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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 2023**

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 2023 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 2023

		(Unaudited)	
		Six months ended 30 June	
	Notes	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	97,455	102,523
Cost of sales		<u>(54,467)</u>	<u>(61,429)</u>
Gross profit		42,988	41,094
Other income	4	423	1,302
Other losses, net	4	(48,490)	(504)
Administrative and operating expenses		<u>(17,818)</u>	<u>(21,495)</u>
(LOSS)/PROFIT FROM OPERATIONS		(22,897)	20,397
Finance costs	5	<u>(65,730)</u>	<u>(68,238)</u>
LOSS BEFORE TAX	6	(88,627)	(47,841)
Income tax expense	7	<u>(1,972)</u>	<u>(556)</u>
LOSS FOR THE PERIOD		<u>(90,599)</u>	<u>(48,397)</u>
ATTRIBUTABLE TO:			
Owners of the Company		<u>(90,599)</u>	<u>(47,321)</u>
Non-controlling interests		<u>–</u>	<u>(1,076)</u>
Loss for the period		<u>(90,599)</u>	<u>(48,397)</u>
PROPOSED INTERIM DIVIDEND	8	<u>–</u>	<u>–</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic		<u>HK(0.97) cents</u>	HK(0.50) cents
Diluted		<u>HK(0.97) cents</u>	<u>HK(0.50) cents</u>

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD	<u>(90,599)</u>	<u>(48,397)</u>
OTHER COMPREHENSIVE INCOME:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>13,114</u>	<u>7,330</u>
Other comprehensive income for the period, net of tax	<u>13,114</u>	<u>7,330</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	<u><u>(77,485)</u></u>	<u><u>(41,067)</u></u>
ATTRIBUTABLE TO:		
Owners of the Company	<u>(77,485)</u>	<u>(39,991)</u>
Non-controlling interests	<u>–</u>	<u>(1,076)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	<u><u>(77,485)</u></u>	<u><u>(41,067)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		(Unaudited) 30 June 2023 <i>HK\$'000</i>	(Audited) 31 December 2022 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		707,090	764,071
Right-of-use assets		13,091	14,955
Intangible assets		370,941	398,424
Equity instruments at fair value through other comprehensive income (“FVTOCI”)		337	350
Club membership debenture		130	130
		1,091,589	1,177,930
CURRENT ASSETS			
Trade and bills receivables	<i>10</i>	735,561	668,960
Prepayments, deposits and other receivables		60,850	50,709
Refundable deposits		48,491	98,220
Financial assets at fair value through profit or loss (“FVTPL”)		42	43
Restricted bank deposit		628	638
Cash and cash equivalents		115,014	157,287
		960,586	975,857
CURRENT LIABILITIES			
Other payables and accruals		681,696	638,181
Amounts due to related parties	<i>11</i>	9,660	9,660
Provisions for litigations and claims		265,062	273,954
Lease liabilities		9,546	6,179
Bank and other borrowings		1,292,007	1,341,476
Current tax liabilities		6,994	7,261
		2,264,965	2,276,711
NET CURRENT LIABILITIES		(1,304,379)	(1,300,854)
TOTAL ASSETS LESS CURRENT LIABILITIES		(212,790)	(122,924)

	(Unaudited) 30 June 2023 <i>HK\$'000</i>	(Audited) 31 December 2022 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	6,874	11,952
Deferred tax liabilities	99,518	106,821
	<u>106,392</u>	<u>118,773</u>
NET LIABILITIES	<u>(319,182)</u>	<u>(241,697)</u>
CAPITAL AND RESERVES		
Share capital	23,436	23,436
Reserves	(342,598)	(265,113)
Total equity attributable to owners of the Company	(319,162)	(241,677)
Non-controlling interests	(20)	(20)
TOTAL EQUITY	<u>(319,182)</u>	<u>(241,697)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2023 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 2022.

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\$90,599,000 for the six months ended 30 June 2023 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$1,304,379,000. As at that date, the Group’s total borrowings amounted to approximately HK\$1,292,007,000, of which current borrowings amounted to approximately HK\$1,292,007,000, while its cash and cash equivalents amounted to approximately HK\$115,014,000 only.

The directors have estimated the Group’s cash requirements by preparing a Group cashflow forecast for the 12 months ending 30 June 2024 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 2022 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 2023.

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendment to HKAS 8	Definition of Accounting Estimates
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendment to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the amendments to HKFRSs in the current period had no material impact on the Group's financial position and performance for the current and prior periods and the disclosures set out in these condensed consolidated financial statements.

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 2023 (Unaudited)

	Clean energy <i>HK\$'000</i>	Trading in securities <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:				
Revenue from external customers	96,893	–	–	96,893
Dividend income	–	–	562	562
	<hr/>	<hr/>	<hr/>	<hr/>
Reportable segment revenue	96,893	–	562	97,455
	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	35,523	(1,938)	421	34,006
	<hr/>	<hr/>	<hr/>	<hr/>
Reconciliation:				
Interest income				399
Impairment loss on refundable deposits				(48,490)
Unallocated corporate expenses				(8,812)
				<hr/>
Loss from operation				(22,897)
Finance costs				(65,730)
				<hr/>
Loss before tax				(88,627)
Income tax expense				(1,972)
				<hr/>
Loss for the period				(90,599)
				<hr/>

For the six months ended 30 June 2022 (Unaudited)

	Clean energy <i>HK\$'000</i>	Trading in securities <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Trading of bulk commodities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:					
Revenue from external customers	102,523	–	–	–	102,523
Dividend income	–	–	–	–	–
Reportable segment revenue	<u>102,523</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>102,523</u>
Segment results	<u>41,385</u>	<u>(6,685)</u>	<u>(385)</u>	<u>(3,586)</u>	30,729
Reconciliation:					
Interest income					59
Unallocated corporate expenses					(10,391)
Profit from operation					20,397
Finance costs					(68,238)
Loss before tax					(47,841)
Income tax expense					(556)
Loss for the period					<u>(48,397)</u>

(b) Segment assets and liabilities

At 30 June 2023 (Unaudited)

	Clean energy <i>HK\$'000</i>	Trading in securities <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Reportable segment assets	<u>1,742,977</u>	<u>43,950</u>	<u>–</u>	<u>265,248</u>	<u>2,052,175</u>
Reportable segment liabilities	<u>1,349,699</u>	<u>689,630</u>	<u>2,497</u>	<u>329,531</u>	<u>2,371,357</u>

At 31 December 2022 (Audited)

	Clean energy <i>HK\$'000</i>	Trading in securities <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Reportable segment assets	<u>1,876,912</u>	<u>45,359</u>	<u>–</u>	<u>231,516</u>	<u>2,153,787</u>
Reportable segment liabilities	<u>1,358,540</u>	<u>701,183</u>	<u>2,491</u>	<u>333,270</u>	<u>2,395,484</u>

(c) **Geographical information**

Revenue from external customers

The Group's activities are conducted predominantly in the People's Republic of China ("PRC") and Hong Kong. Revenue by geographical location is determined on the basis of the locations of operations.

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

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	562	–
The PRC	96,893	102,523
	<u>97,455</u>	<u>102,523</u>

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

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Disaggregated by major products or service lines		
– Sale of electricity	96,893	102,523
Revenue from other sources		
Dividend income from financial asset at FVTOCI	562	–
	<u>97,455</u>	<u>102,523</u>
Other income		
Bank interest income	399	59
Imputed interest income of accrued revenue on tariff subsidy	–	1,202
Others	24	41
	<u>423</u>	<u>1,302</u>
Other (losses) gains, net		
Impairment loss on refundable deposits	(48,490)	–
Exchange loss, net	–	(28)
Net realised and unrealised gain on derivative financial instruments	–	(596)
Others	–	120
	<u>(48,490)</u>	<u>(504)</u>

5. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on lease liabilities	545	1,044
Interest on bank and other borrowings	65,185	67,194
	<u>65,730</u>	<u>68,238</u>

6. LOSS BEFORE TAX

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
The Group's loss before tax is arrived at after charging:		
Depreciation of property, plant and equipment	30,712	37,954
Depreciation of right-of-use assets	1,885	3,211
Amortisation of intangible assets	13,426	14,302
Staff costs (including directors' remuneration and directors and staff retirement benefit scheme contributions)	3,127	3,642
	<u>3,127</u>	<u>3,642</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 2022: nil).

PRC Enterprises Income Tax has been provided at a rate of 25% (six months ended 30 June 2022: 25%). During the period, seven (six months ended 30 June 2022: seven) 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.

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	
	2023	2022
	HK\$'000	HK\$'000
Current tax	(5,503)	(2,823)
Deferred tax credit	3,531	2,267
	<u>(1,972)</u>	<u>(556)</u>

8. PROPOSED INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Loss for the period attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	<u>(90,599)</u>	<u>(47,321)</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 2022: same).

10. TRADE AND BILLS RECEIVABLES

	(Unaudited)	(Audited)
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	761,535	695,929
Allowance for doubtful debts	<u>(25,974)</u>	<u>(26,969)</u>
	<u>735,561</u>	<u>668,960</u>

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

	(Unaudited)	(Audited)
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
Unbilled	544,977	641,807
Current to 30 days	–	–
Over 30 days	<u>190,572</u>	<u>27,153</u>
	<u>735,561</u>	<u>668,960</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.

11. AMOUNTS DUE TO RELATED PARTIES

	(Unaudited)	(Audited)
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due to a director	300	300
Amount due to non-controlling shareholder	9,360	9,360
	<hr/>	<hr/>
	9,660	9,660
	<hr/> <hr/>	<hr/> <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF THE GROUP

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the period from 1 January 2023 to 30 June 2023 ("Current Period") against the period from 1 January 2022 to 30 June 2022 ("Comparative Period") is as follows:

- Clean Energy: approximately HK\$96,893,000 (Comparative Period: HK\$102,523,000)
- Trading in securities: Nil (Comparative Period: Nil)
- Investments: approximately HK\$562,000 (Comparative Period: Nil)

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: approximately HK\$562,000 (Comparative Period: Nil)
- PRC: approximately HK\$96,893,000 (Comparative Period: HK\$102,523,000)

The net loss for the period attributed to owners of the Company was approximately HK\$90,599,000, as compared to net loss of approximately HK\$47,321,000 for the Comparative Period, representing an increase in net loss of 91.5%.

The increase in net loss for the period was principally due to an impairment loss of HK\$48,490,000 on refundable deposits receivable by the Company (Comparative Period: Nil) being recognised. The Company had taken various actions to recover the said deposits, including negotiating with the vendor, initiating legal actions and engaging PRC legal adviser in Shanghai. However, the counterparty has not responded to the Group's legal actions and the recovery progress has been lacking. As such, having considered the status of recovering the refundable deposits, the Company further writes down the carrying value of the refundable deposits in its accounts to reflect the best estimation of the fair value.

The basic loss per share for the Current Period is HK0.97 cents (Comparative Period: HK0.50 cents), representing an increase in loss per share of 94%.

BUSINESS REVIEW

Clean Energy

Clean-energy power generation business is the principal business of the Group. As at 30 June 2023, the Group's power generation capacity is approximately 172 megawatt(s) ("MW") (as at 31 December 2022: 172MW), all of which are photovoltaic power generation projects locating in four provinces, Gansu, Anhui, Jiangxi and Shandong (as at 31 December 2022: four provinces, Gansu, Anhui, Jiangxi and Shandong).

Segment profit of approximately HK\$35,523,000 was recorded for the Current Period as compared to a segment profit of approximately HK\$41,385,000 in the Comparative Period.

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

Jintai 100MW Project in Jinchang, Gansu: During the Current Period, sale of electricity was 69,942,000KWh, representing a decrease of 9.5% as compared to sale of electricity of 77,309,000KWh in the Comparative Period. Sales revenue was approximately HK\$61,006,000, representing a decrease of 10.9% as compared to revenue of approximately HK\$68,476,000 in the Comparative Period.

Guanyang 8.25MW Project in Dezhou, Shandong: During the Current Period, sale of electricity was 3,653,000KWh, representing a decrease of 4.3% as compared to sale of electricity of 3,815,000KWh in the Comparative Period. Sales revenue was approximately HK\$3,615,000, representing a decrease of 2.0% as compared to revenue of approximately HK\$3,689,000 in the Comparative Period.

Hongxiang 8MW Project in Dezhou, Shandong: During the Current Period, sale of electricity was 1,839,000KWh, representing a decrease of 30.9% as compared to sale of electricity of 2,662,000KWh in the Comparative Period. Sales revenue was approximately HK\$1,857,000, representing a decrease of 27.4% as compared to revenue of approximately HK\$2,559,000 in the Comparative Period.

Jinde 5MW Project in Dezhou, Shandong: During the Current Period, sale of electricity was approximately 2,600,000KWh (Comparative Period's: Nil). Sales revenue was approximately HK\$2,552,000 (Comparative Period's: Nil).

Jiayang 10MW Project in Dezhou, Shandong: During the Current Period, sale of electricity was 4,998,000KWh (Comparative Period: 4,997,000KWh), representing an increase of 0.02%. Sales revenue was approximately HK\$4,933,000 (Comparative Period: HK\$4,670,000), representing an increase of 5.6%.

Hongyang 20MW Project in Changfeng, Anhui: During the Current Period, sale of electricity was 10,064,000KWh (Comparative Period: 11,277,000KWh), representing a decrease of 10.8%. Sales revenue was approximately HK\$12,404,000 (Comparative Period: HK\$13,625,000), representing a decrease of 9.0%.

Jinjian 20MW Project in Gaoan, Jiangxi: During the Current Period, sale of electricity was 8,864,000KWh (Comparative Period: 8,191,000KWh), representing an increase of 8.2%. Sales revenue was approximately HK\$10,526,000 (Comparative Period: HK\$9,504,000), representing an increase of 10.8%.

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. Dividend income of HK\$562,000 was recognised in profit or loss during the Current Period (Comparative Period: 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: Nil).

PROSPECTS

Response to global climate change has become a major topic around the world in recent years. Under this 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 and PRC. As at 30 June 2023, the Group had cash and bank balances of approximately HK\$115,014,000 (31 December 2022: HK\$157,287,000) and interest bearing borrowings of approximately HK\$1,292,007,000 (31 December 2022: HK\$1,341,476,000). As at 30 June 2023, total deficit attributable to owners of the Company amounted to approximately HK\$319,162,000 (31 December 2022: HK\$241,677,000). The gearing ratio was negative 368.8% as at 30 June 2023 (31 December 2022: negative 490.0%).

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 cash and bank balances. The gearing ratio at the end of the reporting period was as follows:

	(Unaudited) 30 June 2023 HK\$'000	(Audited) 31 December 2022 HK\$'000
Bank and other borrowings	1,292,007	1,341,476
Less: cash and bank balances	(115,014)	(157,287)
Net debt	<u>1,176,993</u>	<u>1,184,189</u>
Total deficiency attribute to the owners of the Company	<u>(319,162)</u>	<u>(241,677)</u>
Gearing ratio	<u>(368.8%)</u>	<u>(490.0%)</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 2023. However, the Group conducted certain financing and refinancing activities as follow:

- i. At 30 June 2023, the Group's bank borrowings of HK\$475,225,000 (31 December 2022: HK\$493,421,000) were guaranteed by a subsidiary up to a total amount of RMB440,758,000 (31 December 2022: RMB440,758,000). 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 2022: 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 2023. The default has not been remedied at the date these financial statements were authorised for issue.
- ii. At 30 June 2023, the Group's other loan of HK\$515,380,000 (31 December 2022: HK\$535,112,000) 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 2023, the Group's other loans of HK\$288,311,000 (31 December 2022: HK\$299,349,000) 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.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are mainly conducted in Renminbi and US dollars. Currently the Group has not implemented 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.

EMPLOYEES

As at 30 June 2023, the Group employed approximately 20 (31 December 2022: 21) employees in Hong Kong 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 2020, 金昌錦泰光伏電力有限公司 (Jinchang Jintai Photovoltaic Company Limited*) ("Jinchang Jintai") and a third party received an arbitration petition from 甘肅錦泰電力有限責任公司 (Gansu Jintai Electricity Company Limited*) ("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\$23,750,000) 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 RMB29,122,000 (equivalent to HK\$31,389,000) and corresponding late penalties of RMB3,439,000 (equivalent to HK\$3,708,000) to Gansu Jintai and RMB21,706,000 (equivalent to HK\$23,403,000) and corresponding late penalties of RMB5,275,000 (equivalent to HK\$5,688,000) to a third party. These amounts were included in the provisions for litigations and claims as at 30 June 2023 and 31 December 2022 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.
- b) During the year ended 31 December 2020, Gansu Jintai initiated arbitrations petition against Jinchang Jintai for outstanding receivables of RMB111,003,000 (equivalent to approximately HK\$119,683,000) and corresponding late penalties of RMB26,028,000 (equivalent to HK\$28,063,000) 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 2023 and 31 December 2022 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

- c) During the year ended 31 December 2020, Zhongmin New Energy Investment Group Company Limited* (中民新能投資集團有限公司) (“Zhongmin”) 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\$16,801,000) and corresponding late penalties of RMB3,286,000 (equivalent to approximately HK\$3,543,000) and outstanding receivables due from Gaoan Jinjian of RMB6,435,000 (equivalent to HK\$6,938,000), in respect of the Group’s acquisition of Gaoan Jinjian in 2017. As at the approval date of these consolidated 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 be liable to pay a total of approximately RMB44,642,000 (equivalent to HK\$48,133,000) for this case.

On 30 September 2021, the Company and Zhongmin entered into a settlement agreement and the total settlement increased to RMB44,000,000 (equivalent to approximately HK\$47,441,000). The aggregate amount was included in the provisions for litigations and claims as at 30 June 2023 and 31 December 2022 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

- d) On 20 November 2019, the Group has initiated a lawsuit against Hongxiang New Materials Company Limited (宏祥新材料股份有限公司) (“Hongxiang”) for the recovery of, inter alia, electricity charges and late payment fee in the aggregate amount of RMB10,533,000 (equivalent to approximately HK\$11,357,000) 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 Energy Company Limited* (德州妙理新能源有限公司) (“Dezhou Miaoli”), an indirect wholly-owned subsidiary of the Company. As at the approval date of these financial statements, no settlement regarding the aforesaid case has been made. On 11 December 2020, Hongxiang initiated a lawsuit counterclaiming against Dezhou Miaoli for recovery of, inter alia, electricity and late payment fee. 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 RMB4,142,000 (equivalent to HK\$4,466,000). The aggregate amount was included in the provisions for litigations and claims as at 30 June 2023 and 31 December 2022 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.
- e) Subsequent to the reporting period, there were legal claims brought against subsidiaries of the Group by certain service providers of the clean energy segment. In the opinion of the Directors, adequate liabilities of these claims were already provided in provisions for litigations and claims and other payables as at 30 June 2023.

CONTINGENT LIABILITIES

Save as disclosed, the Group had no other material contingent liabilities as at 30 June 2023.

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 2023.

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 2023.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of all the applicable code provisions of the Code on Corporate Governance Practices (the “Code on CGP”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code on corporate governance practices.

In the opinion of the directors of the Company, the Company has complied with all code provisions as set out in Part 2 of the CG Code throughout the six months ended 30 June 2023.

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 2023.

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. Kwok Shun Sing and Mr. Pun Hau Man. The chairman of the Audit Committee is Mr. Lo Ka Ki.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil). No dividend was paid during the period under review.

EVENTS AFTER THE REPORTING PERIOD

There is no important event affecting the Group which has occurred after the end of the reporting period and up to the date of this announcement.

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, 30 August 2023

As at the date of this announcement, Mr. Chen Xiaxuan, Mr. Bo Dateng and Ms. Yue Lu are the executive directors of the Company; and Mr. Lo Ka Ki, Mr. Kwok Shun Sing and Mr. Pun Hau Man are the independent non-executive directors of the Company

* *For identification purpose only*