CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED

中國智慧能源集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1004)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board (the "Board") of Directors (the "Directors") of China Smarter Energy Group Holdings Limited (the "Company") hereby announces the condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as "Group") for the six months ended 30 September 2016 together with the comparative figures for the corresponding period in 2015. These condensed consolidated financial statements have not been audited but have been reviewed by the Company's audit committee (the "Audit Committee").

* *For Identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	(Unaudited) Six months ended 30 September 2016 HK$'000	2015 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	*4*	**23,552**	99,774
Cost of sales		**(1,723)**	(1,144)
Gross profit		**21,829**	98,630
Other income	*4*	**210**	1,447
Other losses, net	*4*	**(4,901)**	(2,649)
Gain on bargain purchase of subsidiaries	*25*	**–**	1,685
Selling and distribution expenses		**(1,758)**	(2,224)
Administrative and operating expenses		**(92,512)**	(78,730)
(LOSS)/PROFIT BEFORE INTEREST AND TAX FROM CONTINUING OPERATIONS		**(77,132)**	18,159
Finance costs	*5*	**(70,375)**	(72,984)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**(147,507)**	(54,825)
Income tax expense	*7*	**(2,164)**	–
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(149,671)**	(54,825)
DISCONTINUED OPERATION	*26 (a)*		
Loss for the period from a discontinued operation		**(480)**	(221,480)
LOSS FOR THE PERIOD		**(150,151)**	(276,305)

	Notes	(Unaudited) Six months ended 30 September **2016** *HK$'000*	2015 *HK$'000*
ATTRIBUTABLE TO:			
Owners of the Company			
Continuing operations		**(149,659)**	(54,825)
Discontinued operation		**(395)**	(177,184)
		(150,054)	(232,009)
Non-controlling interests		**(97)**	(44,296)
LOSS FOR THE PERIOD		**(150,151)**	(276,305)
PROPOSED INTERIM DIVIDEND	*8*	**–**	–
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
Basic			
For loss for the period		**HK(1.9) cents**	HK(3.32) cents
For loss for the period from continuing operations		**HK(1.9) cents**	HK(0.78) cents
Diluted			
For loss for the period		**HK(1.9) cents**	HK(3.32) cents
For loss for the period from continuing operations		**HK(1.9) cents**	HK(0.78) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	(Unaudited) Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(150,151)**	(276,305)
OTHER COMPREHENSIVE EXPENSE:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(105,805)**	(25,622)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(255,956)**	(301,927)
ATTRIBUTABLE TO:		
Owners of the Company	**(255,929)**	(256,613)
Non-controlling interests	**(27)**	(45,314)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(255,956)**	(301,927)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Notes	(Unaudited) 30 September 2016 HK$'000	(Audited) 31 March 2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,004,223**	959,621
Available-for-sale financial assets	11	**228,550**	7,800
Intangible assets	12	**763,610**	804,293
		1,996,383	1,771,714
CURRENT ASSETS			
Inventories		**962**	2,112
Trade receivables	13	**37,082**	18,343
Prepayments, deposits and other receivables	14	**386,516**	463,940
Financial assets at fair value through profit or loss	15	**327,104**	367,573
Derivative financial assets – Derivative component of the convertible bonds	19	**8,167**	13,068
Time deposit and cash and bank balances		**37,225**	294,674
		797,056	1,159,710
Assets of disposal group classified as held for sale	26 (b)	**–**	1,132
Total current assets		**797,056**	1,160,842
CURRENT LIABILITIES			
Trade payables	16	**2**	2
Other payables and accruals		**181,970**	76,827
Customers' deposits		**326**	406
Short term loans	17	**10,071**	5,000
Current portion of long term bank loans	18	**21,431**	15,557
		213,800	97,792
Liabilities of disposal group classified as held for sale	26 (b)	**–**	132
Total current liabilities		**213,800**	97,924

	Notes	(Unaudited) 30 September 2016 *HK$'000*	(Audited) 31 March 2016 *HK$'000*
NET CURRENT ASSETS		**583,256**	1,062,918
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,579,639**	2,834,632
NON-CURRENT LIABILITIES			
Long term bank loans	*18*	**825,923**	690,496
Convertible bonds	*19*	**306,980**	438,064
Deferred tax liabilities		**185,540**	188,920
		1,318,443	1,317,480
NET ASSETS		**1,261,196**	1,517,152
CAPITAL AND RESERVES			
Share capital	*20*	**19,536**	19,536
Reserves		**1,242,654**	1,498,583
Total equity attributable to owners of the Company		**1,262,190**	1,518,119
Non-controlling interests		**(994)**	(967)
TOTAL EQUITY		**1,261,196**	1,517,152

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 March 2016.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2016, except for the adoption of the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that affect the Group and are applied for the first time for the current period's financial statements.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Presentation of financial statements – disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operations
Amendments to HKFRS 14	Regulatory deferral accounts

The adoption of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. There have been no significant changes in the accounting policies applied in these condensed consolidated financial statements.

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

3. SEGMENT INFORMATION

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

(a) Operating segments information:

	(Unaudited) Six months ended 30 September 2016								
	Continuing Operations							Discontinued operation	
	Clean energy *HK$'000*	Trading in securities *HK$'000*	Investments *HK$'000*	Trading of fur garment *HK$'000*	Trading of fur skins *HK$'000*	Others *HK$'000*	Total *HK$'000*	Mine *HK$'000*	Consolidated *HK$'000*
Segment revenue:									
Revenue from external customers	62,247	(262)	–	972	–	–	62,957	–	62,957
Investment income and net gains	–	(39,405)	–	–	–	–	(39,405)	–	(39,405)
Reportable segment revenue	62,247	(39,667)	–	972	–	–	23,552	–	23,552
Segment results	(2,074)	(39,667)	(2)	(8,100)	(97)	(7,559)	(57,499)	(480)	(57,979)
Reconciliation:									
Interest income									64
Change in fair value of derivative components of convertible bonds									(4,901)
Unallocated corporate expenses									(14,796)
Loss before interest and tax									(77,612)
Finance costs									(70,375)
Loss before tax									(147,987)
Income tax									(2,164)
Loss for the period									(150,151)

	(Unaudited) Six months ended 30 September 2015 (Restated)								
	Continuing Operations							Discontinued operation	
	Clean energy *HK$'000*	Trading in securities *HK$'000*	Investments *HK$'000*	Trading of fur garment *HK$'000*	Trading of fur skins *HK$'000*	Others *HK$'000*	Total *HK$'000*	Mine *HK$'000*	Consolidated *HK$'000*
Segment revenue:									
Revenue from external customers	69,354	–	–	1,751	–	–	71,105	–	71,105
Investment income and net gains	–	28,669	–	–	–	–	28,669	–	28,669
Inter-segment sales	–	–	–	194	–	–	194	–	194
Reportable segment revenue	69,354	28,669	–	1,945	–	–	99,968	–	99,968
Elimination of inter-segment sales									(194)
Consolidated revenue									99,774
Segment results	16,930	22,423	(4,833)	(2,237)	(94)	(1,008)	31,181	(221,480)	(190,299)
Reconciliation:									
Interest income									242
Change in fair value of derivative components of convertible bonds									(2,649)
Unallocated corporate expenses									(10,615)
Loss before interest and tax									(203,321)
Finance costs									(72,984)
Loss before tax									(276,305)
Income tax									–
Loss for the period									(276,305)

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

	(Unaudited) As at 30 September 2016 Continuing Operations						
	Clean energy *HK$'000*	Trading in securities *HK$'000*	Investments *HK$'000*	Trading of fur garment *HK$'000*	Trading of fur skins *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Reportable segment assets	1,886,525	334,904	521,330	1,860	15,782	850,949	3,611,350
Elimination of inter-segment receivables							(863,303)
							2,748,047
Unallocated assets:							
Time deposit and cash and bank balances							37,225
Derivative financial assets							8,167
Total assets per condensed consolidated statement of financial position							2,793,439
Reportable segment liabilities	(1,799,344)	–	(167,381)	(69,453)	(25,456)	(26,932)	(2,088,566)
Elimination of inter-segment payables							863,303
							(1,225,263)
Unallocated liabilities:							
Convertible bonds							(306,980)
Total liabilities per condensed consolidated statement of financial position							(1,532,243)
Other segment information							
Additions to property, plant and equipment during the period	100,014	–	–	–	–	130	100,144

	Continuing operations							Discontinued operation	
	Clean energy HK$'000	Trading in securities HK$'000	Investments HK$'000	Trading of fur garment HK$'000	Trading of fur skins HK'000	Others HK$'000	Total HK$'000	Mine HK$'000	Consolidated HK$'000
Reportable segment assets	**1,939,810**	**367,574**	**308,112**	**10,317**	**15,782**	**1,909,129**	**4,550,724**	**1,132**	**4,551,856**
Elimination of inter-segment receivables									(1,927,042)
									2,624,814
Unallocated assets:									
Time deposit and cash and bank balances									294,674
Derivative financial assets									13,068
Total assets per condensed consolidated statement of financial position									**2,932,556**
Reportable segment liabilities	**(1,722,726)**	**-**	**(2,827)**	**(66,321)**	**(25,456)**	**(20,567)**	**(1,837,897)**	**(1,066,485)**	**(2,904,382)**
Elimination of inter-segment payables							860,689	1,066,353	1,927,042
							(977,208)	(132)	(977,340)
Unallocated liabilities:									
Convertible bonds									(438,064)
Total liabilities per condensed consolidated statement of financial position									**(1,415,404)**
Other segment information									
Additions to property, plant and equipment during the year	**184,771**	**-**	**-**	**-**	**-**	**-**	**184,771**	**684**	**185,455**

(Audited) As at 31 March 2016

(c) Geographical information:

Revenue from external customers

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

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

	(Unaudited) Six months ended 30 September 2016 ***HK$'000***	2015 *HK$'000* (Restated)
Hong Kong	**(38,695)**	30,420
Mainland China	**62,247**	69,354
Total revenue	**23,552**	99,774

4. REVENUE, OTHER INCOME AND OTHER LOSSES, NET

	(Unaudited) Six months ended 30 September 2016 HK$'000	2015 HK$'000
Revenue		
Sales of electricity	**62,247**	69,354
Sales of fur garment	**972**	1,751
Net realized losses on trading securities	**(262)**	–
Net unrealized (losses)/gains on trading securities	**(39,689)**	28,653
Dividend income from listed financial assets at fair value through profit or loss	**284**	16
	23,552	99,774
Other income		
Bank interest income	**64**	242
Profit on disposal of property, plant and equipment	**24**	65
Others	**122**	1,140
	210	1,447
Other losses, net		
Fair value change on derivative components of convertible bonds	**(4,901)**	(2,649)
	(4,691)	(1,202)

5. FINANCE COSTS

	(Unaudited) Six months ended 30 September 2016 HK$'000	2015 HK$'000
Interest expenses on convertible bonds	**45,581**	49,863
Interest on bank loans	**24,312**	22,934
Interest on short term loans wholly repayable within five years:		
Margin loan	**411**	–
Other loan	**71**	187
	70,375	72,984

6. LOSS BEFORE TAX

	(Unaudited) Six months ended 30 September 2016 *HK$'000*	2015 *HK$'000*
The Group's loss before tax is arrived at after charging/(crediting):		
Cost of inventories sold	**1,723**	1,144
Stock provision (included in administrative and operating expenses)	**1,500**	–
Written-off of deposits (included in administrative and operating expenses)	**733**	–
Depreciation	**29,322**	21,601
Amortisation of intangible assets	**17,313**	18,257
Operating lease rentals on lands and buildings	**6,504**	2,942
Staff costs (including directors' remuneration)	**11,976**	10,351
Loss on disposal of disposal group classified as held for sale (included in administrative and operating expenses)	**425**	–
Gain on disposal of property, plant and equipment	**(24)**	–
Exchange (gain) loss	**(19)**	950

7. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made in these condensed consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 September 2016 and 30 September 2015. Overseas taxes on assessable profits of the Group, if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

The Group's operations in the PRC are subject to the corporate income tax law of the PRC (the "PRC Corporate Income Tax"). The standard PRC Corporate Income Tax rate is 25% (2015: 25%). During the period, a subsidiary of the Group which is engaging in the operation of solar power plant has obtained the relevant preferential tax concession. This subsidiary is fully exempted from the PRC corporate income tax for the first three years, i.e. 2013 to 2015, followed by a 50% tax exemption for the next three years, i.e. 2016 to 2018.

	(Unaudited) Six months ended 30 September 2016 *HK$'000*	2015 *HK$'000*
Tax represents income tax expenses as follows:		
Provision for PRC Corporate Income Tax	**2,164**	–
	2,164	–

8. PROPOSED INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (2015: HK$Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share for the period is based on the Group's loss attributable to owners of the Company of HK$150,054,000 (2015: loss of HK$232,009,000). The basic loss per share is based on the weighted average of 7,814,351,360 (2015: 6,988,392,660) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 September 2016 and 2015 are the same as the basic loss per share, as the Company's outstanding convertible bonds had an anti-dilutive effect on the basic loss per share for these periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired items of property, plant and equipment with cost of HK$100,144,000 (year ended 31 March 2016: HK$185,455,000) and disposed of items of property, plant and equipment of HK$200,000 (year ended 31 March 2016: HK$623,000).

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	(Unaudited) 30 September 2016	(Audited) 31 March 2016
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	**228,550**	7,800

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

As at 30 September 2016, included in the Group's unlisted equity securities investments are mainly:

a) an investment in approximately 1.13% of the total issued share capital of HEC Capital Limited ("HEC") at the time of investment amounting to HK$93,750,000. HEC is a private entity incorporated in the Cayman Islands. HEC and its subsidiaries are principally engaged in investment holding, property investment, commodities dealer, money lending, nominees, securities brokerage and financial services, corporate finance advising services, asset management, investment advising and fund management; and

b) an investment in approximately 4.36% of the total issued share capital of Freewill Holdings Limited ("Freewill") at the time of investment amounting to HK$105,000,000. Freewill is a private entity incorporated in the Republic of Marshall Islands. Freewill and its subsidiaries are principally engaged in investment holding, property investment, money lending and forestry in the PRC.

As at 30 September 2016, no individual investment accounts for more than 10% of total assets of the Group.

12. INTANGIBLE ASSETS

	Customer contract *HK$'000*
Cost	
At 31 March 2015 (Audited)	880,885
Exchange adjustments	(36,819)
Balance at 31 March 2016 and 1 April 2016 (Audited)	844,066
Exchange adjustments	(24,686)
Balance at 30 September 2016 (Unaudited)	819,380
Accumulated amortization	
At 31 March 2015 (Audited)	4,613
Exchange adjustments	(749)
Amortisation for the year	35,909
Balance at 31 March 2016 and 1 April 2016 (Audited)	39,773
Exchange adjustments	(1,316)
Amortisation for the period	17,313
Balance as at 30 September 2016 (Unaudited)	55,770
Net carrying amount	
Balance at 30 September 2016 (Unaudited)	763,610
Balance at 31 March 2016 (Audited)	804,293

13. TRADE RECEIVABLES

The Group's trading terms with its customers other than sales of electricity are mainly on credit. The Group allows a credit period of 0 to 60 days for its customers. The provincial power grid company usually settled the payment of electricity consumed within one month.

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

	(Unaudited) 30 September 2016 HK$'000	(Audited) 31 March 2016 HK$'000
Current to 30 days	**8,823**	13,681
31days to 60 days	**12,289**	3,213
Over 60 days	**15,970**	1,449
	37,082	18,343

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	(Unaudited) 30 September 2016 HK$'000	(Audited) 31 March 2016 HK$'000
Deposits for acquisitions	**300,000**	300,000
Value added tax receivable	**69,918**	70,557
Prepayments, other deposits and receivables	**16,598**	93,383
	386,516	463,940

On 11 December 2015, the Company entered into the Letter of Intent with an independent third party (the "Potential Vendor") for the purpose to acquire the entire equity interest in Jinchang Zhong Xin Neng Photovoltaic Company Limited 金昌中新能電力有限公司, which mainly engaged in operation of solar power plant. Pursuant to the terms of the Letter of Intent, the Company had paid an earnest money of HK$200 million to the Potential Vendor, which is refundable if this acquisition cannot be completed. Details of this acquisition are disclosed in the announcement issued by the Company on 11 December 2015.

On 4 March 2016, the Company had also executed a Supplementary Letter of Intent and an additional earnest money of HK$100 million was paid to the Potential Vendor pursuant to the terms of the said Supplementary Letter of Intent.

As at 30 September 2016, the potential acquisition is still in progress and no sale and purchase agreement is signed between the Company and the Potential Vendor.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) **30 September** **2016** ***HK$'000***	(Audited) 31 March 2016 *HK$'000*
Equity securities listed in Hong Kong at fair value	**327,104**	367,573

16. TRADE PAYABLES

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

	(Unaudited) **30 September** **2016** ***HK$'000***	(Audited) 31 March 2016 *HK$'000*
Over 60 days	**2**	2

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

17. SHORT TERM LOANS

	(Unaudited) **30 September** **2016** ***HK$'000***	(Audited) 31 March 2016 *HK$'000*
Margin loan *(note a)*	**5,071**	–
Other loan *(note b)*	**5,000**	5,000
	10,071	5,000

Note

a) At 30 September 2016, the margin loan was secured by the equity securities held under the margin account, with a total market value of approximately HK$326,875,000. The effective interest rate of margin loan was 12% per annum.

b) Other loan is unsecured and carries interest at 12% (31 March 2016: 12%) per annum. The loan is wholly repayable within one year from the end of the reporting period.

18. BANK LOANS

	(Unaudited) 30 September 2016 *HK$'000*	(Audited) 31 March 2016 *HK$'000*
Within one year	**21,431**	15,557
After 1 year but within 2 years	**199,767**	43,081
After 2 years but within 5 years	**174,255**	179,505
After 5 years	**451,901**	467,910
	825,923	690,496
	847,354	706,053

Bank loans are carrying interest ranging from 6% to 6.55% (31 March 2016: 6.55%) per annum. Included in bank loans are bank loans with a total carrying amount of HK$683,080,000 (31 March 2016: HK$706,053,000) which are unsecured and to be repayable by the semiannual instalments with the last instalments due in 2027 and 2028, respectively. The borrowing with a carrying amount of HK$164,274,000 is secured by pledged share capital of certain subsidiaries

19. CONVERTIBLE BONDS

a) On 12 September 2014, the Company issued convertible bonds to an independent third party, Shanghai Electric Hongkong Co. Limited, in the principal amount of HK$700,000,000 ("Convertible Bonds I") which are convertible into 206,489,675 new shares at the initial conversion price of HK$3.39 per share (subject to adjustment). The Convertible Bonds I bear interest at 3 months HIBOR plus 5.5% per annum payable quarterly with maturity date on the 716th day after the date of first issue of Convertible Bonds I. Further details of the Convertible Bonds I are set out in the Company's announcement dated 22 August 2014.

The bondholder shall have the right to convert its bonds into the Company's shares credited as fully paid at any time from the issue date up to the maturity date at the conversion price.

As fully mentioned in the Company's announcement dated 8 October 2014, a put event has occurred pursuant to the terms and conditions of the Convertible Bonds I, and the Company has the right to issue conversion shares in satisfaction of its obligations to repay or redeem at face value all or part of the outstanding Convertible Bonds I during the 90 day period from the first anniversary of the date of the initial issue date of the Convertible Bonds I.

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

On 10 December 2015, the Company converted the Convertible Bonds I at the conversion price of HK$0.8475 per share. Accordingly, the Company issued 825,958,700 conversion shares of HK$0.0025 each in respect of the above conversion. The corresponding liability component of Convertible Bonds I with carrying amount HK$680,850,182, together with corresponding equity component with carrying amount of HK$57,814,613, were transferred to share capital and share premium for the new ordinary shares issued.

b) On 30 July 2015, the Company issued guaranteed secured convertible bonds with an aggregated principal amount of US$80,000,000 ("Convertible Bonds II") pursuant to the four conditional subscription agreements (the "Subscription Agreements") each dated 14 July 2015 entered between the Company and four subscribers, which are independent third parties to the Company. The Convertible Bonds II were secured by the shares charges over the share capital of the Group's wholly-owned subsidiaries, Rising Group International Limited, China Smarter Energy Investment Limited and Rander International Limited and the first floating charges on property, assets, goodwill, rights and revenue of the Company and is guaranteed under the Deed of Guarantee given by the Company's wholly-owned subsidiaries, Max Access Limited and Rising Group International Limited. The Convertible Bonds II bear interest at 6% per annum payable semi-annually in arrears, with maturity date before the third anniversary after the date of first issue of the Convertible Bonds II (that is, 30 July 2018) and the bondholders have the right to convert them into shares credited as fully paid at any time from the issue date up to the date which is 7 days prior to the maturity date and convertible into 571,481,039 new shares at the initial conversion price of HK$1.0891 (subject to adjustment). The Company shall have the right at any time on or after the first anniversary of the date of issue of the Convertible Bonds II and until the last day immediately preceding the maturity date to redeem all or part of outstanding principal amount of the Convertible Bonds II. Further details of the Convertible Bonds II are set out in the Company's announcement dated 14 July 2015.

On 27 July 2016, the Company repurchased Convertible Bonds II in the principal amount of US$30,000,000 in accordance with the terms and conditions of the Convertible Bond II (the "Repurchase of Convertible Bonds II"). Immediately after the Repurchase of Convertible Bonds II, there are outstanding Convertible Bonds II in the principal amount of US$50,000,000, convertible into 357,175,650 new shares at the initial conversion price of HK$1.0891 (subject to adjustments).

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

The movements of the components of the Convertible Bonds I and II are as follows:

	Convertible Bonds I *HK$'000*	Convertible Bonds II *HK$'000*	**Total** *HK$'000*
Liability component			
Balance at 1 April 2015 (Audited)	663,246	–	**663,246**
Issued on 30 July 2015	–	393,778	**393,778**
Transactions costs	–	(1,078)	**(1,078)**
Imputed interest expenses	46,186	64,084	**110,270**
Interest paid	(28,582)	(18,720)	**(47,302)**
Conversion of Convertible Bonds I	(680,850)	–	**(680,850)**
Balance at 31 March and 1 April 2016 (Audited)	–	438,064	**438,064**
Imputed interest expenses	–	45,581	**45,581**
Interest paid	–	(18,720)	**(18,720)**
Repurchase of Convertible Bonds II	–	(157,945)	**(157,945)**
Balance at 30 September 2016 (audited)	–	306,980	**306,980**
Equity component			
Balance at 1 April 2015 (Audited)	57,815	–	**57,815**
Issued on 30 July 2015	–	256,731	**256,731**
Transactions costs	–	(703)	**(703)**
Conversion of Convertible Bonds I	(57,815)	–	**(57,815)**
Balance at 31 March and 1 April 2016 (Audited)	–	256,028	**256,028**
Repurchase of Convertible Bonds II	–	(96,011)	**(96,011)**
Balance at 30 September 2016 (Unaudited)	–	160,017	**160,017**

	Convertible Bonds I HK$'000		Convertible Bonds II HK$'000		**Total** HK$'000
Derivative component					
Balance at 1 April 2015 (Audited)	–	(Note 1)	–		**–**
Issued on 30 July 2015	–		(26,509)		**(26,509)**
Change in fair value	–		13,441		**13,441**
Balance at 31 March and 1 April 2016 (Audited)	–		(13,068)	(Note 2)	**(13,068)**
Change in fair value	–		4,901		**4,901**
Balance at 30 September 2016 (Unaudited)	–		(8,167)		**(8,167)**

Interest expenses on the Convertible Bonds I and II are calculated using the effective interest method by applying the effective interest rate of 9.97% and 24.04% per annum respectively to the liability component.

Note (1) As the put event has been occurred the put feature of the Convertible Bonds I will be exercised immediate after the first anniversary of the initial issue date of the Convertible Bonds I. Accordingly, the fair value of derivative component at 31 March 2015 was HK$Nil.

(2) Pursuant to the Subscription Agreements, the Company should have a right at any time on or after the first anniversary of the date of issue of the Convertible Bonds II and until the last day immediate proceeding the maturity date to redeem all or part of outstanding principal amount of the Convertible Bonds II. The derivative component is accounted for as derivative financial assets under current assets.

20. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Authorised		
Ordinary shares of HK$0.0025 each		
At 1 April 2016 (Audited) and 30 September 2016 (Unaudited)	**120,000,000,000**	300,000
Issued and fully paid		
At 1 April 2016 (Audited) and 30 September 2016 (Unaudited)	**7,814,351,360**	19,536

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

21. CHARGES ON ASSETS

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

At 30 September 2016, the Group had pledged share capital of certain subsidiaries to secure the convertible bonds and certain borrowing. No assets of the Group had been pledged to secure short term loans at 30 September 2016.

22. CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 September 2016.

23. COMMITMENTS

a) The Group leases certain properties under operating lease arrangements. Leases for properties are negotiated for terms of 2 to 25 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	(Unaudited) **30 September** **2016** ***HK$'000***	(Audited) 31 March 2016 *HK$'000*
Within one year	**11,619**	11,801
In the second to fifth years, inclusive	**11,227**	16,497
Over five years	**33,270**	35,195
	56,116	63,493

b) At 30 September 2016, the Group had the following capital commitments in respect of construction of the distributed solar power stations:

	(Unaudited) **30 September** **2016** ***HK$'000***	(Audited) 31 March 2016 *HK$'000*
Contracted but not provided for	**–**	110,000

c) During the year ended 31 March 2014, the Group entered into the agreements through a subsidiary, Tianhe Smarter Energy Company Limited 天合智慧能源有限公司 with an independent third party (the "Vendor") in respect of the acquisition of 51% equity interest in Jilin Hareon Electric Development Company Limited 吉林海潤電力技術開發有限公司 ("JHED").

Pursuant to the agreements, the Group agreed as follows:

i) The Group is to be responsible for assisting JHED in securing financing for 80% of the costs of engineering, procurement and construction to be incurred by JHED (the "Total Project Cost"). The remaining 20% of the Total Project Cost (after deducting the paid-up capital of JHED) will be financed by additional capital or loans contributed by the members of JHED pro rata to their equity interest in JHED. It is estimated that the Total Project Cost to be RMB360 million (approximately HK$431 million) and the Group's estimated committed shares to be RMB36,720,000 (approximately HK$44 million).

ii) After JHED's power plant is connected to the State grid, both parties agreed that, subject to the signing of the definitive contract, the Group will buy, the Vendor will sell its 49% equity interest in JHED at a price based on the pre-agreed formula, being the aggregate of the Vendor's share of (i) JHED's registered capital and shareholders loan provided and (ii) the amount by which the production capacity of the power plant (in terms of megawatt (MW)) multiplied by the unit price per MW to be agreed exceed the Total Project Cost and the related interest costs of JHED up to one month after the grid connection.

As the construction of JHED's power plant had not yet commenced during the six months ended 30 September 2016 and the year ended 31 March 2016 and the Group has not been required to secure the financing or purchase the equity interest from the Vendor. In view of the protracted delay in this project, the Group and the Vendor have agreed not to proceed with this project.

24. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

The remuneration of directors and other members of key management of the Group during the period was as follows:

	(Unaudited) Six months ended 30 September **2016** *HK$'000*	2015 *HK$'000*
Short-term employee benefits	**10,560**	4,500
Post-employment benefits	**72**	54
	10,632	4,554

The remuneration of Directors and key executives is determined by the remuneration committee of the Group having regard to the performance of individuals and market trends.

25. BUSINESS COMBINATIONS

30 September 2015

On 17 June 2015, the Group acquired 100% equity interest in Shanghai Xin Lan Electric Company Limited 上海昕嵐電力有限公司 ("Shanghai Xin Lan") for a cash consideration of RMB10,000,000 from an independent third party. Shanghai Xin Lan and its subsidiary hold (i) two distributed solar power stations (of 3MW and 5MW respectively) in Shanghai and; (ii) one distributed solar power station in Dezhou, Shandong (of up to 11 MW). Further details of this acquisition are set out in the Company's announcement dated 17 June 2015.

On 10 August 2015, the Group had also acquired 100% equity interest in Wealth Vantage Investments Limited ("Wealth Vantage"), which is holding a lease agreement for the Group's office premises.

The following table summarises the purchase consideration paid for the acquisition of each of the above subsidiaries, the fair value of identifiable assets acquired and liabilities assumed at the respective acquisition date:

	Shanghai Xin Lan *HK$'000*	Wealth Vantage *HK$'000*	Total *HK$'000*
Purchase consideration			
Cash paid	**12,483**	**–** *(Note)*	**12,483**
The fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition			
Property, plant and equipment	**–**	**153**	**153**
Prepayments, deposits and other receivables	**123,602**	**1,527**	**125,129**
Cash and bank balances	**1,231**	**–**	**1,231**
Other payables and accruals	**(112,345)**	**–**	**(112,345)**
Total identifiable net assets at fair value	**12,488**	**1,680**	**14,168**
Gain on bargain purchase	**5**	**1,680**	**1,685**
Net cash outflow on the acquisition			
Consideration paid in cash	**12,483**	**–**	**12,483**
Less: cash and cash equivalents acquired	**(1,231)**	**–**	**(1,231)**
Net cash outflow	**11,252**	**–**	**11,252**

Note: The purchase consideration is HK$1.

Acquisition-related costs of HK$170,500 have been excluded from the above considerations transferred and have been recognised as an expenses in the profit or loss in the period in which they were incurred.

26. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION

The Group plans to focus its resources on its clean energy business and has decided to cease and sell its mining business during the year ended 31 March 2016. The Group's business in mining segment is mainly undertaken by 陝西久權礦業有限公司 (Shaanxi Jiuquan Mining Company Limited), an indirect-owned subsidiary of Perfect Fair Limited, which is also an indirect-owned subsidiary of the Company.

The Perfect Fair Limited and its subsidiaries (the "Perfect Fair Group") was regarded as a disposal group classified as held for sale and mining segment was classified as a discontinued operation during the year ended 31 March 2016.

On 21 June 2016, the Group had completed the disposal of its 100% equity interest (with relevant shareholder's loan) in the Perfect Fair Group to an independent third party for a cash consideration of HK$1 million.

The loss for the period from the discontinued mining business is set out below.

(a) The results of a discontinued operation dealt with in the condensed consolidated financial statements for the six months ended 30 September 2016 are as follows:

	(Unaudited) Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Loss before tax	**(480)**	(295,040)
Income tax credit	**–**	73,560
Loss for the period	**(480)**	(221,480)
Attributable to:		
Owners of the Company	**(395)**	(177,184)
Non-controlling interests	**(85)**	(44,296)
	(480)	(221,480)

(b) The major classes of assets and liabilities of a disposal group classified as held for sale at 31 March 2016 are as follows:

	(Audited) 31 March 2016 *HK$'000*
Assets	
Property, plant and machinery	841
Prepayments, deposits and other receivables	46
Cash and bank balances	245
Assets of disposal group classified as held for sale	1,132
Liabilities	
Other payables and accruals	132
Liabilities of disposal group classified as held for sale	132
Net assets of disposal group classified as held for sale	1,000

(c) The net cash flow of the discontinued operation dealt with in the condensed consolidated financial statements for the six months ended 30 September 2016 are as follows:

	(Unaudited) Six months ended 30 September	
	2016 ***HK$'000***	2015 *HK$'000*
Operating activities	**(480)**	(700)
Investing activities	**–**	–
Financing activities	**892**	–
Net cash inflow/(outflow) attributable to a discontinued operation	**412**	(700)

(d) Loss per share from a discontinued operation

	(Unaudited) Six months ended 30 September **2016**	2015
Basic and diluted	**HK(0.005) cents**	HK(2.54) cents

The calculation of the basic loss per share from a discontinued operation is based on the loss for the period from discontinued operation attributable to owners of the Company of HK$395,000 (2015: HK$177,184,000) and the weighted average number of 7,814,357,360 (2015: 6,988,392,660) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share from a discontinued operation presented for each of the period ended 30 September 2016 and 2015 in respect of a dilution as the Company's outstanding convertible bonds during the periods have an anti-dilutive effect on the basic loss per share from a discontinued operation presented.

(e) Disposal of a disposal group

Further details of consideration and the value of interest in the Perfect Fair Group at the date of disposal during the six months ended 30 September 2016 are as follows:

	HK$'000
Net assets disposed of	1,425
Loss on disposal of the Perfect Fair Group	(425)
Total consideration	1,000
Satisfied by:	
Cash received	1,000
Net cash inflow arising on disposal:	
Total cash consideration received	1,000
Less: bank balances and cash disposed of	(657)
	343

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Fair value measurement

i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following tables present the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified and is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group had engaged an independent firm of professionally qualified valuer performing valuation for the derivative component in respect of convertible bonds which are categorised into Level 3 of the fair value hierarchy. A valuation report with analysis of changes in fair value measurement is prepared by the valuers at each interim and annual reporting date, and was reviewed and approved by the Directors.

	Fair value at 30 September 2016	**Fair value measurement at 30 September 2016 categorised into**			**(Unaudited) Total carrying amount at 30 September 2016**	**Valuation technique and key input**
		Level 1	**Level 2**	**Level 3**		
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	
Recurring fair value measurements						
Assets						
Financial assets at fair value through profit or loss	327,104	327,104	–	–	327,104	Quoted bid prices in an active market

	Fair value at 31 March 2016	Fair value measurement at 31 March 2016 categorised into			(Audited) Total carrying amount at 31 March 2016	Valuation technique and key input
		Level 1	Level 2	Level 3		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Recurring fair value measurements						
Assets						
Financial assets at fair value through profit or loss	367,573	367,573	–	–	367,573	Quoted bid prices in an active market

Recurring fair value measurements

Derivative financial assets – derivative component of convertible bonds

	HK$'000
At 1 April 2015 (Audited)	–
HK$80 million convertible bonds issued on 30 July 2015	(26,509)
Change in fair value recognised in profit or loss	13,441
At 31 March 2016 and 1 April 2016 (Audited)	(13,068)
Change in fair value recognised in profit or loss	4,901
At 30 September 2016 (Unaudited)	(8,167)

	30 September 2016	31 March 2016
Share price of the Company	**HK$0.72**	HK$0.72
Conversion price	**HK$1.0891**	HK$1.0891
Stock price volatility	**60.75%**	58.99%
Time to maturity	**1.83 years**	2.33 years
Risk-free rate	**0.42%**	0.77%
Credit spread	**34.07%**	29.63%
Dividend yield	**0.00%**	0.00%

Valuation of the conversion option derivative component of convertible bonds, which were categorized into Level 3 of the fair value hierarchy were prepared by an independent valuer using Binomial Tree Model.

A slight Increase in the stock price volatility/a slight decrease in credit spread used in isolation would result in a significant increase in the fair value measurement of the derivative component of convertible bonds, and vice versa.

During the six months ended 30 September 2016 and year ended 31 March 2016, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 30 September 2016 and 31 March 2016.

28. EVENTS AFTER REPORTING PERIOD

On 15 November 2016, the Company entered into the subscription agreements with the subscribers, which are independent third parties, pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 1,560,000,000 shares of the Company of HK$0.0025 each in aggregate, at the subscription price of HK$0.65 per share, amounting to approximately HK$1,014,000,000 in total before expenses (the "Subscription"). The shares in issue rank pari passu with the existing shares in all aspects. Further details of the Subscription is set out in the Company's announcement dated 15 November 2016.

29. COMPARATIVE FIGURES

During the period, certain comparative amounts have been restated and reclassified and the comparative condensed consolidated statement of profit or loss has been re-present in this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF THE GROUP

During the first six months, the Group's revenue was HK$23,552,000 (2015: HK$99,774,000 (restated)), a decrease of 76.4% compared to the corresponding period last year. The decrease in revenue was mainly due to a record of unrealized loss resulted from trading of listed equity securities of HK$39,689,000, compared to a gain of HK$28,653,000 in corresponding period last year.

The net losses from continuing operations and a discontinued operation attributed to owners of the Company was HK$149,659,000 and HK$395,000, respectively, as compared to net losses of HK$54,825,000 and HK$177,184,000, respectively, for the last corresponding period, representing an increase in loss arising from continuing operations of 173% and a decrease in loss arising from a discontinued operation of 99.8%.

The increase in loss arising from continuing operations was the consolidated effect of (i) unrealized loss incurred from trading of listed equity securities as stated above; (ii) increase in depreciation of property, plant and equipment and amortization of intangible assets attributable to the clean energy business from HK$39,858,000 to HK$46,635,000, representing an increase of 17.0% when compared to corresponding period last year; and (iii) increase in staff costs from HK$10,351,000 to HK$11,976,000, representing an increase of 15.7% when compared to corresponding period last year.

The decrease in loss arising from a discontinued operation was mainly due to an impairment loss of HK$294,237,000 was recognized in respect of the discontinued mining business during the six months ended 30 September 2015, which is not recurring in the current period.

The basic loss per share for the current period of HK1.90 cents (2015: a basic loss per share of HK3.32 cents), representing a decrease in loss for the period by 35.3% compared to the corresponding period in last year.

BUSINESS REVIEW

CONTINUING OPERATIONS

Clean Energy Business

Clean-energy power generation business is the key development of the Group at this stage. Up till now, the clean-energy power generation controllable on-grid production capacity of the Group is approximately 130MW, all of which are photovoltaic power generation projects locating in three provinces, cities and autonomous regions in Gansu, Shanghai and Shandong. The preliminary works for additional production capacity is 120MW, all of which are photovoltaic power generation projects locating in two provinces and autonomous regions in Anhui and Inner Mongolia.

During the period, sale of electricity of the Group was 67,532,000 kilowatt hour(s) ("KWh"), representing an increase of 2.8% as compared with 65,650,000KWh in the corresponding period last year. Sales revenue was HK$62,247,000, representing a decrease of 10.2% as compared with the corresponding period last year of HK$69,354,000. The loss of HK$2,074,000 was recorded during this period, as compared to a profit of HK$16,930,000 in the corresponding period last year. The decrease was mainly due to the further escalation of grid curtailment in Gansu Jinchang Jintai 100MW Project which caused significant decrease in sale of electricity and sales revenue, while at the same, there was a significant increase in operating costs due to business expansion.

Gansu Jinchang Jintai 100MW Project: During the period, sale of electricity was 55,005,000KWh, representing a decrease of 16.2% as compared with the corresponding period last year of 65,650,000KWh. Sales revenue was HK$49,464,000, representing a decrease of 28.7% as compared with the corresponding period last year of HK$69,354,000.

Shanghai Xin Lan 8MW Project: The project commenced on-grid connection for power generation in November 2015. During the period, sale of electricity was 5,115,000KWh, sales revenue was HK$6,019,000. In the corresponding period last year, this project had yet to complete its on-grid connection for power generation.

Guanyang Phase I 5.5MW Project in Dezhou, Shandong: This project commenced on-grid connection for power generation in March 2016. During the period, sale of electricity was 2,900,000 KWh, and sales revenue was HK$2,538,000. In the corresponding period last year, this project had yet to complete its on-grid connection for power generation.

Guanyang Phase II 2.75MW Project in Dezhou, Shandong: During the period, this project has commenced on-grid connection for power generation, sale of electricity was 1,002,000KWh, and sales revenue was HK$966,000. In the corresponding period last year, this project had yet to complete its on-grid connection for power generation.

Hongxiang 8MW Project in Dezhou, Shandong: During the period, this project has commenced on-grid connection for power generation, sale of electricity was 2,604,000KWh, sales revenue was HK$2,540,000. In the corresponding period last year, this project had yet to complete its on-grid connection for power generation.

Jinde 5MW Project in Dezhou, Shandong: During the period, this project has commenced on-grid connection for power generation, sale of electricity was 906,000KWh, sales revenue was HK$720,000. In the corresponding period last year, this project had yet to complete its on-grid connection for power generation.

100MW Project in Baotou, Inner Mongolia: This is a ground-mounted centralized photovoltaic power plant project, which is developed by the Group in cooperation with other independent third parties. Up till now, the development works of the project are almost complete and is anticipating further project construction instructions.

20MW Project in Quanjiao, Anhui: This was a fishing-solar complementary centralized photovoltaic power plant, which is the phase I implementing project under a framework agreement entered into between the Group and Quanjiao County People's Government of Anhui Province to jointly develop the 100MW fishing-solar complementary photovoltaic power generation project. Up till now, the development works of the project are almost complete and is anticipating further project construction instructions.

Investment Business

Trading in listed securities

During the year, the net realized loss resulted from trading of listed equity securities was HK$262,000 (2015: HK$Nil). The unrealized losses resulted from trading of listed equity securities was HK$39,689,000, as compared to a gain of HK$28,653,000 in corresponding period last year. Loss of HK$39,667,000 was recorded from this business sector during the period as compared to a record of segment profit of HK$22,423,000 for the same period in last year. The loss was mainly due to unrealized loss resulted from decrease in market value of our investment in China Innovative Finance Group Limited (Stock code: 412) amounting to HK$40,183,000.

Investments

During the period, the Group has invested in the certain unlisted equity securities. Details refer to note 11 to the condensed consolidated audited statements.

As at 30 September 2016, no individual investment accounts for more than 10% of total assets of the Group.

During the period, The Group has no revenue generated from its unlisted equity investments (2015: HK$Nil). During these years, the revenue generated from the Group's unlisted equity investments solely represents dividend income received from the investees, which are classified as available-for-sale financial assets. Segment loss of HK$2,000 was recorded during the period as compared to the loss of HK$4,833,000 in recorded corresponding period last year, representing a decrease of 99.96%. The decrease in loss was mainly due to the decrease in administrative expenses in this segment. The Group expects the unlisted investments will generate financial benefits in the long term.

Fur Business

Trading of Fur Garment

During the period, revenue of HK$972,000 was recorded from the sale of fur garment to outsiders, representing a decrease of 44.5% as compared to HK$1,751,000 recorded in the corresponding period in last year. A loss of HK$8,100,000 was recorded for the period, as compared to the loss of HK$2,237,000 for corresponding period last year, representing an increase in loss by 262.1%. The increase in loss was mainly due to decrease in sales resulted from drop in consumption in luxury items, as well as increasing stock provision made during the period.

At 30 September 2016, the segment assets of this sector was HK$1,860,000 (31 March 2016: HK$10,317,000) and segment liabilities was HK$69,453,000 (31 March 2016: HK$66,321,000). Accordingly, the net liabilities of approximately HK$67,593,000 (31 March 2016: HK$56,004,000).

Trading of Fur Skins

There was no revenue recorded in the trading of fur skin during the period, being the same nil as that of last year, a loss of HK97,000 was recorded as compared to a loss of HK$94,000 recorded in corresponding period last year.

At 30 September 2016, the segment asset of this sector was HK$15,782,000 (31 March 2016: HK$15,782,000) and segment liabilities was HK$25,456,000 (31 March 2016: HK$25,456,000). Accordingly, the net liabilities of approximately HK$9,674,000 (31 March 2016: HK$9,674,000). The loss was mainly due to administrative expenses during the period.

As stated in past financial reports, we have tried to locate potential buyers for the fur business operations, and end up with no development. In the view of continue loss and adverse market conditions faced by the Group in this sector, as at the date of this announcement, we have decided to close down the fur business operations and, the Company is in the progress of closing down the all fur business.

DISCONTINUED OPERATION

Mining Business

During the period, a revenue of nil was recorded for the mining business, same as that of corresponding period last year. A loss of HK$480,000 was recorded during the period representing a decrease in loss by 99.8% as compared to corresponding period last year's loss of HK$221,480,000, which is mainly due to the impairment loss of HK$294,237,000 recognised in respect of the mining business valuation in last period. In September 2015, the Group decided to discontinue the sector of mining business as the global metal price dropped significantly while the vanadium mining right on our book already recorded to zero during the financial year ended 31 March 2016. We had decided to concentrate our efforts and resources towards in developing the clean energy business which brings steadier return and appear to be less risky. The business has been sold in June 2016 to an independent third party at a cash consideration of HK$1,000,000. The mining business is classified as discontinued operation during both periods.

PROSPECTS

Clean Energy Business

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

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

The Company will adopt the following specific measures in its operation to improve operating results and efficiency:

- for capital, introduce large corporations to strengthen its domestic capital strengths in operation;

- for project development and assets acquisition, pay more attention to the cooperation with industry quality enterprises, leverage on respective advantages, improve efficiency, and focus on the joint development or acquisition of established quality assets;

- for project construction, conduct all-round cooperation with professional large state-owned enterprises, enhance the improvement of asset quality and operation efficiency;

- for existing on-grid connection projects, reinforce professional management and modern management, establish intelligent photovoltaic power plants through re-engineering and upgrading to improve asset quality and operation efficiency.

Through setting up an international team, the Group will enhance international communication and cooperation, actively set up the layout of the international energy markets, pay attention to international energy markets, especially those economically developed regions in Europe and America as well as those regions with energy supply shortage. It will focus on the cooperation and development and also on merger and acquisition, utilize the advanced and relatively matured technological projects, apply those technology-focus direction that are ready for future localization conditions to ultimately achieve the dual domestic and international development.

By integrating the changes in energy market and adjustment in industrial policies, the Group will actively explore and engage in the energy innovation sector to create new profit growth points. Recently, following the introduction of innovative industrial policies in electric energy industry one after another, it will actively keep an eye on the electric reform related industry and smart energy Internet (of things) industry. In particular, the Group will focus on the electricity sales side-reform sector of "distributed comprehensive energy power generation + electricity sales company + regional comprehensive energy service" such as natural gas power generation as well as the "Internet + energy" sector that are integrated with information technology and photovoltaic, energy storage, electric vehicles, etc. in future.

Investment Business

During this period, the Hong Kong economy was facing different challenges, including social instability, black swan events from worldwide and global economic downturn. It is expected that the Hong Kong stock market will still be highly volatile in the second half of financial year 2017. To cope with such situation, the Group will closely monitor the market conditions and may consider to change its portfolio of investment from time to time. With the introduction of new management to the Group, the management plans to revise its investment strategies and formulate new investment policies in the near future. The Group will also consider to dispose of its investments to focus on development in the clean energy business.

Fur Business

Trading of Fur Garment/Fur Skin

As at the date of this report, the management has decided to terminate the fur business operations. The Group has commenced the closing down of the operation and we do not expect the closing down of the operations will have material financial impact on the Group.

Outlook

With the recent introductions of the new controlling shareholder of the Company and new management appointed to the Group, the Board will review the current resources of the Group to formulate business plans and strategies for the future business development of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally derives cash for operation from internal cash flow from banks in Hong Kong and PRC. As at 30 September 2016, the Group had time deposits and cash and bank balances of approximately HK$37,225,000 (31 March 2016: HK$294,674,000). As at 30 September 2016, the Group's interest bearing borrowings (including short term loans, bank loans and convertibles bonds) amounted to approximately HK$1,164,405,000 (31 March 2016: HK$1,149,117,000). As at 30 September 2016, the shareholders' funds amounted to approximately HK$1,261,196,000 (31 March 2016: HK$1,517,152,000). Accordingly, the gearing ratio was 89% (31 March 2016: 56%).

CAPITAL STRUCTURE

On 30 July 2015, the Company issued guaranteed secured convertible bonds with an aggregated principal amount of US$80,000,000 (the "Convertible Bonds II") pursuant to the four conditional subscription agreements each dated 14 July 2015 entered between the Company and four subscribers, which are independent third parties to the Company, raising net proceeds of approximately US$79.8 million (approximately HK$622 million). The Convertible Bonds II bear interest at 6% per annum payable semi-annually in arrears, with maturity date before the third anniversary after the date of first issue of Convertible Bonds II (that is, 30 July 2018) and the bondholders have the right to convert them into shares credited as fully paid at any time from the issue date up to the date which is 7 days prior to the maturity date and convertible into 571,481,039 new shares at the initial conversion price of HK$1.0891 (subject to adjustments). The proceeds were mainly used in acquisitions or investments in the solar energy businesses. The Company has the right at any time on or after the first anniversary of the date of issue of the Convertible Bonds II and until the last day immediately preceding the maturity date to redeem all or part of outstanding convertible bonds. The effective interest rate of the liability component is 24.04% per annum. On 27 July 2016, the Company repurchased Convertible Bonds II in the principal amount of US$30,000,000 in accordance with the terms and conditions of the Convertible Bond II (the "Repurchase of Convertible Bonds II"). Immediately after the Repurchase of Convertible Bonds II, there are outstanding Convertible Bonds II in the principal amount of US$50,000,000, convertible into 357,175,650 new shares at the initial conversion price of HK$1.0891 (subject to adjustments). The net proceeds of the outstanding Convertible Bonds II with the principal amount of US$50,000,000 of US$49.8 million (approximately HK$388 million) have been utilised: (i) as to HK$200 million as cash deposit for the proposed acquisition of Jinchang Zhong Xin Negn Photovoltaic Company Limited; (ii) as to approximately HK$37 million for the payment of Convertible Bonds II interest; (iii) as to approximately HK$90 million for the acquisitions or investments in the solar energy business; and (iv) as to approximately HK$61 million as general working capital of the Group in solar energy business. The net proceeds in respect of the Convertible Bonds II has been fully utilised.

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

The Company had not conducted any other equity fund raising activities in the past twelve months immediately preceding the end of the reporting period, i.e. 30 September 2016.

Subsequent to the end of the reporting period in November 2016, the Company entered into the subscription agreements with the subscribers, which are independent third parties, pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 1,560,000,000 shares of the Company of HK$0.0025 each in aggregate, at the subscription price of HK$0.65 per share, amounting to approximately HK$1,014,000,000 in total before expenses.

The details of subscribers of the above subscription are as follows:

(a) Rationale (Holdings) Investment Limited ("Subscriber A"), a company incorporated in Hong Kong with limited liability and principally engaged in investment holdings. It is a 90% indirectly owned subsidiary of China Minsheng Investment Group ("CMIG"). CMIG is one of the leading international private investment groups. It was founded in Shanghai in 2014 with a registered capital of RMB50 billion and total assets of approximately RMB200 billion. The establishment of CMIG by 59 renowned private enterprises was initiated by the All-China Federation of Industry and Commerce and approved by the State Council of the PRC.

(b) Shandong Hi-Speed Investment Fund Management Ltd. ("Subscriber B"), a company incorporated in the Cayman Islands with limited liability and principally engaged in investment holdings. It is indirectly owned by Shandong Hi-Speed Group Co., Ltd ("Shandong Hi-Speed"), Dongying Yellow River Delta Investment Fund Management Ltd. (東營市黃河三角洲投資基金管理有限公司) and Yunan Rongqi Investment Management Ltd. (雲南榮琪投資管理有限公司) with shareholdings of 49%, 41% and 10%, respectively. Shandong Hi-Speed is a state-owned enterprise wholly owned by Shandong State-owned Assets Supervision and Administration Commission and is mainly engaged in investment, construction and operation of highways, bridges, railways, rail transits, ports, airports and logistics, and investment in construction, building materials, information, financing, real estate and other sectors related to its main business. It has a registered capital of RMB20 billion and total assets of approximately RMB500 billion.

As at 15 November 2016, Shandong Hi-Speed indirectly owns 28.45% shareholdings in China Innovative Finance Group Ltd. (stock code: 412), a company listed on the Stock Exchange, which in turn holds 9.95% of the issued share capital of the Company. Dongying Yellow River Delta Investment Fund Management Ltd. (東營市黃河三角洲投資基金管理有限公司) is wholly owned by an individual and is mainly engaged in investment and fund management. Yunan Rongqi Investment Management Ltd. (雲南榮琪投資管理有限公司) is wholly owned by an individual and is mainly engaged in investment and fund management.

(c) Multiple Upbeat Investments Limited ("Subscriber C"), a company incorporated in the British Virgin Islands with limited liability. Its shareholders are Mr. Chen Lei and Mr. Wang Kai with shareholdings of 51% and 49%, respectively. It is mainly engaged in investment in clean energy and environment protection related sectors.

The net proceeds from the above subscription are intended to be used by the Company for the development of its photovoltaic power-related business and for general working capital purposes. The Directors consider that the subscription represents a valuable opportunity for the Company to raise additional funds to facilitate its business development especially in its photovoltaic power-related business, as well as to introduce the subscribers as strategic shareholders and to strengthen the capital base and the financial position of the Company.

Further details of the Subscription is set out in the Company's announcement dated 15 November 2016.

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

	(Unaudited) 30 September 2016 *HK$'000*	(Audited) 31 March 2016 *HK$'000*
Borrowings		
Short term loans	**10,071**	5,000
Bank loans	**847,354**	706,053
Convertible bonds	**306,980**	438,064
Total borrowings	**1,164,405**	1,149,117
Less: time deposit and cash and bank balances	**(37,225)**	(294,674)
Net debt	**1,127,180**	854,443
Total equity	**1,261,196**	1,517,152
Gearing ratio	**89.4%**	56.3%

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

Details in the changes of the capital structure of the Group held as at 30 September 2016 are set out in note 17, 18 and 19 to the condensed consolidated financial statements.

SIGNIFICANT INVESTMENTS

The Board provides the information of the Group's significant investments (i.e. investment with carrying amount exceeding 10% of the total assets of the Group) held at 30 September 2016 stated in this report as follows:–

		% of shareholding in the listed securities held by the Group at 30 September 2016	Unrealized loss for the period ended 30 September 2016	Fair value of the investment in listed securities at 30 September 2016
			HK$'000	*HK$'000*
Financial assets at fair value through profit or loss				
Stock Code	**Name of Securities**			
412	China Innovative Finance Group Limited ("CIF")	1.89%	(39,689)	306,855

Information published by CIF regarding its performance and prospects can be found at the HKEXnews website. According to CIF's announcement of annual results for the year ended 31 March 2016, the CIF group has expanded into financial leasing business in the PRC and Hong Kong and will continue to expand to a variety of financial services serving the China and Hong Kong markets.

The Hong Kong stock market has been volatile during the period due to poor sentiment and worse-than-expected macro data in China.

The Company expects that the performance of the Group's investment portfolio (including the significant investments 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) The market price of each stock will be affected by the financial performance and development plans of the relevant company, as well as the outlook of the industry in which such company operates.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES

As at 30 September 2016, the Group employed around 68 (31 March 2016: 79) employees in Hong Kong, Macau and Mainland China. The Group's remuneration policies are based primarily on the prevailing market rate and the performance of individual employees. Fringe benefits, including Mandatory Provident Fund, medical benefits and training are provided. The Group has also established a discretionary bonus scheme for its management and staff with awards determined annually based upon the performance of the Group and individual employees.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 September 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2016.

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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code on corporate governance practices. During the period, the Company complied with all the CG Code, except the following deviation:

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

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

(2) Code provision A.4.1 of the CG Code, requires the non-executive directors should be appointed for a specific term and subject to re-election. During the six months ended 30 September 2016, the terms of appointment of the three independent non-executive Directors expired and thereafter they are not appointed for a specific term, but they are subject to the retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with the Company's bye-laws (the "Bye-Laws").

(3) The Code Provision A.4.2 of the CG Code requires every director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. Pursuant to the Bye-laws, all directors, excluding the Chairman of the Board, shall retire from office by rotation at least once every three years. The Board considers that, though there is a deviation from the code provision A.4.2 of the CG Code, the aforementioned provision in the Bye-laws is appropriate to the Company since the continuous leadership by the Chairman of the Board allows for effective and efficient planning and implementation of business decisions and strategies which is significant for stability and growth of the Group.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the six months ended 30 September 2016.

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 1 November 2016, Mr. Ko Tin Kwok ("Mr. Ko") and Ms. Zhao Li ("Ms. Zhao") have been appointed as an Executive Director of the Company.

Mr. Ko and Ms. Zhao has entered into a formal letter of appointment with the company. Under the letter of appointment, Mr. Ko and Ms. Zhao are entitled to receive an annual director's fee in the sum of HK$900,000 and HK$840,000, respectively, and discretionary bonus determined by the Board based on the result of the Company and the performance of them. The remuneration of Mr. Ko and Ms. Zhao are determined with reference to their qualification and experience, duties and responsibilities, the prevailing market conditions and the recommendation from the Remuneration Committee of the Company. Mr. Ko and Ms. Zhao are not appointed for a specific term and either party to the appointment letter may terminate the appointment by giving the other party one-month's prior written notice. Mr. Ko and Ms. Zhao will be subject to retirement by rotation and re-election in accordance with the Bye-Laws of the Company.

On 1 November 2016, Mr. Wong Nga Leung ("Mr. Wong") and Mr. Zhou Chengrong ("Mr. Zhou") have tendered their resignation as an executive director of the Company as they would like to devote more time to their other business commitments.

After their resignation, Mr. Wong will remain as a director of a subsidiary within the Group and Mr. Zhou will remain as an employee of the Group and a director of certain subsidiaries within the Group.

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 code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the six months ended 30 September 2016.

REMUNERATION COMMITTEE

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

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

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

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed interim consolidated financial statements for the six months ended 30 September 2016.

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

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

NOMINATION COMMITTEE

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

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2016 (six months ended 30 September 2015: HK$Nil). No dividend was paid during the period under review.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 25 November 2016

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