was ordered and agreed to,

(1) pay the electricity charges of RMB6,833,153.5 (equivalent to approximately HK$7,516,468.9) ("Electricity Charges") and the late payment fee of RMB3,699,977.21 (equivalent to approximately HK$4,069,974.9), in the aggregate amount of RMB10,533,130.7 (equivalent to approximately HK$11,586,443.8) and collectively (the "Claimed Amounts") to Dezhou Miaoli New Energy Company Limited* (德州妙理新能源有限公司) ("Dezhou"), an indirect wholly-owned subsidiary of the Company; and

(2) pay to Dezhou further late payment fee at a rate of 0.1% each day on an amount of the Electricity Charges since from 15 October 2019 until the Claimed Amounts are fully settled to Dezhou; and

(3) pay all legal fees of RMB100,000 (equivalent to approximately HK$110,000) and all fees relation to this litigation case to Dezhou.

CONTINGENT LIABILITIES

Save as disclosed, the Group had no contingent liabilities as at 30 June 2020.

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 June 2020.

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 June 2020.

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 deviations:

(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 June 2020, 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"); and

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

    During the period ended 30 June 2020, the Company had not separated the roles of chairman and chief executive officer of the Company since 30 August 2019. Mr. Zhang Liang ("Mr. Zhang") is acting as the chairman of the Board and our chief executive officer of the Company who is responsible for overseeing the operations of the Group during reporting period. In view of the present composition of the Board, Mr. Zhang's in-depth knowledge and experience in the industry in which the Group operates and his familiarity with the operations of the Group, the Company believes that it is in the best interest of the Group for Mr. Zhang to assume both roles as the Chairman and the chief executive officer of the Company. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole; and

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

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

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

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

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 June 2020.

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 13 March 2020, Mr. Bo Dateng, Mr. Gao Fei and Mr. Yin Yilin were appointed as executive directors of the Company.

On 13 March 2020, Mr. Ko Tin Kwok ("Mr. Ko") resigned as an executive director as he would like to devote more time to pursue his own business. Accordingly, Mr. Ko ceased to be the Vice Chairman of the Board with effect from the same date.

On 4 May 2020, Mr. Pun Hau Man was appointed as an independent non-executive director of the Company and a member of each of the audit committee, the nomination committee and the remuneration committee of the Company.

On 10 June 2020, Mr. Thomas Fok Ho Yin ("Mr. Fok") resigned as an independent non-executive director of the Company. Accordingly, Mr. Fok ceased to be the chairman of each of the audit committee and remuneration committee and member of the nomination committee of the Company.

On 30 June 2020, Mr. Wang Yuzhou was appointed as an independent non-executive director of the Company and chairman of each of the audit committee and remuneration committee and member of the nomination committee of the Company.

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. Wang Yuzhou, Mr. Lam Cheung Mau and Mr. Pun Hau Man. The chairman of the Remuneration Committee is Mr. Wang Yuzhou.

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 June 2020.

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. Wang Yuzhou, Mr. Lam Cheung Mau and Mr. Pun Hau Man. The chairman of the Audit Committee is Mr. Wang Yuzhou.

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. Zhang Liang, and three independent non-executive Directors, namely Mr. Wang Yuzhou, Mr. Lam Cheung Mau and Mr. Pun Hau Man. The chairman of the Nomination Committee is Mr. Zhang Liang.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: 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 the shareholders of the Company.

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

Hong Kong, 31 August 2020

As at the date of this announcement, Mr. Zhang Liang, Mr. Hu Hanyang, Mr. Weng Xiaoquan, Mr. Bo Dateng, Mr. Gao Fei and Mr. Yin Yilin are the executive directors of the Company; and Mr. Wang Yuzhou, Mr. Lam Cheung Mau and Mr. Pun Hau Man are the independent non-executive directors of the Company

* *For identification purpose only*