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CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED

中國智慧能源集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1004)

**UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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 2021 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 2021

		(Unaudited)	
		Six months ended 30 June	
	Notes	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> <i>(re-presented)</i>
CONTINUING OPERATIONS:			
Revenue	4	96,494	323,837
Cost of sales		<u>(66,766)</u>	<u>(303,952)</u>
Gross profit		29,728	19,885
Other income	4	1,603	2,321
Other gain(losses), net	4	5,274	(11,861)
Administrative and operating expenses		<u>(27,055)</u>	<u>(21,629)</u>
PROFIT (LOSS) FROM CONTINUING OPERATIONS			
		9,550	(11,284)
Finance costs	5	<u>(74,465)</u>	<u>(62,527)</u>
LOSS BEFORE TAX FROM CONTINUING OPERATIONS			
	6	(64,915)	(73,811)
Income tax credit	7	<u>1,934</u>	<u>987</u>
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS			
		(62,981)	(72,824)
DISCONTINUED OPERATIONS:			
Profit for the period	9	442	4,847
Loss on deemed disposal	8	(36,685)	–
Adjustment for cumulative exchange difference in respect of the net assets reclassified from equity to profit or loss		<u>(24,776)</u>	<u>–</u>
		<u>(61,019)</u>	<u>4,847</u>
LOSS FOR THE PERIOD			
		<u><u>(124,000)</u></u>	<u><u>(67,977)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		(Unaudited)	
		Six months ended 30 June	
	Notes	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> <i>(re-presented)</i>
ATTRIBUTABLE TO:			
Owners of the Company			
Continuing operations		(64,258)	(68,712)
Discontinued operations		(61,019)	4,847
		<u>(125,277)</u>	<u>(63,865)</u>
Non-controlling interests			
Continuing operations		1,277	(4,112)
Discontinued operations		–	–
		<u>1,277</u>	<u>(4,112)</u>
Loss for the period		<u>(124,000)</u>	<u>(67,977)</u>
PROPOSED INTERIM DIVIDEND	10	<u>–</u>	<u>–</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
From continuing and discontinued operations:			
Basic		<u>HK(1.34) cents</u>	HK(0.68) cents
Diluted		<u>HK(1.34) cents</u>	<u>HK(0.68) cents</u>
Form continuing operations:			
Basic		<u>HK(0.69) cents</u>	HK(0.73) cents
Diluted		<u>HK(0.69) cents</u>	<u>HK(0.73) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	(Unaudited)	
	Six months ended 30 June	
Notes	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(re-presented)</i>
LOSS FOR THE PERIOD	(124,000)	(67,977)
OTHER COMPREHENSIVE INCOME/(EXPENSE):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	812	(1,337)
Release of reserves upon deemed disposal of a subsidiary	24,776	–
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)
Other comprehensive income for the period, net of tax	25,588	(8,604)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(98,412)	(76,581)
ATTRIBUTABLE TO:		
Owners of the Company	(99,689)	(72,469)
Non-controlling interests	1,277	(4,112)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(98,412)	(76,581)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		(Unaudited) 30 June 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		933,104	1,708,778
Right-of-use assets		17,426	20,340
Intangible assets		466,998	479,265
Equity instruments at fair value through other comprehensive income (“FVTOCI”)		189,064	189,064
Club membership debenture		130	130
		1,606,722	2,397,577
CURRENT ASSETS			
Trade and bills receivables	<i>12</i>	560,739	813,194
Prepayments, deposits and other receivables		159,873	80,367
Refundable deposits		336,054	335,646
Financial assets at fair value through profit or loss (“FVTPL”)		46	46
Derivative financial instruments		5,414	25,841
Restricted bank deposit		1,376	1,299
Cash and cash equivalents		51,772	36,780
		1,115,274	1,293,173
CURRENT LIABILITIES			
Trade payables	<i>13</i>	162	47
Other payables and accruals		285,119	395,291
Amounts due to related parties	<i>14</i>	46,302	46,302
Provisions for litigations and claims		250,330	250,354
Lease liabilities		5,290	6,026
Bank and other borrowings		1,433,495	1,769,733
Current tax liabilities		5,972	8,288
		2,026,670	2,476,041

	(Unaudited) 30 June 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
NET CURRENT LIABILITIES	<u>(911,396)</u>	<u>(1,182,868)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>695,326</u>	<u>1,214,709</u>
NON-CURRENT LIABILITIES		
Lease liabilities	13,150	14,796
Bank and other borrowings	–	350,994
Deferred tax liabilities	<u>125,687</u>	<u>194,018</u>
	<u>138,837</u>	<u>559,808</u>
NET ASSETS	<u><u>556,489</u></u>	<u><u>654,901</u></u>
CAPITAL AND RESERVES		
Share capital	23,436	23,436
Reserves	<u>529,624</u>	<u>629,313</u>
Total equity attributable to owners of the Company	553,060	652,749
Non-controlling interests	<u>3,429</u>	<u>2,152</u>
TOTAL EQUITY	<u><u>556,489</u></u>	<u><u>654,901</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2021 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 2020.

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.

Going concern basis

The Group incurred a net loss of approximately HK\$124,000,000 for the six months ended 30 June 2021 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$911,396,000. As at that date, the Group’s total borrowings amounted to approximately HK\$1,433,495,000, of which current borrowings amounted to approximately HK\$1,433,495,000, while its cash and cash equivalents amounted to approximately HK\$51,772,000 only.

The directors have estimated the Group’s cash requirements by preparing a Group cashflow forecast for the 12 months ending 30 June 2022 and have, during the period and up to the date of the approval of these consolidated financial statements, instituted the following financing plans and measures to mitigate the liquidity pressure on the Group, to restructure its financial obligations and to improve its financial position:

- (a) The Group has been negotiating with its lenders for the extension of the maturity dates of debts fallen due or expected to fall due within the next 12 months;
- (b) The Group has been negotiating with its lenders of borrowings maturing after the next 12 months, requesting to further delay the loan repayment schedules;
- (c) The Group has been working to obtain other possible financings;
- (d) The Group has been working to dispose certain of its other solar power plants.

The directors of the Company therefore consider it appropriate in light of the above financing plans and measures to adopt the going concern basis in preparing these consolidated financial statements. Should the Group be unable to operate as a going concern in the foreseeable future, adjustments would have to be made to write down the carrying value of the Group’s assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in these consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the Company's consolidated financial statements for the year ended 31 December 2020 have been applied consistently to these condensed consolidated interim financial statements, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") that are effective from 1 January 2021.

The Group has adopted, for the first time, the following new/revised HKFRSs that are relevant to the Group.

Amendments to HKAS 39, *Interest Rate Benchmark Reform – Phase 2*
HKFRSs 4, 7, 9 and 16

The adoption of these amendments to HKFRSs does not have any significant impact on the condensed consolidated interim financial statements of the Group.

3. SEGMENT INFORMATION

(a) Segment revenue and results

For the six months ended 30 June 2021 (Unaudited)

	Continuing operations				Discontinued operation	Consolidated HK\$'000
	Clean energy HK\$'000	Trading in securities HK\$'000	Investments HK\$'000	Trading of bulk commodities HK\$'000	Clean energy HK\$'000	
Segment revenue:						
Revenue from external customers	94,404	-	-	2,090	7,804	104,298
Dividend income	-	-	-	-	-	-
Reportable segment revenue	94,404	-	-	2,090	7,804	104,298
Segment results	20,018	(7,921)	(33)	4,276	1,727	18,067
Reconciliation:						
Interest income						24
Net loss on deemed disposal of a subsidiary						(61,461)
Unallocated corporate expenses						(6,814)
Loss from operation						(50,184)
Finance costs						(75,953)
Loss before tax						(126,137)
Income tax credit						2,137
Loss for the period						(124,000)

For the six months ended 30 June 2020 (Unaudited)
(re-presented)

	Continuing operations				Discontinued operations	Consolidated HK\$'000
	Clean energy HK\$'000	Trading in securities HK\$'000	Investments HK\$'000	Trading of bulk commodities HK\$'000	Clean energy HK\$'000	
Segment revenue:						
Revenue from external customers	83,553	–	–	240,284	55,385	379,222
Dividend income	–	–	–	–	–	–
Reportable segment revenue	83,553	–	–	240,284	55,385	379,222
Segment results	19,670	(5,541)	(31)	(1,733)	15,176	27,541
Reconciliation:						
Interest income						2,362
Unallocated corporate expenses						(26,011)
Profit from operation						3,892
Finance costs						(70,946)
Loss before tax						(67,054)
Income tax expense						(923)
Loss for the period						(67,977)

(b) Segment assets and liabilities

At 30 June 2021 (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	1,986,187	179,993	189,064	1,117	365,635	2,721,996
Reportable segment liabilities	1,153,149	682,219	2,491	10,575	317,073	2,165,507

At 31 December 2020 (Audited)
(re-presented)

	Continuing operations				Discontinued operations	Unallocated	Consolidated
	Clean energy	Trading in securities	Investments	Trading of bulk commodities	Clean energy		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	<u>2,185,551</u>	<u>16,943</u>	<u>189,064</u>	<u>1,444</u>	<u>925,686</u>	<u>372,062</u>	<u>3,690,750</u>
Reportable segment liabilities	<u>1,630,005</u>	<u>653,969</u>	<u>2,491</u>	<u>16,943</u>	<u>71,472</u>	<u>660,969</u>	<u>3,035,849</u>

(c) **Geographical information**

Revenue from external customers

The Group's activities are conducted predominantly in the People's Republic of China ("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 2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(re-presented)
Continuing operations:		
Singapore	2,090	240,284
The PRC	94,404	83,553
	<u>96,494</u>	<u>323,837</u>
Discontinued operation:		
The PRC	<u>7,804</u>	<u>55,385</u>

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

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(re-presented)
Continuing operations:		
Revenue from contracts with customers		
Disaggregated by major products or service lines		
– Sale of electricity	94,404	83,553
– Sale of bulk commodities	2,090	240,284
	<u>96,494</u>	<u>323,837</u>
Other income		
Bank interest income	24	22
Imputed interest income of accrued revenue on tariff subsidy	1,425	1,466
Others	154	833
	<u>1,603</u>	<u>2,321</u>
Other gains (losses), net		
Exchange loss, net	6	138
Net realised and unrealised gain on derivative financial instruments	8,252	(4,669)
Impairment loss on trade receivables	(3,066)	(7,679)
Government grant	–	384
Others	82	(35)
	<u>5,274</u>	<u>(11,861)</u>

5. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(re-presented)
Interest expense on lease liabilities	1,008	956
Interest on bank and other borrowings	73,457	61,571
	<u>74,465</u>	<u>62,527</u>

6. LOSS BEFORE TAX

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(re-presented)
The Group's loss before tax is arrived at after charging:		
Depreciation of property, plant and equipment	37,335	34,976
Depreciation of right-of-use assets	3,112	4,230
Amortisation of intangible assets	17,715	16,302
Staff costs (including directors' remuneration and directors and staff retirement benefit scheme contributions)	10,602	8,688
	<u>10,602</u>	<u>8,688</u>

7. INCOME TAX 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 2020: 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 2020: 17%).

PRC Enterprises Income Tax has been provided at a rate of 25% (six months ended 30 June 2020: 25%). During the period, seven (six months ended 30 June 2020: eight) subsidiaries of the Group which are engaging in the operation of solar power plants and distributed power stations have obtained the relevant preferential tax concession. These subsidiaries are having 50% tax exemption from the PRC enterprise income tax for the coming three years or 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(re-presented)
Current tax	(2,698)	(3,089)
Deferred tax credit	4,632	4,076
	<u>1,934</u>	<u>987</u>

8. DEEMED DISPOSAL OF A SUBSIDIARY

In January 2021, a sale and purchase agreement (the “S&P Agreement”) was entered into between the Group and a purchaser, an independent third party and a company incorporated in the PRC, in connection with the Group’s disposal of all the equity interest in Jinchang Disheng Solar Energy Company Limited (“Jinchang Disheng”), a then subsidiary company of the Group engaging in operation of solar plant station in Gansu Province, the PRC, to the purchaser.

As disclosed in Note 50 “Events After the Reporting Period” to the annual report of the Company for the financial year ended 31 December 2020, on 4 February 2021, the purchaser has effected the change of the registered owner of Jinchang Disheng from the Group to the purchaser (“Change of Registered Owner”), which was not in accordance with the S&P Agreement as the conditions precedent as set out in the S&P Agreement have not been executed.

In the opinion of the directors, the Group remained as the owner of Jinchang Disheng. However, given the Change of Registered Owner of Jinchang Disheng which resulted in the Group being unable to access to the financial information of Jinchang Disheng, the Company accounted for the Change of Registered Owner as deemed disposal of Jinchang Disheng (“Discontinued Operations”).

Details of the Discontinued Operations are as follows:

	<i>HK\$'000</i>
Consideration	420,630
Net assets disposed of	<u>(457,315)</u>
Loss on deemed disposal	(36,685)
Adjustment for cumulative exchange difference in respect of the net assets reclassified from equity to profit or loss	<u>(24,776)</u>
Net loss on deemed disposal	<u><u>(61,461)</u></u>
Satisfied by:	
Cash received	360,741
Receivables	<u>59,889</u>
	<u><u>420,630</u></u>
Net cash inflow on deemed disposal:	
Cash consideration received	360,741
Less: bank balance and cash disposed of	<u>(13)</u>
	<u><u>360,728</u></u>

9. DISCONTINUED OPERATION

The results of the discontinued operation are summarised as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Revenue	7,804	55,385
Cost of sales	(5,975)	(39,243)
Other income	–	874
Administrative and operating expenses	(102)	(1,840)
Finance cost	(1,488)	(8,419)
	<hr/>	<hr/>
Profit before tax	239	6,757
Taxation	203	(1,910)
	<hr/>	<hr/>
Profit for the period	<u>442</u>	<u>4,847</u>
Profit for the period include the followings:		
Total staff cost	–	–
Depreciation of property, plant and equipment	<u>5,326</u>	<u>32,462</u>

10. PROPOSED INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

11. 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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings from continuing and discontinued operations		
Loss for the period attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	<u>(125,277)</u>	<u>(63,865)</u>
Earnings from continuing operations		
Loss for the period attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	<u>(64,258)</u>	<u>(68,712)</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>9,374,351</u>	<u>9,374,351</u>

Diluted loss per share for the period is the same as the basic loss per share (six months ended 30 June 2020: same).

12. 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 June 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
Trade receivables		
Unbilled	376,789	646,998
Current to 30 days	20,467	27,059
Over 30 days	163,483	134,574
	<u>560,739</u>	<u>808,631</u>
Bills receivables	–	4,563
	<u>560,739</u>	<u>813,194</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 June 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
Unbilled and neither past due nor impaired	376,789	646,998
Less than 1 month past due	20,467	27,059
Over 1 month past due	163,483	134,574
	<u>560,739</u>	<u>808,631</u>

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.

13. TRADE PAYABLES

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

	(Unaudited) 30 June 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
Over 60 days	<u>162</u>	<u>47</u>

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

14. AMOUNTS DUE TO RELATED PARTIES

	(Unaudited) 30 June 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
Amount due to a director	300	300
Amount due to non-controlling shareholder	9,360	9,360
Amount due to a holding company of Creaton Holdings (<i>note</i>)	<u>36,642</u>	<u>36,642</u>
	<u>46,302</u>	<u>46,302</u>

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, 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

During the current period, Jinchang Disheng was deemed to have been disposed of upon Change of Registered Owner in February 2021. Accordingly, the Company accounted for the Change of Registered Owner as deemed disposal of Jinchang Disheng.

Ratio analysis by business segments for the Group's revenue for the period from 1 January 2021 to 30 June 2021 ("Current Period") against the period from 1 January 2020 to 30 June 2020 ("Comparative Period") is as follows:

- Clean Energy: approximately HK\$102,208,000 (Comparative Period: HK\$138,938,000)
- Trading in securities: Nil (Comparative Period: Nil)
- Investments: Nil (Comparative Period: Nil)
- Trading of bulk commodities: approximately HK\$2,090,000 (Comparative Period: 240,284,000)

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: Nil)
- PRC: approximately HK\$102,208,000 (Comparative Period: HK\$138,938,000)
- Singapore: approximately HK\$2,090,000 (Comparative Period: HK\$240,284,000)

The net loss for the period attributed to owners of the Company was approximately HK\$125,277,000, as compared to net loss of approximately HK\$63,865,000 for the Comparative Period, representing an increase in net loss of 96.2%.

The increase in net loss for the period was principally due to a combined effect of decrease in operation scale, inter alia, deemed disposal of Jinchang Disheng in February 2021, resulting in decrease of turnover and corresponding segment profits.

The basic loss per share for the Current Period is HK1.34 cents (Comparative Period: HK0.68 cents), representing an increase of 97%.

BUSINESS REVIEW

Clean Energy

Clean-energy power generation business is the principal business of the Group. As at 30 June 2021, the Group's power generation capacity is approximately 172 megawatt(s) ("MW") (as at 31 December 2020: 272MW), all of which are photovoltaic power generation projects locating in four provinces, Gansu, Anhui, Jiangxi and Shandong (as at 31 December 2020: four provinces, Gansu, Anhui, Jiangxi and Shandong).

Segment profit of approximately HK\$21,745,000 was recorded for the Current Period as compared to a segment profit of approximately HK\$26,426,000 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 66,346,000KWh, representing a decrease of 4.9% as compared to sale of electricity of 69,779,000KWh in the Comparative Period. Sales revenue was approximately HK\$56,395,000, representing a increase of 10.9% as compared to revenue of approximately HK\$50,839,000 in the Comparative Period.

Guanyang 8.25MW Project in Dezhou, Shandong: During the Current Period, sale of electricity was 3,060,000KWh, representing a decrease of 21.3% as compared to sale of electricity of 3,890,000KWh in the Comparative Period. Sales revenue was approximately HK\$3,044,000, representing a decrease of 2.2% as compared to revenue of approximately HK\$3,113,000 in the Comparative Period.

Hongxiang 8MW Project in Dezhou, Shandong: During the Current Period, sale of electricity was 2,853,000 KWh, representing a increase of 3.0% as compared to sale of electricity of 2,771,000KWh in the Comparative Period. Sales revenue was approximately HK\$2,986,000, representing a increase of 10.8% as compared to revenue of approximately HK\$2,694,000 in the Comparative Period.

Jinde 5MW Project in Dezhou, Shandong: During the Current Period, sale of electricity was 1,522,000KWh, representing a decrease of 41.7% as compared to sale of electricity of 2,611,000KWh in the Comparative Period. Sales revenue was approximately HK\$1,681,000, representing a decrease of 23.1% as compared to revenue of approximately HK\$2,185,000 in the Comparative Period.

Jiayang 10MW Project in Dezhou, Shandong: During the Current Period, sale of electricity was 4,819,000KWh (Comparative Period: 3,760,000KWh), representing an increase of 28.2%. Sales revenue was approximately HK\$6,130,000 (Comparative Period: HK\$3,797,000), representing an increase of 61.4%.

Hongyang 20MW Project in Changfeng, Anhui: During the Current Period, sale of electricity was 11,631,000KWh (Comparative Period: 12,036,000KWh), representing a decrease of 3.4%. Sales revenue was approximately HK\$14,291,000 (Comparative Period: HK\$13,986,000), representing an increase of 2.2%.

Jinjian 20MW Project in Gaoan, Jiangxi: During the Current Period, sale of electricity was 8,644,000KWh (Comparative Period: 9,558,000KWh), representing a decrease of 9.6%. Sales revenue was approximately HK\$9,877,000 (Comparative Period: HK\$10,068,000), representing a decrease of 1.7%.

Disheng 100MW Project in Jinchang, Gansu: During the Current Period, sale of electricity was 10,843,000KWh (Comparative Period: 70,800,000KWh), representing a decrease of 84.7%. Sales revenue was approximately HK\$7,804,000 (Comparative Period: HK\$52,256,000), representing a decrease of 85.1%.

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 or loss 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: nil). Dividend income from listed equity securities was nil (Comparative Period: nil).

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\$nil).

No change of fair value on these equity instruments at fair value through other comprehensive income was recognised during the Current Period (Comparative Period: lose of HK\$7,267,000).

Trading of Bulk Commodities

During the Current Period, the revenue from this segment was HK\$2,090,000 (Comparative Period: HK\$240,284,000) and recorded a segment profit of HKD4,276,000 (Comparative Period: segment loss of HK\$1,733,000).

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 2021, the Group had cash and bank balances of approximately HK\$51,772,000 (31 December 2020: HK\$36,780,000) and interest bearing borrowings of approximately HK\$1,433,495,000 (31 December 2020: HK\$2,120,727,000). As at 30 June 2021, total equity attributable to owners of the Company amounted to approximately HK\$553,060,000 (31 December 2020: HK\$652,749,000). The gearing ratio was 249.8% as at 30 June 2021 (31 December 2020: 319.3%).

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 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
Bank and other borrowings	1,433,495	2,120,727
Less: cash and cash equivalents	<u>(51,772)</u>	<u>(36,780)</u>
Net debt	<u>1,381,723</u>	<u>2,083,947</u>
Total equity attributable to owners of the Company	<u>553,060</u>	<u>652,749</u>
Gearing ratio	<u>249.8%</u>	<u>319.3%</u>

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 2021. However, the Group conducted certain financing and refinancing activities as follow:

- i. At 30 June 2021, the Group's bank borrowings of HK\$529,862,000 (31 December 2020: HK\$553,582,000) were guaranteed by a subsidiary up to a total amount of RMB465,900,000 (equivalent to HK\$553,582,000) (31 December 2020: RMB465,900,000 (equivalent to HK\$553,582,000)). According to the repayment terms set out in two separate agreements, the bank borrowings will be repayable by semi-annual instalments with the last instalments due in July 2027 and September 2028, respectively. The bank borrowings were interest-bearing per annum at the benchmark interest rate for loans over 5 years determined by the People's Bank of China to financial institutions (31 December 2020: same). The Group was in default of the instalment repayments during the period. Accordingly, the whole amount of the loan was classified as current liabilities as at 30 June 2021. The default has not been remedied at the date these financial statements were authorised for issue.
- ii. At 30 June 2021, the Group's other loan of HK\$574,460,000 (31 December 2020: HK\$567,960,000) was interest-bearing at 7.90% per annum, and was guaranteed by an independent company and Shanghai Gorgeous. According to the repayment terms, the other loan was repayable in June 2020. The Group was in default of repayment of this loan and the default has not been remedied at the date these financial statements were authorised for issue.
- iii. At 30 June 2021, the Group's other loans of HK\$321,361,000 (31 December 2020: HK\$317,725,000) were interest-bearing at 7.00% per annum, and were guaranteed by a subsidiary of the Group. According to the repayment terms, the other loans were due for repayment in November 2019 and the default has not been remedied at the date these financial statements were authorised for issue.
- iv. In March 2021, the Group, as the borrower, entered into loan agreements with an independent third party and was guaranteed by a subsidiary for loans in total amount of RMB6,500,000 (HK\$7,812,000), interesting bearing at 6.00% per annum. According to the repayment terms, the other loans were due for repayment by June 2021 and the default has not been remedied at the date these financial statements were authorised for issue.

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 2021 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 2021 <i>HK\$'000</i>	Fair value as at 30 June 2021 <i>HK\$'000</i>	FVTOCI <i>HK\$'000</i>	Dividends received <i>HK\$'000</i>	Percentage of carrying amounts to the Group's total assets
<i>Equity instrument at fair value through other comprehensive income</i>									
Not applicable	Seekers Partners Limited (formerly known as Satinu Resources Group Limited)	Investment holding, property investment, commodities dealer, money lending, nominees, integrated financial services	Investment in shares	2.27%	177,424	177,424	-	-	6.3%

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.

EMPLOYEES

As at 30 June 2021, the Group employed approximately 36 (31 December 2020: 37) 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.

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. Pursuant to a settlement agreement (“Settlement Agreement”) entered into between, inter alia, 上海典陽, Gansu Jintai and 林范有 on 27 January 2021, the Group was required to make immediate repayment of RMB98,478,000 (equivalent to HK\$118,351,000) and corresponding late penalties of RMB9,227,000 (equivalent to HK\$11,089,000). These amounts were included in the provisions for litigations and claims as at 30 June 2021 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.
- b) On 20 November 2019, the Group has initiated a lawsuit against Hongxiang New Materials Company Limited (宏祥新材料及股份有限公司) (“Hongxiang”) for the recovery of, inter alia, electricity charges and late payment fee in the aggregate amount of RMB10,533,000 (equivalent to approximately HK\$12,659,000) 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. On 11 December 2020, Hongxiang initiated a lawsuit counterclaiming against Dezhou Miaoli for recovery of, inter alia, electricity and late payment fee in the aggregate amount of RMB6,080,000 (equivalent to HK\$7,307,000). With reference to advice of the Group’s legal advisor, the directors estimated the Group will likely to be liable to pay a total of approximately RMB6,080,000 (equivalent to HK\$7,307,000). The Group recognised the amount in the financial statements during the year ended 31 December 2020 and included in provision for litigations and claims and other payables and accruals as at 30 June 2021. As at the approval date of these financial statements, no settlement regarding the aforesaid case has been made.
- c) During the year ended 31 December 2020, Jinchang Jintai and a third party received an arbitration petition from Gansu Jintai due to an alleged late payment on the part of Jinchang Jintai and a third party in aggregate of RMB22,027,000 (equivalent to HK\$26,472,000) pursuant to various service agreements entered into between, inter alia, Jinchang Jintai and Gansu Jintai. During the year ended 31 December 2020, pursuant to a Settlement Agreement entered into between, inter alia, Jinchang Jintai and Gansu Jintai on 27 January 2021 and the judgement made by the court in the PRC in relation to this litigation, the Group was required to make payments of RMB21,210,000 (equivalent to HK\$25,490,000) and corresponding late penalties of RMB1,701,000 (equivalent to HK\$2,044,000) to Gansu Jintai and RMB21,706,000 (equivalent to HK\$26,086,000) and corresponding late penalties of RMB3,575,000 (equivalent to HK\$4,296,000) to a third party. These amounts were included in the provisions for litigations and claims as at 30 June 2021 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

- d) During the year ended 31 December 2020, Gansu Jintai, initiated arbitrations petition against Jinchang Jintai, for outstanding receivables of RMB47,771,000 (equivalent to approximately HK\$57,411,000) and corresponding late penalties of RMB4,533,000 (equivalent to HK\$5,448,000) in respect of the acquisition of Jinchang Jintai in 2014. The Group is concurrently in the process of negotiating with Gansu Jintai for a settlement and an amicable disposal of the matter. The aggregate amount was included in the provisions for litigations and claims as at 30 June 2021 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.
- e) During the year ended 31 December 2020, 中民新能投資集團有限公司 who was the former shareholder of Gaoan Jinjian, a subsidiary of the Group, initiated arbitrations against Shanghai Gorgeous Smarter Energy Company Limited, an indirectly owned subsidiary of the Group, and Gaoan Jinjian, for outstanding receivables due from Shanghai Gorgeous Smarter Energy Company Limited of RMB15,582,000 (equivalent to approximately HK\$18,726,000) and corresponding late penalties of RMB3,286,000 (equivalent to approximately HK\$3,949,000) and outstanding receivables due from Gaoan Jinjian of RMB6,435,000 (equivalent to HK\$7,734,000), in respect of the Group's acquisition of Gaoan Jinjian in 2017. As at the approval date of these financial statements, no settlement regarding the aforesaid case has been reached. With reference to advice of the Group's legal advisor, the directors estimated that the Group would likely to be liable to pay a total of approximately RMB25,303,000 (equivalent to HK\$30,409,000) for this case. The Group recognised the amount in the financial statements during the year and included in provision for litigations and claims and other payables and accruals as at 30 June 2021.
- f) Subsequent to the reporting period, there was a legal claim brought against a subsidiary of the Group and the Company by a lender of the clean energy segment. In the opinion of the directors, no further provision for litigation was required to be made for the period ended 30 June 2021 as the penalty interest for late repayments has been accrued into other payables and accruals.

CONTINGENT LIABILITIES

Save as disclosed, the Group had no contingent liabilities as at 30 June 2021.

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 2021.

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 2021.

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 2021, the three independent non-executive Directors and one non-executive Director 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, the Company had not separated the roles of chairman and chief executive officer of the Company, that is, from 1 January 2021 to 9 March 2021 and from 15 March 2021 to 24 June 2021, Mr. Zhang and Mr. Xu had, respectively during such two periods, acted as the chairman of the Board and our chief executive officer of the Company who was responsible for overseeing the operations of the Group during such two periods. In view of the composition of the Board of such two periods, Mr. Zhang's and Mr. Xu's in-depth knowledge and experience in the industry in which the Group operates and their familiarity with the operations of the Group, the Company believes that it is in the best interest of the Group for them to assume both roles as the Chairman and the chief executive officer of the Company during such two periods. Following the resignation of Mr. Xu on 25 June 2021, Mr. Chen Xiakuan an executive director was appointed as the chairman of the Board on 25 June 2021 and the office of the chief executive officer of the Company is vacated and the Company is making its best endeavours for a suitable person to act as the chief executive officer of the Company.

(iii). The Company failed to timely publish the 2020 annual financial information and lay the audited 2020 financial statements at the 2021 annual general meeting of the Company in accordance with Rules 13.46 and 13.49 of the Listing Rules, and published its environmental, social and governance report for the same period covered in this 2020 Annual Results under rule 13.91 of the Listing Rules. During the period and up to the date of this announcement, the Company published its 2020 annual results announcement and 2020 annual report respectively on 30 June 2021 and 9 July 2021, and that 2020 annual report contained an environmental, social and governance report for the same period; and on 9 August 2021, the 2021 annual general meeting was hold and the audited 2020 financial statements were presented thereat. The Company has been reviewing and closely monitoring its internal control systems to avoid delay in publication of its periodic financial and non-financial information under the Listing Rules in the future.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the six months ended 30 June 2021.

CHANGE IN INFORMATION OF DIRECTORS

On 13 January 2021, Mr. Chen Xiakuan was appointed as an executive director, Mr. Gao Fei resigned as an executive director and Mr. Yin Yilin resigned as an executive director.

On 10 March 2021, Mr. Zhang Liang was resigned as an executive director, chairman of the board and chief executive officer.

On 15 March 2021, Mr. Chen Lei was appointed as a non-executive director and Mr. Xu David Hua was appointed as an executive director, chairman of the board and chief executive officer and resigned on 25 June 2021.

On 25 April 2021, Mr. Lo Ka Ki was appointed as an independent non-executive director and Mr. Wang Yuzhou resigned as an independent non-executive director.

On 25 June 2021 , following resignation of Mr. Xu David Hu (as above mentioned), Mr. Chen Xiakuan as executive director was appointed as the chairman of the board.

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. Lo Ka Ki, Mr. Lam Cheung Mau and Mr. Pun Hau Man. The chairman of the Remuneration Committee is Mr. Lo Ka Ki.

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 2021.

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. Lo Ka Ki, Mr. Lam Cheung Mau and Mr. Pun Hau Man. The chairman of the Audit Committee is Mr. Lo Ka Ki.

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. Chen Xiaxuan, and three independent non-executive Directors, namely Mr. Lo Ka Ki, Mr. Lam Cheung Mau and Mr. Pun Hau Man. The chairman of the Nomination Committee is Mr. Chan Xiaxuan.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: 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
Chen Xiaxuan
Chairman and Executive Director

Hong Kong, 31 August 2021

As at the date of this announcement, Mr. Chen Xiaxuan, Mr. Hu Hanyang, Mr. Weng Xiaoquan and Mr. Bo Dateng are the executive directors of the Company; Mr. Chen Lei is the non-executive director of the Company; and Mr. Lo Ka Ki, Mr. Lam Cheung Mau and Mr. Pun Hau Man are the independent non-executive directors of the Company

* *For identification purpose only*