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## THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Forms of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **China Smarter Energy Group Holdings Limited**, you should at once hand this Composite Document together with the accompanying Forms of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the provisions of which form part of the terms of the Offers contained herein.

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

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**GORGEOUS INVESTMENT GROUP HOLDING CO., LIMITED**  
國之杰投資控股有限公司  
(Incorporated in the British Virgin Islands with limited liability)

 **CSE**  
**CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED**  
中國智慧能源集團控股有限公司\*  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 1004)

**COMPOSITE DOCUMENT IN RELATION TO  
THE MANDATORY UNCONDITIONAL CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF  
GORGEOUS INVESTMENT GROUP HOLDING CO., LIMITED TO ACQUIRE  
ALL OF THE ISSUED SHARES AND ALL OUTSTANDING CONVERTIBLE BONDS OF  
CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED  
AND/OR AGREED TO BE ACQUIRED BY  
GORGEOUS INVESTMENT GROUP HOLDING CO., LIMITED AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

**Financial adviser to Gorgeous Investment Group Holdings Co., Limited**



**Independent Financial Adviser to  
the Independent Board Committee**



**Lego Corporate Finance Limited**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Haitong International Securities containing, among other things, details of the terms of the Offers are set out on pages 7 to 19 of this Composite Document. A letter from the Board is set out on pages 20 to 24 of this Composite Document. A letter from the Independent Board Committee containing its advice on the Offers to the Qualifying Shareholders and the Bondholders is set out on pages 25 to 26 of this Composite Document. A letter from the Independent Financial Adviser containing its opinion on the Offers and its recommendation to the Independent Board Committee is set out on pages 27 to 49 of this Composite Document.

The procedures for acceptance and settlement of the Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptance of the Offers should be received by the Registrar by no later than 4:00 p.m. on Friday, 30 September 2016 or such later time and/or date(s) as the Offeror may determine and announce with the consent of the Executive, in accordance with the requirements of the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Forms of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas Qualifying Shareholders and Overseas Bondholders" of "Letter from Haitong International Securities" of this Composite Document before taking any action. It is the responsibility of each Overseas Qualifying Shareholder and each Overseas Bondholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Each Overseas Qualifying Shareholder and Overseas Bondholder is advised to seek professional advice on deciding whether or not to accept the Offers.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.cse1004.com> as long as the Offers remain open.

\* For identification purpose only

9 September 2016

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## EXPECTED TIMETABLE

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*The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all time and dates refer to Hong Kong local time and dates.*

**2016**

Despatch date of this Composite Document  
and the Forms of Acceptance and  
the commencement date of the Offers (*Note 1*) . . . . . Friday, 9 September

Latest time and date for acceptance of  
the Offers (*Notes 2 and 4*) . . . . . 4:00p.m. on Friday, 30 September

Closing Date of the Offers (*Notes 2 and 4*) . . . . . Friday, 30 September

Announcement of the results of the Offers as at  
the Closing Date to be posted on the website of  
the Stock Exchange (*Note 2*) . . . . . No later than 7:00p.m. on  
Friday, 30 September

Latest date for posting of remittances in respect of  
valid acceptances received under the Offers (*Notes 3 and 4*) . . . . . Wednesday, 12 October

*Notes:*

- (1) The Offers, which are unconditional in all respects, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until the Closing Date. Acceptances of the Offers shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in the section headed “5. Right of Withdrawal” in Appendix I to this Composite Document.
- (2) In accordance with the Takeovers Code, the Offers must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offers is 4:00 p.m. on Friday, 30 September 2016. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on Friday, 30 September 2016 stating whether the Offers have been extended, revised or expired. In the event that the Offeror decides to revise or extend the Offers and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the Offers are closed to those Qualifying Shareholders and Bondholders who have not accepted the Offers.
- (3) Remittances in respect of the cash consideration payable for the Offer Shares or the Convertible Bonds tendered under the Offers will be despatched to the accepting Shareholder(s) or the accepting Bondholder(s) by ordinary post at their own risk as soon as possible but in any event within 7 Business Days after the date of receipt of a duly completed acceptance in accordance with the Takeovers Code.

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## EXPECTED TIMETABLE

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- (4) If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the Closing Date, the time and date of the close of the Offers will remain at 4:00 p.m. on the same Business Day; or
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Closing Date, the time and date of the close of the Offers will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve.

Save as mentioned above, if the latest time for the acceptance of the Offers and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected, the Offeror and the Company will notify the Shareholders and the Bondholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:*

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“ <b>BLUE</b> Form of CB Offer Acceptance”	the blue form of acceptance and transfer of Convertible Bonds in respect of the CB Offer
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Convertible Bonds from time to time
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“Cao Shares”	the 760,000,000 Shares sold by Ms. Cao to the Offeror pursuant to the Cao Share Purchase Agreement
“Cao Share Purchase Agreement”	the sale and purchase agreement dated 19 August 2016 entered into by Ms. Cao as vendor and the Offeror as purchaser in respect of the sale by Ms. Cao of the Cao Shares to the Offeror
“CB Offer”	the mandatory unconditional cash offer made by Haitong International Securities on behalf of the Offeror in accordance with the Takeovers Code to acquire the Convertible Bonds in accordance with the terms described in this Composite Document
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	30 September 2016, being the closing date of the Offers, or if the Offers are extended, any subsequent closing date(s) of the Offers as may be determined and announced jointly by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code

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## DEFINITIONS

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“Company”	China Smarter Energy Group Holdings Limited (中國智慧能源集團控股有限公司*), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1004)
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Qualifying Shareholders and the Bondholders in connection with the Offers
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Convertible Bonds”	the outstanding 6% coupon convertible secured and guaranteed bonds in the aggregate principal amount of US\$50,000,000 (equivalent to HK\$389,000,000 at the agreed exchange rate of US\$1.00 to HK\$7.78 under the terms and conditions of the Convertible Bonds) issued by the Company on 30 July 2015, which is convertible into 357,175,650 Shares at the prevailing conversion price of HK\$1.0891 per Share
“Creaton Holdings”	Creaton Holdings Limited, a company incorporated in Hong Kong, being the indirect shareholder of Shanghai Gorgeous
“Creaton Share Purchase Agreement”	the sale and purchase agreement dated 19 August 2016 entered into by Creaton Holdings as vendor and the Offeror as purchaser in respect of the sale by Creaton Holdings of the Creaton Shares to the Offeror
“Creaton Shares”	the 2,241,446,400 Shares sold by Creaton Holdings to the Offeror pursuant to the Creaton Share Purchase Agreement
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director

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## DEFINITIONS

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“Form(s) of Acceptance”	the <b>WHITE</b> Form of Share Offer Acceptance and the <b>BLUE</b> Form of CB Offer Acceptance (as the context may require) in respect of the Offers which accompany(ies) this Composite Document
“Group”	the Company and its subsidiaries
“Haitong International Capital”	Haitong International Capital Limited, the financial adviser of the Offeror in respect of the Offers, and is a licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activities
“Haitong International Securities”	Haitong International Securities Company Limited, a fellow subsidiary of Haitong International Capital, and is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities
“HIIF”	Haitong International Investment Fund SPC (an associated corporation of Haitong International Securities)
“HIIF Convertible Bonds”	Convertible Bonds in the principal amount of US\$20,000,000 held by HIIF
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees Limited”	a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors (namely Mr. Fok Ho Yin, Thomas, Mr. Tsui Ching Hung and Ms. Cheung Oi Man, Amelia), formed to advise the Qualifying Shareholders and the Bondholders in respect of the Offers
“Independent Financial Adviser” or “Lego”	Lego Corporate Finance Limited, a corporation licensed under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and the independent financial adviser to the Independent Board Committee

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## DEFINITIONS

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“Joint Announcement”	the joint announcement of the Company and the Offeror dated 19 August 2016 in relation to, among other things, the Share Purchase Agreements and the Offers
“Last Trading Day”	18 August 2016, being the last day on which the Shares were traded on the Stock Exchange prior to the commencement of the Offer Period
“Latest Practicable Date”	6 September 2016, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Linkage Group”	Linkage Group Limited, a company incorporated in BVI
“Linkage Group Shares”	the 1,040,000,000 Shares sold by Linkage Group to the Offeror pursuant to the Linkage Share Purchase Agreement
“Linkage Share Purchase Agreement”	the sale and purchase agreement dated 19 August 2016 entered into by Linkage Group as vendor and the Offeror as purchaser in respect of the sale by Linkage Group of the Linkage Group Shares to the Offeror
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Ko”	Mr. Ko Tin Kwok (高天國先生), the ultimate controlling shareholder of the Offeror
“Ms. Cao”	Ms. Cao Zhiying (曹志鶯女士)
“Offer Period”	has the meaning ascribed thereto in the Takeovers Code, being the period commencing from 19 August 2016 (i.e. the date of the Joint Announcement) and ending on the Closing Date
“Offer Price”	HK\$0.33 per Offer Share, the price at which the Share Offer is made
“Offer Share(s)”	all the issued Share(s) other than those Shares already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it



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## DEFINITIONS

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“Offeror”	Gorgeous Investment Group Holding Co., Limited, a company incorporated in BVI with limited liability and is a wholly-owned subsidiary of Shanghai Gorgeous
“Offers”	collectively, the Share Offer and the CB Offer
“Overseas Bondholder(s)”	Bondholder(s), whose address(es), as shown on the register of Convertible Bonds of the Company, is/are outside of Hong Kong
“Overseas Qualifying Shareholder(s)”	Qualifying Shareholder(s), whose addresses, as shown on the register of members of the Company, are outside of Hong Kong
“PRC”	the People’s Republic of China, which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Qualifying Shareholder(s)”	holder(s) of the Share(s), other than the Offeror and parties acting in concert with it
“Registrar”	Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company
“Relevant Period”	the period commencing on the date falling six months preceding 19 August 2016, being the date of the Joint Announcement, up to and including the Latest Practicable Date
“Rich Crown”	Rich Crown International Industries Limited (富冠國際實業有限公司), a company incorporated in Hong Kong with limited liability, owned as to 99% by Mr. Ko and 1% by Mr. Cheng Kwun Fu, respectively
“Sale Shares”	collectively, the Creaton Shares, the Linkage Group Shares and the Cao Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Shanghai Gorgeous”	Shanghai Gorgeous Investment Development Company Limited* (上海國之杰投資發展有限公司), a company established under the laws of the PRC
“Shanghai Gu Yuan”	Shanghai Gu Yuan Property Development Company Limited* (上海谷元房地產開發有限公司), a company established in the PRC owned as to approximately 59.79% by Rich Crown and 40.21% by Creaton Holdings, respectively
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the share capital of the Company
“Share Offer”	the unconditional mandatory cash offer for the Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) made by Haitong International Securities, for and on behalf of the Offeror, to the Qualifying Shareholders pursuant to the Takeovers Code
“Share Purchase Agreements”	collectively, the Creaton Share Purchase Agreement, the Linkage Share Purchase Agreement and the Cao Share Purchase Agreement
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC
“US\$”	US dollars, the lawful currency of the United States of America
“Vendors”	collectively, Creaton Holdings, Linkage Group and Ms. Cao
“ <b>WHITE</b> Form of Share Offer Acceptance”	the white form of acceptance and transfer of Shares in respect of the Share Offer
“%”	per cent

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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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Haitong International Securities  
Company Limited  
22/F., Li Po Chun Chambers,  
189 Des Voeux Road Central,  
Hong Kong

9 September 2016

*To the Qualifying Shareholders and Bondholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF  
GORGEIOUS INVESTMENT GROUP HOLDING CO., LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES AND  
ALL OUTSTANDING CONVERTIBLE BONDS OF  
CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED  
AND/OR AGREED TO BE ACQUIRED BY  
GORGEIOUS INVESTMENT GROUP HOLDING CO., LIMITED  
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

The Board was notified by the Offeror that after trading hours on 19 August 2016, the Offeror and the Vendors entered into the Share Purchase Agreements, pursuant to which the Vendors agreed to sell and the Offeror agreed to acquire an aggregate of 4,041,446,400 Shares at total consideration of HK\$1,333,677,312, equivalent to HK\$0.33 per Share.

Details of the Share Purchase Agreements are set out below:

### SHARES HELD BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT

Pursuant to the terms of the Creaton Share Purchase Agreement dated 19 August 2016, Creaton Holdings (as vendor) agreed to sell and the Offeror (as purchaser) agreed to acquire the Creaton Shares, being 2,241,446,400 Shares, representing approximately 28.68% of the entire issued share capital of the Company as at the Latest Practicable Date. The consideration for the Creaton Shares was HK\$739,677,312 (equivalent to HK\$0.33 per Share) of which (i) HK\$119,719,385.31 was settled on the date of completion of the Creaton Share Purchase Agreement; and (ii) HK\$619,957,926.69 is to be paid within twelve months after completion of the Creaton Share Purchase Agreement (or such later date as agreed in writing by Creaton Holdings and the Offeror).

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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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Creaton Holdings is directly interested in approximately 40.21% of the equity interest in Shanghai Gu Yuan, which in turn holds approximately 75.66% of the equity interest in Shanghai Gorgeous, the sole shareholder of the Offeror. Creaton Holdings is therefore a party acting in concert with the Offeror under the Takeovers Code.

Completion of the Creaton Share Purchase Agreement took place on 25 August 2016.

Prior to the Creaton Share Purchase Agreement, Creaton Holdings acquired the Creaton Shares through the following transactions:

- (i) on 28 April 2016, Creaton Holdings as purchaser, Oriental Day International Limited (a company controlled by Mr. Lai Leong) as vendor and Mr. Lai Leong (an executive Director) as guarantor entered into a share purchase agreement, pursuant to which Creaton Holdings agreed to purchase 1,411,446,400 Shares from Oriental Day International Limited at a consideration of HK\$465,777,312 (representing approximately 18.06% of the total issued share capital of the Company as at the Latest Practicable Date), equivalent to HK\$0.33 per Share. Such acquisition was completed on 13 June 2016 and the consideration thereunder has been fully settled by Creaton Holdings. To the best knowledge of the Offeror, each of Oriental Day International Limited and Mr. Lai Leong is a third party independent of, and not a party acting in concert with, the Offeror; and
- (ii) on 23 May 2016, Creaton Holdings acquired 830,000,000 Shares (representing approximately 10.62% of the total issued share capital of the Company as at the Latest Practicable Date) through market block trade. To the best knowledge of the Offeror, the vendors of the 830,000,000 Shares are third parties independent of, and not concert parties of the Offeror.

### THE LINKAGE SHARE PURCHASE AGREEMENT

Date: 19 August 2016

Parties: (i) Linkage Group (as vendor); and  
(ii) the Offeror (as purchaser)

Pursuant to the terms of the Linkage Share Purchase Agreement, Linkage Group agreed to sell and the Offeror agreed to acquire the Linkage Group Shares, being 1,040,000,000 Shares, representing approximately 13.31% of the entire issued share capital of the Company as at the Latest Practicable Date. The consideration for the Linkage Group Shares was HK\$343,200,000 (equivalent to HK\$0.33 per Share) and was settled on the date of completion of the Linkage Share Purchase Agreement.

Completion of the Linkage Share Purchase Agreement took place on 25 August 2016.

Each of Linkage Group and Mr. XU David Hua, the sole shareholder of Linkage Group, is a third party independent of, and not a party acting in concert with, the Offeror.

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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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### THE CAO SHARE PURCHASE AGREEMENT

Date: 19 August 2016

Parties: (i) Ms. Cao (as vendor); and  
(ii) the Offeror (as purchaser)

Pursuant to the terms of the Cao Share Purchase Agreement, Ms. Cao agreed to sell and the Offeror agreed to acquire the Cao Shares, being 760,000,000 Shares, representing approximately 9.73% of the entire issued share capital of the Company as at the Latest Practicable Date. The consideration for the Cao Shares was HK\$250,800,000 (equivalent to HK\$0.33 per Share) and was settled on the date of completion of the Cao Share Purchase Agreement.

Completion of Cao Share Purchase Agreement took place on 25 August 2016.

Ms. Cao is a third party independent of, and not party acting in concert with, the Offeror.

### MANDATORY UNCONDITIONAL CASH OFFERS

Prior to completion of the Share Purchase Agreements, save for the 2,241,446,400 Shares owned by Creaton Holdings and the HIIF Convertible Bonds held by HIIF, the Offeror and parties acting in concert with it did not have any interest in the securities of the Company. Immediately following completion of the Share Purchase Agreements and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in aggregate 4,041,446,400 Shares, representing approximately 51.72% of the existing issued share capital of the Company. Accordingly, the Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all of the issued Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it.

As at the Latest Practicable Date, the Company has outstanding Convertible Bonds with an aggregate principal amount of US\$50,000,000 convertible into 357,175,650 new Shares. HIIF (an associated corporation of Haitong International Securities) holds the HIIF Convertible Bonds in the principal amount of US\$20,000,000. Immediately following completion of the Share Purchase Agreements, the Offeror is also required to make a mandatory unconditional cash offer for all outstanding Convertible Bonds pursuant to Rule 13.1 of the Takeovers Code.

This letter sets out, among other things, the principal terms of the Offers, together with the information on the Offeror and the Offeror's intention regarding the Group. Further details of the terms of the Offers and procedures of acceptance are also set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance. Your attention is also drawn to the sections headed "LETTER FROM THE BOARD", "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" and "LETTER FROM INDEPENDENT FINANCIAL ADVISER" in respect of the Offers, as contained in this Composite Document.

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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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### Principal terms of the Offers

Haitong International Securities is, on behalf of the Offeror, making the Offers on terms set out in this Composite Document in compliance with the Takeovers Code on the following basis:

#### The Share Offer

For each Offer Share . . . . . HK\$0.33 in cash

The Offer Price of HK\$0.33 for each Share under the Share Offer is equal to the price for each of the Sale Shares acquired by the Offeror pursuant to the Share Purchase Agreements.

As at the Latest Practicable Date, there were 7,814,351,360 Shares in issue. Other than the Convertible Bonds, as at the Latest Practicable Date, the Company did not have, and is not expected to issue any securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares.

Based on the Offer Price of HK\$0.33 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$2,578,735,948.80. Assuming none of the outstanding Convertible Bonds are converted into new Shares, based on 3,772,904,960 Shares (representing the Shares not already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) and the Offer Price of HK\$0.33 per Offer Share, the Share Offer is valued at HK\$1,245,058,636.80.

#### The CB Offer

For every US\$1,000,000 face value of the Convertible Bonds . . . .HK\$2,357,359.29 in cash

The Convertible Bonds will be acquired fully paid and free from all liens, charges, options, equities, encumbrances or other third party rights of any nature and together with all rights now or hereafter attaching or accruing to them on or after the date on which the CB Offer is made, that is, the date of the posting of this Composite Document.

The CB Offer will not apply to any Convertible Bonds which are or have been converted into Shares prior to the date on which the Offers close.

The offer price for the Convertible Bonds is determined in accordance with Practice Note 6 to the Takeovers Code as the “see-through” consideration for the Convertible Bonds, being the maximum number of Shares into which the Convertible Bonds is convertible (being 357,175,650 Shares) multiplied by the Offer Price (of HK\$0.33 per Offer Share). As at the Latest Practicable Date, HIIF (an associated corporation of Haitong International Securities) holds the HIIF Convertible Bonds in the principal amount of US\$20,000,000. Based on the outstanding Convertible Bonds in the principal amount of US\$50,000,000, the CB Offer is valued at approximately HK\$117,867,964.50.

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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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### Offer Price and Comparison of Value

The Offer Price of HK\$0.33 per Offer Share represents:

- (a) a discount of approximately 35.29% over the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on 18 August 2016, being the Last Trading Day;
- (b) a discount of approximately 36.29% over the average closing price of HK\$0.518 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a discount of approximately 38.20% over the average closing price of HK\$0.534 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 42.00% over the average closing price of HK\$0.569 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day; and
- (e) a premium of approximately 73.68% over the audited consolidated net assets per Share of approximately HK\$0.19 as at 31 March 2016 (being the date to which the latest audited consolidated annual results of the Group were made up), calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$1,518,119,000 as at 31 March 2016 and 7,814,351,360 Shares in issue as at the Latest Practicable Date.

### Highest and lowest closing prices of the Shares

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.91 per Share on 19 February 2016 and HK\$0.41 per Share on 31 August 2016, respectively.

### Total considerations for the Offers

As at the Latest Practicable Date, there are 7,814,351,360 Shares in issue.

Assuming the Offers are accepted in full on the basis there is no change in the issued share capital of the Company up to the close of the Offers, a total of 3,772,904,960 issued Shares (representing the Shares not already owned and/or to be acquired by the Offeror and/or parties acting in concert with it) will be subject to the Share Offer and the maximum cash consideration payable by the Offeror under the Share Offer would amount to approximately HK\$1,245,058,636.8.

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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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As at the Latest Practicable Date, the Company has outstanding Convertible Bonds with an aggregate principle amount of US\$50,000,000 convertible into 357,175,650 new Shares.

Assuming the Offers are accepted in full on the basis that (i) all the conversion rights attaching to the Convertible Bonds are exercised in full prior to the close of the Offers; and (ii) there is no other change in the issued share capital of the Company up to the close of the Offers, a total of 4,130,080,610 Shares (representing the Shares not already owned and/or to be acquired by the Offeror and/or parties acting in concert with it) will be subject to the Share Offer and the maximum cash consideration payable by the Offeror for the Offers would amount to approximately HK\$1,362,926,601.3.

### **Confirmation of financial resources**

The Offeror intends to finance the total consideration of the Offers by the loan facilities provided by Haitong International Securities. Haitong International Capital, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration for the full acceptance of the Offers and confirm that there have been no material changes to the availability of financial resources since the date of the Joint Announcement and up until the Latest Practicable Date. The payment of interest on, repayment of or security for any liability (contingent or otherwise) under the loan facilities provided by Haitong International Securities will not depend to any significant extent on the business of the Group.

### **Effect of accepting the Offers**

The Offers are unconditional in all respects. Acceptance of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Provided that valid acceptance forms and the relevant certificate(s) and/or other document (s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the registrar of the Company, the Qualifying Shareholders will sell their tendered Shares to the Offeror free from all encumbrances and together with all rights attaching thereto, including, without limitation, the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of the posting of this Composite Document.

Acceptance of the CB Offer by any Bondholder will be deemed to constitute a warranty by such person that all Convertible Bonds sold by such person under the CB Offer are free from all encumbrances whatsoever.



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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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### **Payment**

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but within seven (7) Business Days of the date of receipt of a duly completed acceptance of the Offers. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offers complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to a Qualifying Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

### **Overseas Qualifying Shareholders and Overseas Bondholders**

The Offeror intends to make the Offers available to all Qualifying Shareholders and all Bondholders, including those who are resident outside Hong Kong.

As the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Qualifying Shareholders or Overseas Bondholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek independent legal advice in respect of the Offers. It is the responsibility of Overseas Qualifying Shareholders and Overseas Bondholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

**Any acceptance of the Offers by any Overseas Qualifying Shareholder or Overseas Bondholder will be deemed to constitute a representation and warranty from such Overseas Qualifying Shareholder or Overseas Bondholder to the Offeror, Haitong International Securities and the Company that the local laws and requirements have been complied with. The Overseas Qualifying Shareholders or Overseas Bondholders should consult their professional advisers if in doubt.**

### **Hong Kong stamp duty**

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by the Qualifying Shareholders who accept the Share Offer at the rate of 0.1% of the consideration payable by the Offeror for the Shares of such Qualifying Shareholders, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). The relevant amount of stamp duty payable by the Qualifying Shareholders will be deducted from the consideration payable to the accepting Qualifying Shareholders under the Share Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1% of the consideration payable in

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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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respect of acceptances of the Share Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the acceptances of the CB Offer.

### **Taxation Advice**

Qualifying Shareholders and Bondholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. It is emphasised that none of the Company, the Offeror or any of their respective directors, officers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

### **OFFEROR'S INTERESTS IN SECURITIES OF THE COMPANY**

The Offeror confirms that, save as disclosed herein, as at the Latest Practicable Date:

- (a) save for the 4,041,446,400 Shares held by the Offeror and the HIIIF Convertible Bonds held by HIIIF that is presumed to be a party acting in concert with the Offeror in relation to the Offers, neither the Offeror nor any parties acting in concert with it owned or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (b) save for Creaton Holdings's acquisitions of an aggregate of 2,241,446,400 Shares on 23 May 2016 and 13 June 2016 respectively, and the Offeror's acquisitions of the Sale Shares pursuant to the Share Purchase Agreements, neither the Offeror nor any parties acting in concert with it had dealt for value in or was interested in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (c) save for (i) the senior secured bonds issued by the Offeror to Haitong International New Energy VIII Limited, an associated corporation of Haitong International Securities, which is secured by 1,800,000,000 Shares acquired by the Offeror; and (ii) loan facilities provided by Haitong International Securities to the Offeror, which is secured by all the Shares acquired by the Offeror pursuant to the Share Purchase Agreements (including the 1,800,000,000 Shares referred to in (i) above) and the Shares to be acquired by the Offeror through the Share Offer, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offers;

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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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- (d) there is no agreement or arrangement to which the Offeror or any person acting in concert with it, is a party which relates to circumstances in which the Offeror may or may not seek to invoke a pre-condition or a condition to the Offers;
- (e) neither the Offeror nor any person acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (f) neither the Offeror nor any person acting in concert with it has received any irrevocable commitment to accept or not accept the Offers; and
- (g) there is no outstanding derivative in respect of the securities in the Company entered into by the Offeror or any parties acting in concert with it.

### Acceptance and Settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement of the Offers as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately before completion of the Share Purchase Agreements; (ii) as at Latest Practicable Date; and (iii) upon completion of the Offers assuming all of the rights attaching to the Convertible Bonds are exercised prior to the close of the Offers and no acceptance of the Share Offer:

	Immediately before completion of the Share Purchase Agreements		As at the Latest Practicable Date		Upon completion of the Offers assuming (i) all of the rights attaching to the Convertible Bonds are exercised prior to the close of the Offers; and (ii) no acceptance of the Share Offer	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %
The Offeror and parties acting in concert with it	2,241,446,400 <i>(Note 1)</i>	28.68	4,041,446,400	51.72	4,184,316,659 <i>(Note 2)</i>	51.21
Linkage Group	1,043,478,260	13.35	3,478,260	0.04	3,478,260	0.04
Ms. Cao	960,000,000	12.29	200,000,000	2.56	200,000,000	2.45
Shanghai Electric Hongkong Co. Limited	825,958,700	10.57	825,958,700	10.57	825,958,700	10.11
Other public Shareholders	<u>2,743,468,000</u>	<u>35.11</u>	<u>2,743,468,000</u>	<u>35.11</u>	<u>2,957,773,391</u>	<u>36.19</u>
Total	<u>7,814,351,360</u>	<u>100.00</u>	<u>7,814,351,360</u>	<u>100.00</u>	<u>8,171,527,010</u>	<u>100.00</u>

# LETTER FROM HAITONG INTERNATIONAL SECURITIES

Notes:

- (1) These Shares were held by Creaton Holdings.
- (2) The total number of Shares to be held by the Offeror and parties acting in concert with it include the new Shares which may be issued upon exercise of the conversion rights attaching to the HIIF Convertible Bonds.

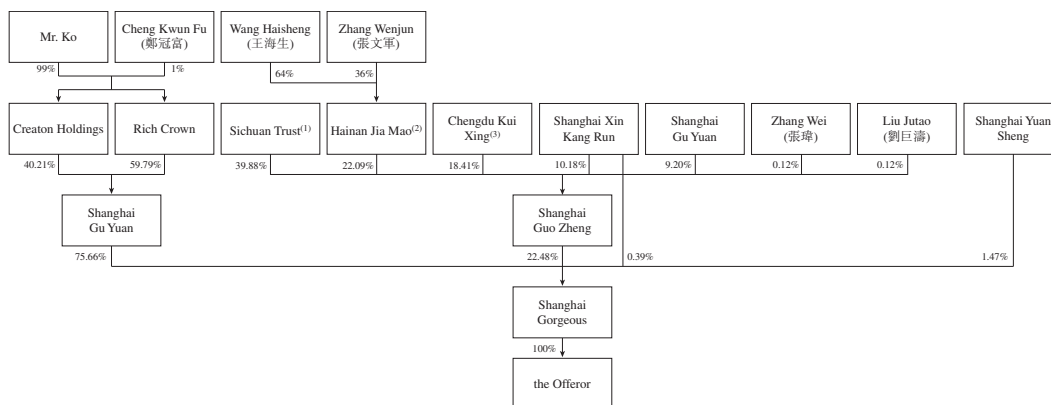
## INFORMATION ON THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed “INFORMATION ON THE GROUP” in the “LETTER FROM THE BOARD” and in Appendices II and III to this Composite Document.

## INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in BVI with limited liability. It is a direct wholly-owned subsidiary of Shanghai Gorgeous, a company established under the laws of the PRC, which is ultimately controlled by Mr. Ko.

Shanghai Gorgeous is an investment holding company incorporated in Shanghai, the PRC with limited liability and is held as to approximately 75.66% by Shanghai Gu Yuan, 22.48% by Shanghai Guo Zheng Investment Management Company Limited\* (上海國正投資管理有限公司) (“Shanghai Guo Zheng”), 1.47% by Shanghai Yuan Sheng Investment Management Company Limited\* (上海沅晟投資管理有限公司) (“Shanghai Yuan Sheng”) and 0.39% by Shanghai Xin Kang Run Industrial Company Limited\* (上海鑫康潤實業有限公司) (“Shanghai Xin Kang Run”), respectively. Set out below is the shareholding structure of the Offeror:



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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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*Notes:*

- (1) “Sichuan Trust” means Sichuan Trust Company Limited\* (四川信託有限公司);
- (2) “Hainan Jia Mao” means Hainan Jia Mao Industrial Company Limited\* (海南佳貿實業有限公司); and
- (3) “Chengdu Kui Xing” means Chengdu Kui Xing City Forrest Investment Company Limited\* (成都奎星城市森林投資有限公司).

Shanghai Gu Yuan is a company incorporated in Shanghai, the PRC with limited liability and is held as to approximately 59.79% by Rich Crown. The remaining approximately 40.21% equity interest in Shanghai Gu Yuan is held by Creaton Holdings. Shanghai Gu Yuan is principally engaged in real estate development.

Rich Crown is an investment holding company incorporated in Hong Kong with limited liability. Each of Rich Crown and Creaton Holdings is held by Mr. Ko as to 99% and Mr. Cheng Kwun Fu, another individual shareholder as to 1%, respectively.

### **INTENTION OF THE OFFEROR REGARDING THE GROUP**

It is the intention of the Offeror that the Group will continue with its existing principal activities after the close of the Offers and will maintain the listing status of the Company on the Stock Exchange. The Offeror will, following the close of the Offers, conduct a review on the business activities and financial position of the Group to formulate business plans and strategies for the future business development of the Group. The Offeror will also consider any suitable acquisition opportunities to expand the Group’s clean energy businesses and broadening its income stream. In view of the above, the Offeror is of the view that the Offers are in its long-term commercial interest. As at the Latest Practicable Date, the Offeror has no definitive plans for any acquisition or disposal of assets and/or business of the Group.

Save for the Offeror’s intention regarding the Group as set out above and the proposed nomination of Mr. Ko to the Board as further described below, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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### PROPOSED NOMINATION OF MR. KO AS AN EXECUTIVE DIRECTOR

The Offeror proposes to nominate Mr. Ko as an executive Director with effect from the earliest time permitted under the Takeovers Code or any other later time as it thinks appropriate. Set out below are the biographical details of Mr. Ko, and further details required by Rule 13.51(2) of the Listing Rules will be announced after the appointment takes effect:

Mr. Ko, aged 65, is the chairman of Shanghai Gorgeous. From 1994 to 2001, he had served as the vice chairman of Shanghai Gu Yuan. He had served as the chief executive officer of Shanghai Gorgeous from 2001 to 2012 and currently is the chairman of Shanghai Gorgeous. He has also served as the director of Creaton Holdings and Rich Crown since 1995. As at the Latest Practicable Date, Mr. Ko is directly interested in 99% of the equity interest in Creaton Holdings and Rich Crown and is the ultimate controlling shareholder of the Offeror.

Save as disclosed above, Mr. Ko (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

If, following the appointment of Mr. Ko as an executive Director, the number of independent non-executive Directors falls below the minimum requirement under Rule 3.10 of the Listing Rules, the Company will identify and appoint a suitable candidate as an additional independent non-executive Director as soon as practicable and in any event within three months from the appointment of Mr. Ko.

### MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) that there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

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## LETTER FROM HAITONG INTERNATIONAL SECURITIES

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Each of the Offeror and Mr. Ko, being the new Director to be appointed to the Board, has jointly and severally undertaken to the Stock Exchange on terms required under the Listing Rules to take appropriate steps as soon as possible after the close of the Offers to ensure that sufficient public float exists in the Shares.

### COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it under the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to acquire compulsorily any outstanding Shares not acquired under the Offers after the close of the Offers.

### GENERAL

The attention of the Overseas Qualifying Shareholders and Overseas Bondholders is drawn to paragraph 8 in Appendix I to this Composite Document.

All communications, notices, Forms of Acceptance, Share certificate(s), Convertible Bonds certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Qualifying Shareholders and/or Bondholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Haitong International Capital, Haitong International Securities, the Independent Financial Adviser, the Registrar and any of their respective directors or other parties involved in the Offers or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof. Further details have been set out in Appendix I to this Composite Document and in the Forms of Acceptance.

### ADDITIONAL INFORMATION

Your attention is drawn to the sections headed “LETTER FROM THE BOARD”, the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” and “LETTER FROM INDEPENDENT FINANCIAL ADVISER” as set out in this Composite Document, the accompanying Forms of Acceptance and the additional information set out in the appendices to, which form part of, this Composite Document and to consult your professional advisers as you see fit.

Yours faithfully

For and on behalf of

**Haitong International Securities Company Limited**

**Hui Yee, Wilson**

*Managing Director*

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LETTER FROM THE BOARD

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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)**

**Board of Directors:**

*Executive Directors:*

Mr. Wang Hao (*Chairman &  
Chief Executive Officer*)

Mr. Lai Leong

Mr. Lam Kwan Sing

Mr. Wong Nga Leung

Mr. Hon Ming Sang

Mr. Zhou Chengrong

*Independent Non-executive Directors:*

Mr. Fok Ho Yin, Thomas

Mr. Tsui Ching Hung

Ms. Cheung Oi Man, Amelia

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal place of business:*

Rooms 2004-2005

20/F, World Trade Centre

280 Gloucester Road

Causeway Bay

Hong Kong

9 September 2016

*To the Qualifying Shareholders and Bondholders,*

Dear Sir or Madam,

**(1) ACQUISITION OF CONTROLLING INTEREST IN  
CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED  
BY GORGEOUS INVESTMENT GROUP HOLDING CO., LIMITED AND  
(2) MANDATORY UNCONDITIONAL CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED FOR AND  
ON BEHALF OF GORGEOUS INVESTMENT GROUP HOLDING CO., LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES AND  
ALL OUTSTANDING CONVERTIBLE BONDS OF  
CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED TO BE  
ACQUIRED BY GORGEOUS INVESTMENT GROUP HOLDING CO., LIMITED  
AND/OR PARTIES ACTING IN CONCERT WITH IT)**



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## LETTER FROM THE BOARD

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### INTRODUCTION

The Board was notified by the Offeror after trading hours on 19 August 2016, that the Offeror and the Vendors entered into the Share Purchase Agreements, pursuant to which the Vendors agreed to sell and the Offeror agreed to acquire an aggregate of 4,041,446,400 Shares at total consideration of HK\$1,333,677,312, equivalent to HK\$0.33 per Share. Completion of the Share Purchase Agreements took place on 25 August 2016.

Immediately after completion of the Share Purchase Agreements, the Company was notified by the Offeror that the Offeror and parties acting in concert with it were interested in an aggregate of 4,041,446,400 Shares, representing approximately 51.72% of the entire issued share capital of the Company at the Latest Practicable Date. Accordingly, the Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it.

As at the Latest Practicable Date, the Company has outstanding Convertible Bonds with an aggregate principal amount of US\$50,000,000 convertible into 357,175,650 new Shares. HIIF (an associated corporation of Haitong International Securities) holds the HIIF Convertible Bonds in the principal amount of US\$20,000,000. Upon completion of the Share Purchase Agreements, the Offeror is also required to make a mandatory unconditional cash offer for all the outstanding Convertible Bonds pursuant to Rule 13.1 of the Takeovers Code.

As set out in the “Letter from Haitong International Securities”, Haitong International Securities is making the Offers for and on behalf of the Offeror.

The Independent Board Committee comprising Mr. Fok Ho Yin, Thomas, Mr. Tsui Ching Hung and Ms. Cheung Oi Man, Amelia (each of them has confirmed that he or she has no direct or indirect interest in the Offers) has been established pursuant to Rule 2.1 of the Takeovers Code to advise the Qualifying Shareholders and Bondholders as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

Lego has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers. The full text of the letter from Lego to the Independent Board Committee is set out in this Composite Document.

Further terms and the procedures for acceptance of the Offers are set out in the “Letter from Haitong International Securities” and Appendix I to this Composite Document. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offers as well as to set out (i) the “Letter from the Independent Board Committee” containing its recommendation to the Qualifying Shareholders and Bondholders, and (ii) the “Letter from Independent Financial Adviser” containing the advice of the Independent Financial Adviser to the Independent Board Committee in relation to the Offers.

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## LETTER FROM THE BOARD

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### THE OFFERS

As set out in the “Letter from Haitong International Securities” contained in this Composite Document, Haitong International Securities is making the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

#### The Share Offer

For each Offer Share . . . . . HK\$0.33 in cash

The Offer Price of HK\$0.33 for each Share under the Share Offer is equal to the price for each of the Sale Shares acquired by the Offeror pursuant to the Share Purchase Agreements. The Share Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

#### The CB Offer

For every US\$1,000,000 face value of the Convertible Bonds . . . .HK\$2,357,359.29 in cash

Based on the “Letter from Haitong International Securities”, the offer price for the Convertible Bonds is determined in accordance with Practice Note 6 to the Takeovers Code as the “see-through” consideration for the Convertible Bonds, being the maximum number of Shares into which the Convertible Bonds is convertible (being 357,175,650 Shares) multiplied by the Offer Price (of HK\$0.33 per Offer Share). As at the Latest Practicable Date, HIIF (an associated corporation of Haitong International Securities) holds the HIIF Convertible Bonds in the principal amount of US\$20,000,000. The CB Offer is extended to all Bondholders, including HIIF.

The CB Offer will not apply to any Convertible Bonds which are or have been converted into Shares prior to the date on which the Offers close.

### FURTHER INFORMATION ON THE OFFERS

Please also refer to the “Letter from Haitong International Securities” contained in this Composite Document and Appendix I to this Composite Document for further information in relation to the Offers, the making of the Offers to the Overseas Qualifying Shareholders and Overseas Bondholders, taxation and acceptance and settlement procedures of the Offers.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE GROUP

The Company was incorporated in Bermuda as an exempted company with limited liability. The Group is principally engaged in clean energy business, investment business and fur business.

Your attention is drawn to Appendices II and III to this Composite Document which contain further financial and general information of the Group.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Haitong International Securities” contained in this Composite Document.

### INTENTION OF THE OFFEROR REGARDING THE GROUP

Please refer to the section headed “Intention of the Offeror regarding the Group” in the “Letter from Haitong International Securities” for detailed information on the Offeror’s intention on the business and management of the Group.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

As mentioned in the “Letter from Haitong International Securities”, it is the intention of the Offeror to maintain the listing of Shares on the Stock Exchange after the close of the Offers. In the event that, at the close of the Offers, the public float of the Company falls below 25%, each of the Offeror and Mr. Ko, being the new Director to be appointed to the Board, has jointly and severally undertaken to the Stock Exchange on terms required under the Listing Rules to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists in the Shares.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Shares.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Qualifying Shareholders and Bondholders are advised to read the recommendation of the Independent Board Committee set out on pages 25 to 26 of this Composite Document and the advice of the Independent Financial Adviser set out on pages 27 to 49 of this Composite Document before deciding on the actions to be taken on the Offers.

### ADDITIONAL INFORMATION

Your attention is also drawn to the “Letter from Haitong International Securities” and the additional information contained in the appendices to this Composite Document and the accompanying Forms of Acceptance.

Yours faithfully,  
By order of the Board of  
**China Smarter Energy Group Holdings Limited**  
**Mr. Wang Hao**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offers which has been prepared for the purpose of inclusion in this Composite Document.*



### **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)**

9 September 2016

*To the Qualifying Shareholders and Bondholders,*

Dear Sir or Madam,

**(1) ACQUISITION OF CONTROLLING INTEREST IN  
CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED BY  
GORGEIOUS INVESTMENT GROUP HOLDING CO., LIMITED  
AND  
(2) MANDATORY UNCONDITIONAL CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF  
GORGEIOUS INVESTMENT GROUP HOLDING CO., LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES AND  
ALL OUTSTANDING CONVERTIBLE BONDS OF  
CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED BY GORGEIOUS INVESTMENT GROUP HOLDING CO.,  
LIMITED AND/OR PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document jointly issued by the Offeror and the Company dated 9 September 2016 of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Qualifying Shareholders and Bondholders as to whether or not the terms of the Offers are fair and reasonable and to make a recommendation as to acceptance of the Offers. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us in respect of the above.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Composite Document.

Having considered the terms of the Offers, taking into account the information contained in this Composite Document and the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter in this Composite Document, we are of the opinion that the terms of the Share Offer (including the Offer Price) are fair and reasonable so far as the Qualifying Shareholders are concerned and that the terms of the CB Offer (including the offer price of the Convertible Bonds) are not fair and reasonable so far as the Bondholders are concerned. Accordingly, we recommend the Qualifying Shareholders to accept the Share Offer and the Bondholders to consider not accepting the CB Offer.

However, as advised by the Independent Financial Adviser, given that the Offer Price under the Share Offer represents discounts to the recent market prices of the Shares (including but not limited to the closing price of the Shares as at the Latest Practicable Date) and that with low trading liquidity of the Shares, disposal of large block of Shares by the Qualifying Shareholders in the open market would likely to trigger price slump of the Shares, the Qualifying Shareholders are reminded to closely monitor the market price of the Shares and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, where possible, instead of accepting the Share Offer, if the net proceeds from such sales exceed the net amount receivable under the Share Offer.

The Qualifying Shareholders and Bondholders are recommended to read the full text of the letter from the Independent Financial Adviser on pages 27 to 49 of this Composite Document. Notwithstanding our recommendation, Qualifying Shareholders and Bondholders are strongly advised that the decision to realise or to hold your investment in the Shares and/or Convertible Bonds (as the case may be) is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offers.

Yours faithfully,

For and on behalf of the

**INDEPENDENT BOARD COMMITTEE**

**Mr. Fok Ho Yin, Thomas**  
*Independent*  
*Non-executive Director*

**Mr. Tsui Ching Hung**  
*Independent*  
*Non-executive Director*

**Ms. Cheung Oi Man, Amelia**  
*Independent*  
*Non-executive Director*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Lego, the Independent Financial Adviser to the Independent Board Committee, which has been prepared for the purpose of incorporation in this Composite Document, setting out its advice to the Independent Board Committee in respect of the Offers.*



9 September 2016

*To the Independent Board Committee*

Dear Sirs or Madams,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF  
GORGEOUS INVESTMENT GROUP HOLDING CO., LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES AND  
ALL OUTSTANDING CONVERTIBLE BONDS OF  
CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED  
AND/OR AGREED TO BE ACQUIRED BY  
GORGEOUS INVESTMENT GROUP HOLDING CO., LIMITED  
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Offers, details of which are set out in this Composite Document dated 9 September 2016 jointly issued by the Offeror and the Company to the Shareholders and the Bondholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

On 19 August 2016, the Offeror and Creaton Holdings entered into the Creaton Share Purchase Agreement, pursuant to which Creaton Holdings agreed to sell and the Offeror agreed to acquire the Creaton Shares, being 2,241,446,400 Shares, at total consideration of HK\$739,677,312, equivalent to HK\$0.33 per Share. Completion took place on 25 August 2016. As at the Latest Practicable Date, Creaton Holdings is directly interested in approximately 40.21% of the equity interest in Shanghai Gu Yuan, which in turn holds approximately 75.66% of the equity interest in Shanghai Gorgeous, the sole shareholder of the Offeror. Creaton Holdings is therefore a party acting in concert with the Offeror under the Takeovers Code.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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On 19 August 2016, the Offeror and Linkage Group entered into the Linkage Share Purchase Agreement, pursuant to which Linkage Group agreed to sell and the Offeror agreed to acquire the Linkage Group Shares, being 1,040,000,000 Shares, at total consideration of HK\$343,200,000, equivalent to HK\$0.33 per Share. Completion took place on 25 August 2016.

On 19 August 2016, the Offeror and Ms. Cao entered into the Cao Share Purchase Agreement, pursuant to which Ms. Cao agreed to sell and the Offeror agreed to acquire the Cao Shares, being 760,000,000 Shares, at total consideration of HK\$250,800,000, equivalent to HK\$0.33 per Share. Completion took place on 25 August 2016.

Upon completion of the Share Purchase Agreements and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 4,041,446,400 Shares in aggregate, representing approximately 51.72% of the entire issued share capital of the Company. As at the Latest Practicable Date, the Company has outstanding Convertible Bonds with an aggregate principal amount of US\$50,000,000 convertible into 357,175,650 new Shares, and HIIF (an associated corporation of Haitong International Securities) that is presumed to be a party acting in concert with the Offeror in relation to the Offers holds the HIIF Convertible Bonds in the principal amount of US\$20,000,000. As such, the Offeror is, pursuant to Rule 26.1 and Rule 13.1 of the Takeovers Code, required to make a mandatory unconditional cash offer to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) and all the outstanding Convertible Bonds.

The Independent Board Committee comprising Mr. Fok Ho Yin, Thomas, Mr. Tsui Ching Hung and Ms. Cheung Oi Man, Amelia (each of them has confirmed that he or she has no direct or indirect interest in the Offers) has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to advise the Qualifying Shareholders and Bondholders in respect of the Offers, as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee in this respect and our appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, Lego did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego. In the last two years, there was no engagement between the Group and Lego. We are not associated or connected with the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, the Offeror, any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are qualified to give independent advice in respect of the Offers.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Composite Document; (ii) the information and facts supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Composite Document were true, accurate and complete in all material respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and opinions expressed to us by them and that all information or representations regarding the Group and the Offers provided to us by the Group, the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and up to the Latest Practicable Date. The Company will notify the Shareholders and the Bondholders of any material changes during the Offer Period as soon as possible. The Shareholders and Bondholders will also be informed by us as soon as practicable should there be any material changes to our opinion after the Latest Practicable Date throughout the Offer Period. We have also relied on the responsibility statements made by the directors of the Company and the Offeror contained in the Composite Document. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, the advisers of the Company and/or the Offeror (where applicable).

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Group or the Offeror or any of their respective subsidiaries or associates.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL TERMS OF THE OFFERS

Haitong International Securities is making the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

#### The Share Offer

For each Offer Share . . . . . HK\$0.33 in cash

The Offer Price of HK\$0.33 for each Share under the Share Offer is equal to the price for each of the Sale Shares acquired by the Offeror pursuant to the Share Purchase Agreements. The Share Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

As at the Latest Practicable Date, there are 7,814,351,360 Shares in issue. Other than the Convertible Bonds, the Company did not, as at the Latest Practicable Date have, and is not expected to issue any securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares.

Based on the Offer Price of HK\$0.33 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$2,578,735,948.80. Assuming none of the outstanding Convertible Bonds are converted into new Shares, based on 3,772,904,960 Shares (representing the Shares not already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) and the Offer Price of HK\$0.33 per Offer Share, the Share Offer is valued at HK\$1,245,058,636.80.

#### The CB Offer

For every US\$1,000,000 face value of the Convertible Bonds . . . HK\$2,357,359.29 in cash

The Convertible Bonds will be acquired fully paid and free from all liens, charges, options, equities, encumbrances or other third party rights of any nature and together with all rights now or hereafter attaching or accruing to them on or after the date on which the CB Offer is made, that is, the date of the posting of the Composite Document.

The CB Offer will not apply to any Convertible Bonds which are or have been converted into Shares prior to the date on which the Offers close.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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The offer price for the Convertible Bonds is determined in accordance with Practice Note 6 to the Takeovers Code as the “see-through” consideration for the Convertible Bonds, being the maximum number of Shares into which the Convertible Bonds is convertible (being 357,175,650 Shares) multiplied by the Offer Price (of HK\$0.33 per Offer Share). As at the Latest Practicable Date, HIIF (an associated corporation of Haitong International Securities) holds the HIIF Convertible Bonds in the principal amount of US\$20,000,000. Based on the outstanding Convertible Bonds in the principal amount of US\$50,000,000, the CB Offer is valued at approximately HK\$117,867,964.50.

The Offers are unconditional in all respects. Acceptance of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Provided that valid acceptance forms and the relevant certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Registrar, the Qualifying Shareholders will sell their tendered Shares to the Offeror free from all encumbrances and together with all rights attaching thereto, including, without limitation, the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of the posting of the Composite Document.

Acceptance of the CB Offer by any Bondholders will be deemed to constitute a warranty by such person that all Convertible Bonds sold by such person under the CB Offer are free from all encumbrances whatsoever.

Further details of the Offers including, among others, the expected timetable and the terms and procedures of acceptance of the Offers, are set out in the sections headed “Expected Timetable”, “Letter from Haitong International Securities” and Appendix I to the Composite Document and the Form of Share Offer Acceptance and the Form of CB Offer Acceptance.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offers, we have taken into consideration the following principal factors and reasons:

#### 1. Information and historical financial performance of the Group

##### 1.1 Principal business of the Group

The Company was incorporated in Bermuda as an exempted company with limited liability. The Group is principally engaged in clean energy business, investment business and fur business.

Set out below is the revenue breakdown of the Group by business segment for each of the two financial years ended 31 March 2015 and 2016:

	(audited)			
	For the year ended 31 March			
	2015		2016	
	HK\$'000	%	HK\$'000	%
	(Restated)			
<i>Continuing Operations</i>				
Clean energy business				
– Clean energy	14,356	7.1	115,095	45.5
Investment business				
– Trading in securities	178,369	88.1	130,088	51.4
– Investments	1,560	0.8	1,560	0.6
Fur business				
– Trading of fur garment	8,125	4.0	6,414	2.5
– Trading of fur skin	–	–	–	–
<i>Discontinued operation</i>				
– Mine	–	–	–	–
Total	<u>202,410</u>	<u>100.0</u>	<u>253,157</u>	<u>100.0</u>

##### **Clean energy business**

The Group has been engaging in the provision of clean energy business including solar energy and renewable energy since 2014. The Group has successfully acquired a 100MW solar plant in Jinchang, Gansu Province, which is the main revenue contributor in the clean energy business segment of the Group for the year ended 31 March 2016. The Group is in the process to build more solar energy plants in China.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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The revenue contributed by the clean energy business increased from approximately 7.1% of the total revenue for the year ended 31 March 2015 to 45.5% of the total revenue for the year ended 31 March 2016. As at 31 March 2016, the segment assets of this sector was approximately HK\$1,939.6 million, representing approximately 66.1% of the total consolidated asset of the Group.

### ***Investment business***

The Group is engaged in share investment. The revenue from the investment business accounting for approximately 88.9% and 52.0% of the total revenue for the two years ended 31 March 2015 and 2016 respectively. As at 31 March 2016, the segment assets of this sector was approximately HK\$675.7 million, representing approximately 23.0% of the total consolidated asset of the Group.

### ***Fur business***

The Group is also engaged in trading of fur garment in Hong Kong. As at 31 March 2016, the segment assets of this sector was approximately HK\$5.9 million, representing approximately 0.2% of the total consolidated asset of the Group.

### ***Mining business***

The Group held the mining rights in the vanadium mine through 陝西久權礦業有限公司 (Shaanxi Jiuquan Mining Company Limited), (“Shaanxi Jiuquan”), an indirect-owned subsidiary of the Company. As the global metal price dropped significantly, the book value of the vanadium mining right of the Group recorded as HK\$0 as at 30 September 2015 and the Group discontinued the mining operation in September 2015. Subsequently, the Group had completed the disposal of its 100% equity interest (with relevant shareholder’s loan) in the indirect holding company of Shaanxi Jiuquan to an independent third party for a cash consideration of HK\$1 million in June 2016.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### 1.2 Financial performance of the Group

The following table is a summary of the audited financial information of the Group for the two years ended 31 March 2016, as extracted from the annual report (“**2016 Annual Report**”) of the Company for the year ended 31 March 2016.

	<b>For the year ended</b>	
	<b>31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Restated)	
	<i>(Note 1)</i>	
<i>Continuing operations</i>		
Revenue		
– Sale of electricity	14,356	115,095
– Sale of fur garment	8,125	6,414
– Net realised and unrealised gains on trading securities	178,251	130,072
– Dividend income from unlisted available-for-sale financial assets	1,560	1,560
– Dividend income from listed financial assets at fair value through profit or loss	<u>118</u>	<u>16</u>
<b>Total</b>	<b><u>202,410</u></b>	<b><u>253,157</u></b>
Gross profit	196,275	249,101
Gain on bargain purchase of subsidiaries	292,080	1,685
Administrative and operating expenses	(57,830)	(184,776)
Profit/(Loss) before tax from continuing operations	378,244	(97,584)
Profit/(Loss) after tax from continuing operations	373,419	(96,462)
<i>Discontinued operation</i>		
Revenue	–	–
(Loss) for the year from a discontinued operation	<u>(502,342)</u>	<u>(223,618)</u>
<b>(Loss) for the year</b>	<b><u>(128,923)</u></b>	<b><u>(320,080)</u></b>

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**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

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	<b>As at 31 March 2015 HK\$'000</b>	<b>As at 31 March 2016 HK\$'000</b>
Non-current assets	2,041,159	1,771,714
Current assets	625,435	1,160,842
Current liabilities	42,459	97,924
Non-current liabilities	1,672,804	1,317,480
Net current asset	582,976	1,062,918
Net asset attributable to owners of the Company	906,607	1,518,119
	<b>For the year ended 31 March 2015 HK\$'000 (Restated)</b>	<b>2016 HK\$'000</b>
Net cash (used in) operating activities	(198,690)	(162,937)
Net cash (used in) investing activities	(312,932)	(197,676)
Net cash generated from financing activities	636,199	521,875

*Note:*

1. During the year ended 31 March 2016, the Group has classified the mining business as discontinued operation. The audited consolidated financial results of the Group for the year ended 31 March 2015 were restated in the 2016 Annual Report to re-present the mining business as discontinued operation.

As illustrated in the tables above, the revenue of the Group amounted to approximately HK\$253.2 million for the year ended 31 March 2016, representing an increase of approximately 25.1% as compared to the prior year. According to the 2016 Annual Report, the increase in turnover was mainly attributable to the significant increase in revenue generated from clean energy business from approximately HK\$14.4 million for the year ended 31 March 2015 to HK\$115.1 million for the year ended 31 March 2016, as a result of booking of full year revenue from Jinchang Jintai Photovoltaic Company Limited, a wholly owned subsidiary, in Gansu Province for 100MW photovoltaic power generation project, where such acquisition was completed on 17 February 2015. The revenue from sales of fur garment decreased by approximately 21.1% from approximately HK\$8.1 million for the year ended 31

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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March 2015 to HK\$6.4 million for the year ended 31 March 2016. According to the 2016 Annual Report, the increase in loss in this business segment was mainly due to more marketing costs incurred and decrease in sales as a result of fierce competition in the market and the drop in consumption in luxury items, and the Group was reviewing the trading operations and considered the possibility of selling or winding down this sector of business.

Despite the increase in revenue, the net loss of the Group increased by approximately 148.3% from approximately HK\$128.9 million for the year ended 31 March 2015 to approximately HK\$320.1 million for the year ended 31 March 2016. According to the 2016 Annual Report, the increase in net loss of the Group was mainly due to (i) the significant impairment loss of the vanadium mining right; (ii) increase in operating and administrative expenses due to increase in depreciation, amortization of intangible assets, staff salaries and rental expenses; (iii) increase in financial cost due to issuance of the US\$80 million convertible bonds during the year; and (iv) significant decrease in gain on bargain purchase of subsidiaries for the year ended 31 March 2016 as compared to prior year mainly due to significant amount of gain recognised due to acquisition of 100% equity interest of Randar International Limited in the year ended 31 March 2015.

As at 31 March 2016, the net current asset of the Group amounted to approximately HK\$1,062.9 million, representing an increase of approximately 82.3% as compared to the net current asset of approximately HK\$583.0 million as at 31 March 2015. Such increase was mainly attributable to (i) the increase in prepayments, deposits and other receivables of approximately HK\$222.5 million principally due to the increase in deposits for acquisitions; and (ii) time deposit and cash and bank balance of approximately HK\$156.7 million principally due to the increase in net proceeds from issue of convertible bonds. The net asset attributable to owners amounted to approximately HK\$1,518.1 million as at 31 March 2016, representing an increase of approximately 67.5% as compared to the net asset attributable to owners of approximately HK\$906.6 million as at 31 March 2015. The increase was mainly attributable to the increase in net current asset as detailed above and the decreased in non-current liabilities of approximately HK\$355.3 million from approximately HK\$1,672.8 million as at 31 March 2015 to approximately HK\$1,317.5 million as at 31 March 2016 principally due to conversion of convertible bonds during the year ended 31 March 2016.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Given that the Group was loss making, the Group continued to record negative cash flow from operating activities amounted to approximately HK\$198.7 million and HK\$162.9 million for the year ended 31 March 2015 and 2016 respectively. The net cash used in investing activities amounted to approximately HK\$312.9 million and HK\$197.7 million for the year ended 31 March 2015 and 2016 respectively. On the other hand, the Group recorded positive cash flow from financing activities of approximately HK\$636.2 million and HK\$521.9 million for the year ended 31 March 2015 and 2016 which mainly contributed by net proceeds from issue of convertible bonds. Excluding the net proceeds from issue of convertible bonds, the Group would have recorded negative cash flow of approximately HK\$573.7 million and HK\$461.0 million for the year ended 31 March 2015 and 2016 respectively. In light of the continuous net cash outflow, in the event that the Group fails to improve its profitability and cash flow, the Group might not have sufficient working capital in the long run.

According to the 2016 Annual Report, the Group is in the process to develop more solar energy plants in China. During the year ended 31 March 2016, the Company acquired 100% equity interest in Shanghai Xin Lan Electric Company Limited\* 上海昕嵐電力有限公司 which holds directly and indirectly three distributed solar power projects and have also entered into several framework agreements in order to develop the solar energy business. In light of the preferential policies encouraging the clean energy promulgated by the PRC government, the management of the Company believes that the financial performance of the Group may improve by developing the clean energy business segment. Nonetheless, Shareholders should bear in mind that the Group may or may not be able to successfully develop the clean energy business given that the business segment is new to the Group and that the development plan may or may not lead to the turnaround of the Group's financial position.

## **2. Information on the Offeror and its intentions regarding the Group**

### ***2.1 Information on the Offeror***

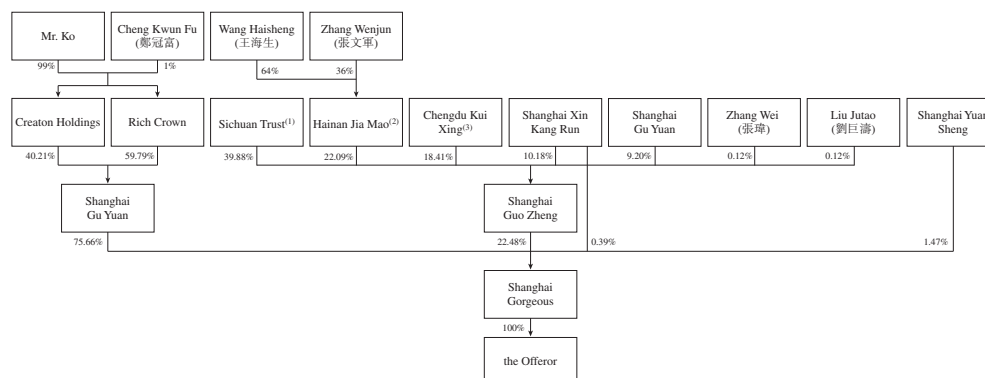
The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. It is a direct wholly-owned subsidiary of Shanghai Gorgeous, a company established under the laws of the PRC, which is ultimately controlled by Mr. Ko.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Shanghai Gorgeous is an investment holding company incorporated in Shanghai, the PRC with limited liability and is held as to approximately 75.66% by Shanghai Gu Yuan, 22.48% by Shanghai Guo Zheng, 1.47% by Shanghai Yuan Sheng and 0.39% by Shanghai Xin Kang Run, respectively. Set out below is the shareholding structure of the Offeror:



Shanghai Gu Yuan is a company incorporated in Shanghai, the PRC with limited liability and is held as to approximately 59.79% by Rich Crown. The remaining approximately 40.21% equity interest in Shanghai Gu Yuan is held by Creaton Holdings. Creaton Holdings is therefore a party acting in concert with the Offeror under the Takeovers Code. Shanghai Gu Yuan is principally engaged in real estate development.

Rich Crown is an investment holding company incorporated in Hong Kong with limited liability. Each of Rich Crown and Creaton Holdings is held by Mr. Ko as to 99% and Mr. Cheng Kwun Fu, another individual shareholder as to 1%, respectively.

## 2.2 Intention of the Offeror regarding the Group

### (a) Business of the Company

As set out in the “Letter from Haitong International Securities” of the Composite Document, following the close of the Offers, it is the intention of the Offeror that the Group will continue with its existing principal activities. The Offeror will, following the close of the Offers, conduct a review on the business activities and financial position of the Group to formulate business plans and strategies for the future business development of the Group. The Offeror will also consider any suitable acquisition opportunities to expand the Group’s clean energy businesses and broaden its income stream. As at the Latest Practicable Date, the Offeror has no definitive plans for any acquisition or disposal of assets and/or business of the Group.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Save for the Offeror's intention regarding the Group as set out above and the proposed nomination of Mr. Ko to the Board as further described below, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

*(b) Maintain listing of the Company*

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offers. The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (a) a false market exists or may exist in the trading of the Shares; or (b) that there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares. Each of the Offeror and Mr. Ko, being the new Director to be appointed to the Board, has jointly and severally undertaken to the Stock Exchange on terms required under the Listing Rules to take appropriate steps as soon as possible following the close of the Offers to ensure that sufficient public float exists in the Shares.

*(c) Proposed nomination of Mr. Ko as an executive Director*

The Offeror proposes to nominate Mr. Ko as an executive Director with effect from the earliest time permitted under the Takeovers Code or any other later time as it thinks appropriate. If, following the appointment of Mr. Ko as an executive Director, the number of independent non-executive Directors falls below the minimum requirement under Rule 3.10 of the Listing Rules, the Company will identify and appoint a suitable candidate as an additional independent non-executive Director as soon as practicable and in any event within three months from the appointment of Mr. Ko.

In light of that, among other things, (i) as disclosed in the 2016 Annual Report, the Company intended to focus in the clean energy business in the future, which recorded a segment loss in the year ended 31 March 2016 and it is uncertain as to whether the development of such business by the Company can lead to a turnaround of the financial results of the Company; and (ii) the Offeror will review the financial position and operation of the Group and explore and consider any other investment and business opportunities which may arise in the market from time to time, but it is uncertain as to whether the investment and business opportunities to be identified by the Offeror may provide good return or be successful in the future, we are of the view that the future prospects of the Group are uncertain.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### 3. The Offer Price

#### *Comparison of value*

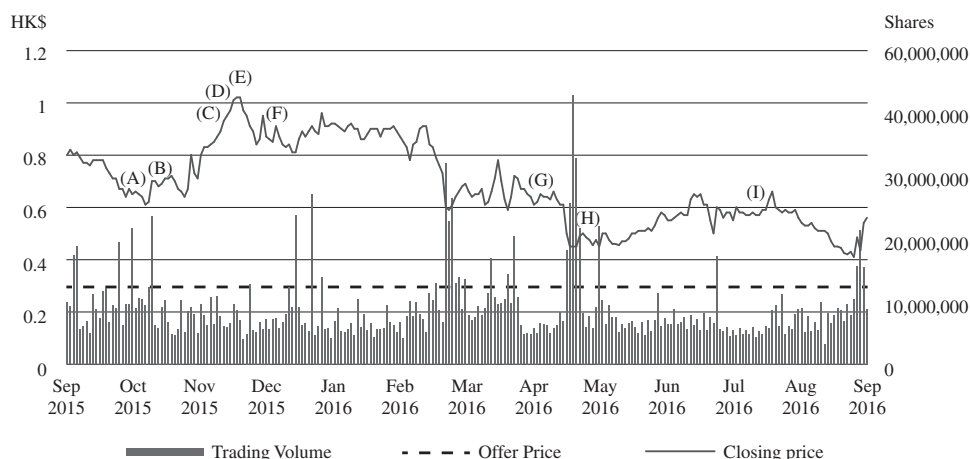
The Offer Price of HK\$0.33 per Offer Share represents:

- (i) a discount of approximately 35.29% over the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on 18 August 2016, being the Last Trading Day;
- (ii) a discount of approximately 36.29% over the average closing price of HK\$0.518 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 38.20% over the average closing price of HK\$0.534 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 42.00% over the average closing price of HK\$0.569 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 41.07% to the closing price of HK\$0.560 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 73.68% over the audited consolidated net assets per Share of approximately HK\$0.19 as at 31 March 2016 (being the date to which the latest audited consolidated annual results of the Group were made up), calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$1,518,119,000 as at 31 March 2016 and 7,814,351,360 Shares in issue as at the Latest Practicable Date.

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

### *Historical performance of Share price*

We have reviewed the daily closing price of the Shares during the period commencing from 8 September 2015 up to and including the Latest Practicable Date (the “**Review Period**”), being the approximate one-year period before the Latest Practicable Date. The comparison of closing price of the Shares during the Review Period and the Offer Price are illustrated as follows:



Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

	<b>Date(s) of announcement</b>	<b>Description of the event</b>
(A)	5 October 2015	Announcement regarding certain unaudited financial information of the Group for the six months ended 30 September 2015
(B)	15 October 2015	Entered into a non-legally-binding heads of terms in respect of the possible formation of a joint venture
(C)	2 November 2015	Lapse of a major acquisition
(D)	4 November 2015	Profit warning announcement
(E)	27 November 2015	Unaudited interim results of the Group for the six months ended 30 September 2015

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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	<b>Date(s) of announcement</b>	<b>Description of the event</b>
(F)	11 December 2015	The entering into by the Group of a non-legally binding letter of intent in relation to an acquisition of a PRC company operating solar power station project
(G)	1 April 2016	Announcement regarding certain unaudited financial information of the Group for the year ended 31 March 2016
(H)	28 April 2016	The entering into of a conditional sale and purchase agreement by a company wholly owned by an executive Director with Creaton Holdings Limited, a party acting in concert with the Offeror in connection with disposal of 18.06% of the Shares
(I)	27 July 2016	Repurchase of convertible bonds with principal amount of US\$30 million

During the Review Period, the daily closing price of the Shares as quoted on the Stock Exchange ranged from HK\$0.41 to HK\$1.02. The Offer Price hence represents a discount of approximately 19.5% to the lowest closing price and a discount of approximately 67.6% to the highest closing price of the Shares. Based on the chart above, it is also noted that the Offer Price lies below the range of the closing prices of the Shares for the entire Review Period. However, Qualifying Shareholders should note that there are no guarantees that the trading price of the Shares will sustain at a level higher than the Offer Price during and after the Offer Period.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *Historical trading volume and liquidity of the Shares*

In assessing the fairness of the Offer Price, we have further assessed the average daily trading volume of the Shares in each month below, and the respective percentages of the Shares' average trading volume as compared to (i) the total number of issued Shares of the Company as at the Latest Practicable Date and (ii) the total number of issued Shares held by the public as at the Latest Practicable Date are shown as below:

	Number of trading days	Average daily trading volume (the "Average Volume") Shares	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date (Note 1) %	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date (Note 2) %
<b>2015</b>				
September	20	10,610,723	0.28	0.14
October	20	12,288,995	0.33	0.16
November	21	9,111,790	0.24	0.12
December	22	10,608,932	0.28	0.14
<b>2016</b>				
January	20	7,512,056	0.20	0.10
February	18	11,040,963	0.29	0.14
March	21	14,821,072	0.39	0.19
April	20	14,052,646	0.37	0.18
May	21	9,083,810	0.24	0.12
June	21	8,915,883	0.24	0.11
July	20	7,150,068	0.19	0.09
August	22	8,716,109	0.23	0.11
September (up to and including the Latest Practicable Date)	4	18,367,133	0.49	0.24

Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

1. Based on 3,772,904,960 Shares held by the public as at the Latest Practicable Date.
2. Based on 7,814,351,360 Shares in issue as at the Latest Practicable Date.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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From the above table, we noted that trading in the Shares had been inactive during the Review Period. The Shares' monthly average daily trading volume had been below 0.5% of the total number of issued Shares held by the public as at the Latest Practicable Date.

Having regard that the overall trading liquidity of the Shares was relatively low during the Review Period, the Qualifying Shareholders should note that if they wish to realise their investments in the Company, especially those with bulk quantities of Shares, they might not be able to dispose the Shares in the market without exerting a downward pressure on the market price of the Shares in short term. Therefore, we anticipate that the Qualifying Shareholders may have difficulties in selling a significant number of Shares in the open market within a short period of time if the same trading pattern of the Shares persists during and shortly after the Offer Period. In such circumstance, the Offers represents an exit opportunity for the Qualifying Shareholders to realize their investment in the Company at the Offer Price, should they wish to do so.

Nonetheless, if any Qualifying Shareholders who would like to realise their investments in the Shares are able to dispose of their Shares in the open market and/or identify potential purchaser(s) to acquire their Shares at a price higher than the Offer Price, those Qualifying Shareholders may consider not accepting the Share Offer but selling their Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sale of their Shares would exceed the net amount receivable under the Share Offer.

Furthermore, those Qualifying Shareholders who, after reading the 2016 Annual Report and the Composite Document, are optimistic about the future financial performance of the Group after the Offers, may, having regard to their own circumstances, consider retaining all or any part of their Shares.

Accordingly, Qualifying Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Qualifying Shareholders who decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group as well as the intentions of the Offeror in relation to the Company in the future, and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offers.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *Comparison with comparable companies*

Price-to-earnings ratio (“P/E”) and price-to-book ratio (“P/B”) are the most commonly used benchmarks for valuation of companies. Particularly, for companies that generate recurring revenue and income, P/E analysis is the most appropriate approach for valuation. However, as the Group is loss-making for the two years ended 31 March 2016, the P/E is therefore not applicable. Therefore, for the purpose of our analysis, we have adopted P/B analysis to assess the fairness and reasonableness of the terms of the Offers.

We tried to take into consideration companies (i) which primarily engaged in solar energy power generation representing over 50% of their revenue derived from this business for the latest financial year; (ii) whose shares are listed on the Stock Exchange, based on the fact that (a) the Group has planned to focus its resources on its clean energy business, especially the solar energy power generation business in the future; (b) the Group has invested substantial amount and entered into several framework agreements in order to develop the solar energy business; and (c) the segment assets of the clean energy sector was approximately HK\$1,939.6 million, representing approximately 66.1% of the total consolidated asset of the Group. However, to the best of our knowledge, we could not identify any listed company in Hong Kong which satisfies both of the described criteria. In this regard, as the Group’s planned emphasis on its clean energy business, the reportable segment assets that the Company possessed for the clean energy business are essential towards the development of the business in terms of the revenue to be generated. As a result, we have extended our search to companies with over 50% of their assets related to solar energy power related business for the latest financial year, with shares listed on the Main Board or Growth Enterprise Market of the Stock Exchange.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We have identified a total of four companies listed on the Stock Exchange (the “**Comparable Companies**”) which form an exhaustive list based on the foresaid criteria, that primarily engaged in solar energy related business. The PB Ratio of the Comparable Companies and the PB Ratio of the Company with reference to the Offer Price are listed as follows:

Company name	Stock code	Principal business	Market capitalisation (HK\$ million) <i>(Note 1)</i>	P/B (times) <i>(Note 2)</i>
GCL New Energy Holdings Ltd.	0451.HK	Development, construction, operation and management of solar farms, as well as manufacturing and selling of printed circuit boards	8,201.70	2.88
United Photovoltaics Group Ltd	0686.HK	Development, investment, operation and management of solar power plants	3,629.48	1.46
Shunfeng International Clean Energy Ltd	1165.HK	Manufacturing and sales of solar cells, solar modules and solar wafers and solar power generation business	4,400.43	0.57
GCL-Poly Energy Holdings Ltd	3800.HK	Manufacturing of polysilicon and wafers for the solar industry; development, investment, management and operation of environmentally friendly power plants and solar projects; and trading of coal	21,003.95	1.14
	<b>Average</b>			<b>1.51</b>
				<b>1.30</b>
				<b>2.88</b>
				<b>0.57</b>
The Company	1004.HK	Principally engaged in clean energy business, investment business and fur business	2,578.74	1.70 <i>(Note 3)</i>

*Source: Website of the Stock Exchange (www.hkex.com.hk)*

*Notes:*

- The market capitalisation is calculated based on the share price and number of issued shares of the respective companies as at the Latest Practicable Date.
- The P/B Ratio of the Comparable Companies are calculated based on their respective market capitalisation divided by the audited consolidated net assets attributable to equity shareholders as disclosed in their respective latest published annual reports or interim reports, and translated into HK\$ at an exchange rate of RMB0.857=HK\$1 (if applicable).

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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3. The implied P/B Ratio of the Company is calculated based on the Offer Price of HK\$0.33 and the audited net assets attributable to equity shareholders of the Company per Share based on the audited consolidated statement of financial position of the Company as at 31 March 2016 and the number of Shares in issue as at the Latest Practicable Date.

As shown above, the Comparable Companies were trading at P/B ranging from approximately 0.57 times to approximately 2.88 times (the “**Market Range**”). The implied P/B of the Company (based on the Offer Price) of approximately 1.70 times is thus within the aforesaid Market Range, and is higher than the average and median of the Comparable Companies, which we consider to be fair and reasonable so far as the Qualifying Shareholders are concerned and aligned with the market as compared with the Comparable Companies.

### THE CB OFFER

As at the Latest Practicable Date, the Group has outstanding Convertible Bonds with an aggregate principal amount of US\$50,000,000 and carrying 6% interest rate per annum payable semi-annually in arrear. The Bondholders have the right to convert the outstanding Convertible Bonds 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 on 30 July 2018 and convertible into 357,175,650 new Shares at the prevailing conversion price of HK\$1.0891.

The offer price for the Convertible Bonds is HK\$2,357,359.29 for every US\$1,000,000 face value of the Convertible Bonds, determined in accordance with Practice Note 6 to the Takeovers Code as the “see-through” consideration for the Convertible Bonds, being the maximum number of Shares into which the Convertible Bonds is convertible (being 357,175,650 Shares) multiplied by the Offer Price (of HK\$0.33 per Offer Share). Based on (i) the conversion price of the Convertible Bonds at HK\$1.0891 represents a premium of approximately 230.0% over the Offer Price of HK\$0.33 per Offer Share which indicated that the gross proceed from accepting the CB Offer would be less than the face value of the Convertible Bonds; and (ii) the closing price as at the Latest Practicable Date of HK\$0.560 per Share implies the current market value for every US\$1,000,000 face value of the Convertible Bonds is approximately HK\$4,000,000, represents a premium of approximately 69.70% over the offer price under the CB Offer of HK\$2,357,359.29 for every US\$1,000,000 face value of the Convertible Bonds, we consider the offer price under the CB Offer is not fair and reasonable to the Bondholders and recommend them to consider not accepting the CB Offer.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

We have considered the principal factors discussed above and, in particular, the following in arriving at our opinion:

- (a) the Offer Price represents a premium of approximately 73.68% over the audited consolidated net asset per Share of approximately HK\$0.19 as at 31 March 2016;
- (b) the continuous loss making and net operating cash outflow of the Group during the year ended 2015 and 2016;
- (c) although the Offer Price lies below the range of the closing prices of the Shares for the entire Review Period, it is uncertain whether the trading price of the Shares could be sustained at a level higher than the Offer Price during and after the Offer Period;
- (d) the Group is still in the process of developing the clean energy business and yet results remain uncertain;
- (e) the trading liquidity of the Shares was relatively thin during the Review Period and the disposal of large block of Shares held by the Qualifying Shareholders in the open market may trigger price slump of the Shares as a result of the extremely thin trading volume of the Shares; and
- (f) the results of the market comparison as set forth under the sub-section headed “Comparison with comparable companies” of this letter.

We consider that the terms of the Share Offer (including the Offer Price) are fair and reasonable so far as the Qualifying Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Qualifying Shareholders to accept the Share Offer. In addition, having considered the principal factor (as set out in the section headed “The CB Offer” of this letter), we consider that the terms of the CB Offer (including the offer price of the Convertible Bonds) are not fair and reasonable so far as the Bondholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Bondholders to consider not accepting the CB Offer.

**However, given that the Offer Price under the Share Offer represents discounts to the recent market prices of the Shares (including but not limited to the closing price of the Shares as at the Latest Practicable Date) and that with low trading liquidity of the Shares, disposal of large block of Shares by the Qualifying Shareholders in the open market would likely to trigger price slump of the Shares, we would also like to remind the Independent Board Committee to remind the Qualifying Shareholders to closely monitor the market price of the Shares and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, where possible, instead of accepting the Share Offer, if the net proceeds from such sales exceed the net amount receivable under the Share Offer.**

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Those Qualifying Shareholders and Bondholders who decide to retain part or all of their investments in the Shares and Convertible Bonds should carefully monitor the intentions of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Shares and Convertible Bonds after the close of the Offers. Further terms and conditions of the Share Offer and CB Offer are set out in the “Letter from Haitong International Securities” and Appendix I to the Composite Document.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Joshua Liu**  
*Managing Director*

*Mr. Joshua Liu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 18 years of experience in the investment banking and securities industry.*

**1. PROCEDURES FOR ACCEPTANCE****1.1 The Share Offer**

- (a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:
  - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the duly completed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Haitong International Securities or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.
- (f) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Share Offer Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.



No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## **1.2 The CB Offer**

- (a) If you accept the CB Offer and the certificate(s) of the Convertible Bonds and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are in your name, you should complete the **BLUE** Form of CB Offer Acceptance in accordance with the instructions printed thereon in respect of the outstanding principal amount of the Convertible Bonds held by you that you wish to tender to the CB Offer, which instructions form part of the terms and conditions of the CB Offer.
- (b) The completed **BLUE** Form of CB Offer Acceptance should be forwarded, together with the relevant certificate(s) of the Convertible Bonds and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) which you intend to accept the CB Offer, by post or by hand to the Company at Rooms 2004-5, 20th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong, as soon as possible but in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) No acknowledgement of receipt of any **BLUE** Form of CB Offer Acceptance and/or certificate(s) of the Convertible Bonds and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## **2. SETTLEMENT OF THE OFFERS**

### **2.1 The Share Offer**

Provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each of the Qualifying Shareholders who accepts the Share Offer less seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Share Offer will be despatched to such Qualifying Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven Business Days following the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Qualifying Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Qualifying Shareholder.

## **2.2 The CB Offer**

Provided that a valid **BLUE** Form of CB Offer Acceptance and the relevant certificate (s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Company before the close of the CB Offer, a cheque for the amount due to each of the Bondholders who accepts the CB Offer in respect of the Convertible Bonds tendered by it/him/her under the CB Offer will be despatched to such Bondholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven Business Days following the receipt of all the relevant documents by the Company to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Bondholder is entitled under the CB Offer will be implemented in full in accordance with the terms of the CB Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Bondholder.

## **3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) In order to be valid for the Offers, the **WHITE** Form of Share Offer Acceptance and the **BLUE** Form of CB Offer Acceptance must be received by the Registrar (in respect of the Share Offer) or the Company (in respect of the CB Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offers are extended or revised with the consent of the Executive.
- (b) The Offeror reserves the right to revise the terms of the Offers after the despatch of this Composite Document until such day as they may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offers, all the Qualifying Shareholders and Bondholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.

- (c) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date or the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to the Qualifying Shareholders and Bondholders who have not accepted the Offers, and an announcement will be released. The revised Offers will be kept open for at least 14 days thereafter.
- (d) If the Closing Date of the Offers is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.
- (e) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Qualifying Shareholders and Bondholders who accept the Offers become entitled to withdraw their acceptance under the paragraph headed "5. Right of Withdrawal" below and duly do so.

#### **4. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offers. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offers have been revised, extended, or has expired.

The announcement will state the total number of Shares and Convertible Bonds:

- (i) for which acceptances of the Offers have been received;
- (ii) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number of Shares or principal amount of the Convertible Bonds represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in paragraph 1 of this appendix, and which have been received by the Registrar (in respect of the Share Offer) or the Company (in respect of the CB Offer) respectively no later than 4:00 p.m. on the Closing Date, unless the Offers are extended or revised with the consent of the Executive, shall be included.

- (b) As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules, where appropriate.

## **5. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offers tendered by the Qualifying Shareholders and Bondholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “4. Announcements” above, the Executive may require that the Qualifying Shareholders and Bondholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Qualifying Shareholders and Bondholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or the relevant certificate(s) in respect of the Convertible Bonds (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Forms of Acceptance to the relevant Qualifying Shareholder(s) and Bondholder(s).

**6. HONG KONG STAMP DUTY**

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by the Qualifying Shareholders who accept the Share Offer at the rate of 0.1% of the consideration payable by the Offeror for the Shares of such Qualifying Shareholders, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). The relevant amount of stamp duty payable by the Qualifying Shareholders will be deducted from the consideration payable to the accepting Qualifying Shareholders under the Share Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1% of the consideration payable in respect of acceptances of the Share Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the acceptance of the CB offer.

**7. TAXATION ADVICE**

Qualifying Shareholders and Bondholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror and parties acting in concert with it, the Company, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

**8. GENERAL**

- (a) All communications, notices, Forms of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Qualifying Shareholders and Bondholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Haitong International Securities and any of their respective directors nor the Registrar or other parties involved in the Offers or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form(s) of Acceptance form part of the terms and conditions of the Offers.

- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the CB Offer in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, Haitong International Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Shares or the Convertible Bonds in respect of which such person or persons has/have accepted the Offers.
- (f) By accepting the Offers, the Qualifying Shareholders and the Bondholders will sell their Shares or Convertible Bonds (as the case may be) to the Offeror free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions (as applicable) which may be recommended, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of this Composite Document.

The Offers are made available to all Qualifying Shareholders and Bondholders, including those who are residents outside Hong Kong. The availability of the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such Overseas Qualifying Shareholders and Overseas Bondholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Persons who are residents, citizens or nationals outside Hong Kong should inform themselves about and observe, at its own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offers, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdiction.

Any acceptance by Qualifying Shareholders and Bondholders and beneficial owners of the Shares and/or Convertible Bonds who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror, Haitong International Securities and the Company that the local laws and requirements have been complied with. Qualifying Shareholders and Bondholders should consult their respective professional advisers if in doubt. Qualifying Shareholders and Bondholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

- (g) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or Convertible Bonds in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares or Convertible Bonds held by such nominee for such beneficial owner who is accepting the Offers.
- (h) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any extension or revision thereof.
- (i) All acceptances, instructions, authorities and undertakings given by the Qualifying Shareholders and Bondholders in the Forms of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (j) The English text of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial results of the Group for each of the three years ended 31 March 2016 as extracted from the annual reports of the Company.

No qualified opinion was given by the auditor of the Company, Li, Tang, Chen & Co., in respect of the Group's audited consolidated financial statements for each of the three years ended 31 March 2016.

The Group had no exceptional items because of size, nature or incidence for each of the three years ended 31 March 2016.

	Year ended 31 March 2016 <i>HK\$'000</i> Audited	Year ended 31 March 2015 <i>HK\$'000</i> Audited (restated) (Note 1)	Year ended 31 March 2014 <i>HK\$'000</i> Audited (restated) (Note 2)
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	253,157	202,410	12,273
Cost of sales	<u>(4,056)</u>	<u>(6,135)</u>	<u>(5,435)</u>
<b>GROSS PROFIT</b>	249,101	196,275	6,838
Other income	7,435	3,529	230
Other (losses)/gains, net	(13,441)	(8,039)	649
Gain on bargain purchase of subsidiaries	1,685	292,080	–
Impairment loss on exploration and evaluation assets	–	–	(134,081)
Goodwill written off	–	–	(19)
Selling and distribution expenses	(3,110)	(4,585)	(4,330)
Administrative and operating expenses	<u>(184,776)</u>	<u>(57,830)</u>	<u>(23,206)</u>
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS</b>	56,894	421,430	(153,919)
Finance costs	<u>(154,478)</u>	<u>(43,186)</u>	<u>(15,651)</u>
<b>(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	(97,584)	378,244	(169,570)
<b>INCOME TAX CREDIT/(EXPENSE)</b>	<u>1,122</u>	<u>(4,825)</u>	<u>31,570</u>
<b>(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	(96,462)	373,419	(138,000)
<b>DISCONTINUED OPERATION</b>			
Loss for the year from a discontinued operation	<u>(223,618)</u>	<u>(502,342)</u>	<u>–</u>
<b>LOSS FOR THE YEAR</b>	<u><u>(320,080)</u></u>	<u><u>(128,923)</u></u>	<u><u>(138,000)</u></u>



**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	Year ended 31 March 2016 <i>HK\$'000</i> Audited	Year ended 31 March 2015 <i>HK\$'000</i> Audited (restated) (Note 1)	Year ended 31 March 2014 <i>HK\$'000</i> Audited (restated) (Note 2)
<b>(LOSS)/PROFIT ATTRIBUTABLE TO:</b>			
Owners of the Company			
Continuing operations	(96,405)	373,376	(118,084)
Discontinued operation	<u>(179,132)</u>	<u>(402,154)</u>	<u>–</u>
	----- (275,537)	----- (28,778)	----- (118,084)
Non-controlling interests			
Continuing operations	(57)	43	(19,916)
Discontinued operation	<u>(44,486)</u>	<u>(100,188)</u>	<u>–</u>
	----- (44,543)	----- (100,145)	----- (19,916)
<b>LOSS FOR THE YEAR</b>	<b><u>(320,080)</u></b>	<b><u>(128,923)</u></b>	<b><u>(138,000)</u></b>
<b>(LOSS)/EARNINGS PER SHARE</b>			
Basic			
For loss for the year	HK (3.80) cents	HK (0.47) cents	HK (2.11) cents
For (loss)/profit for the year from continuing operations	<u>HK (1.33) cents</u>	<u>HK 6.15 cents</u>	<u>N/A</u>
Diluted			
For loss for the year	HK (3.80) cents	HK (0.47) cents	HK (2.11) cents
For (loss)/profit for the year from continuing operations	<u>HK (1.33) cents</u>	<u>HK 6.15 cents</u>	<u>N/A</u>

*Note:*

- 1) 2015 figures are restated for discontinued operation.
- 2) During the year ended 31 March 2015, the directors of the Company decided to regard the net realised and unrealised gains on trading securities, dividend income from unlisted and listed equity securities instead of the proceeds from sales of listed financial assets at fair value through profit or loss as the turnover of the Group. Therefore, certain 2014 figures are restated to conform with this presentation. However, 2014 figures are not restated for discontinued operation.

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

	<b>Year ended</b> <b>31 March 2016</b>	<b>Year ended</b> <b>31 March 2015</b>	<b>Year ended</b> <b>31 March 2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Audited	Audited	Audited
<b>LOSS FOR THE YEAR</b>	(320,080)	(128,923)	(138,000)
<b>OTHER COMPREHENSIVE (EXPENSE)/ INCOME</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	<u>(50,977)</u>	<u>1,832</u>	<u>357</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>	<u><u>(371,057)</u></u>	<u><u>(127,091)</u></u>	<u><u>(137,643)</u></u>
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company	(325,366)	(26,782)	(119,507)
Non-controlling interests	<u>(45,691)</u>	<u>(100,309)</u>	<u>(18,136)</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>	<u><u>(371,057)</u></u>	<u><u>(127,091)</u></u>	<u><u>(137,643)</u></u>

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2016 extracted from the annual report of the Company for the year ended 31 March 2016. All the relevant page numbers referred in this section are referred to the page numbers of the annual report of the Company for the year ended 31 March 2016.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 March 2016*

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i> (Restated)
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	8	253,157	202,410
Cost of sales		<u>(4,056)</u>	<u>(6,135)</u>
<b>GROSS PROFIT</b>		249,101	196,275
Other income	8	7,435	3,529
Other losses, net	8	(13,441)	(8,039)
Gain on bargain purchase of subsidiaries	36	1,685	292,080
Selling and distribution expenses		(3,110)	(4,585)
Administrative and operating expenses		<u>(184,776)</u>	<u>(57,830)</u>
<b>PROFIT FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS</b>		56,894	421,430
Finance costs	9	<u>(154,478)</u>	<u>(43,186)</u>
<b>(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	10	(97,584)	378,244
<b>INCOME TAX CREDIT/(EXPENSE)</b>	11(a)	<u>1,122</u>	<u>(4,825)</u>
<b>(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		(96,462)	373,419
<b>DISCONTINUED OPERATION</b>			
Loss for the year from a discontinued operation	12(a)	<u>(223,618)</u>	<u>(502,342)</u>
<b>LOSS FOR THE YEAR</b>		<u><u>(320,080)</u></u>	<u><u>(128,923)</u></u>

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i> (Restated)
<b>(LOSS)/PROFIT ATTRIBUTABLE TO:</b>			
Owners of the Company			
Continuing operations		(96,405)	373,376
Discontinued operation		<u>(179,132)</u>	<u>(402,154)</u>
		<u>-----</u> (275,537)	<u>-----</u> (28,778)
Non-controlling interests			
Continuing operations		(57)	43
Discontinued operation		<u>(44,486)</u>	<u>(100,188)</u>
		<u>-----</u> (44,543)	<u>-----</u> (100,145)
<b>LOSS FOR THE YEAR</b>		<u>-----</u> <u>-----</u> (320,080)	<u>-----</u> <u>-----</u> (128,923)
<b>(LOSS)/EARNINGS PER SHARE</b>			
	<i>16</i>		
Basic			
For loss for the year		HK(3.80) cents	HK(0.47) cents
For (loss)/profit for the year from continuing operations		<u>HK(1.33) cents</u>	<u>HK6.15 cents</u>
Diluted			
For loss for the year		HK(3.80) cents	HK(0.47) cents
For (loss)/profit for the year from continuing operations		<u>HK(1.33) cents</u>	<u>HK6.15 cents</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME***For the year ended 31 March 2016*

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LOSS FOR THE YEAR</b>	(320,080)	(128,923)
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>(50,977)</u>	<u>1,832</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>	<u><u>(371,057)</u></u>	<u><u>(127,091)</u></u>
<b>ATTRIBUTABLE TO:</b>		
Owners of the Company	(325,366)	(26,782)
Non-controlling interests	<u>(45,691)</u>	<u>(100,309)</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>	<u><u>(371,057)</u></u>	<u><u>(127,091)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	959,621	856,102
Available-for-sale financial assets	19	7,800	7,800
Exploration and evaluation assets	20	–	300,985
Intangible assets	21	<u>804,293</u>	<u>876,272</u>
<b>CURRENT ASSETS</b>		1,771,714	2,041,159
Inventories	22	2,112	3,241
Trade receivables	23	18,343	25,096
Prepayments, deposits and other receivables	24	463,940	241,419
Financial assets at fair value through profit or loss	25	367,573	217,671
Derivative financial assets			
– Derivative component of the convertible bonds	31	13,068	–
Time deposit and cash and bank balances	26	<u>294,674</u>	<u>138,008</u>
		1,159,710	625,435
Assets of disposal group classified as held for sale	12(b)	<u>1,132</u>	–
		<u>1,160,842</u>	<u>625,435</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	27	2	2
Other payables and accruals	28	76,827	29,162
Customers' deposits		406	802
Unsecured short term loans	29	5,000	7,497
Current portion of long term bank loans	30	<u>15,557</u>	<u>4,996</u>
		97,792	42,459
Liabilities of disposal group classified as held for sale	12(b)	<u>132</u>	–
		<u>97,924</u>	<u>42,459</u>
<b>NET CURRENT ASSETS</b>		<u>1,062,918</u>	<u>582,976</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,834,632	2,624,135

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Long term bank loans	30	690,496	736,851
Convertible bonds	31	438,064	663,246
Deferred tax liabilities	32(a)	188,920	272,707
		<u>1,317,480</u>	<u>1,672,804</u>
<b>NET ASSETS</b>		<u><u>1,517,152</u></u>	<u><u>951,331</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	33	19,536	17,471
Reserves	34(a)	<u>1,498,583</u>	<u>889,136</u>
Total equity attributable to owners of the Company		1,518,119	906,607
Non-controlling interests		<u>(967)</u>	<u>44,724</u>
<b>TOTAL EQUITY</b>		<u><u>1,517,152</u></u>	<u><u>951,331</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible bonds equity reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory reserve fund HK\$'000	Accumulated losses HK\$'000			
Balance at 1 April 2015	17,471	1,283,770	77,102	57,815	113,733	12	(643,296)	906,607	44,724	951,331
<b>Comprehensive income:</b>										
Loss for the year	-	-	-	-	-	-	(275,537)	(275,537)	(44,543)	(320,080)
<b>Other comprehensive expense for the year:</b>										
Exchange differences arising on translation of foreign operations	-	-	-	-	(49,829)	-	-	(49,829)	(1,148)	(50,977)
<b>Total comprehensive expense for the year</b>	-	-	-	-	(49,829)	-	(275,537)	(325,366)	(45,691)	(371,057)
<b>Transactions with owners:</b>										
Conversion of HK\$700,000,000 convertible bonds (note 31)	2,065	736,600	-	(57,815)	-	-	-	680,850	-	680,850
Issue of US\$80,000,000 guaranteed secured convertible bonds (note 31)	-	-	-	256,028	-	-	-	256,028	-	256,028
<b>Total transactions with owners</b>	2,065	736,600	-	198,213	-	-	-	936,878	-	936,878
<b>Balance at 31 March 2016</b>	19,536	2,020,370	77,102	256,028	63,904	12	(918,833)	1,518,119	(967)	1,517,152
Balance at 1 April 2014	14,862	1,046,379	77,102	-	111,737	12	(614,518)	635,574	145,033	780,607
<b>Comprehensive income:</b>										
Loss for the year	-	-	-	-	-	-	(28,778)	(28,778)	(100,145)	(128,923)
<b>Other comprehensive income/(expense) for the year:</b>										
Exchange differences arising on translation of foreign operations	-	-	-	-	1,996	-	-	1,996	(164)	1,832
<b>Total comprehensive income/(expense) for the year</b>	-	-	-	-	1,996	-	(28,778)	(26,782)	(100,309)	(127,091)
<b>Transactions with owners:</b>										
Issue of shares for acquisition of Rander International Limited (note 36)	2,609	237,391	-	-	-	-	-	240,000	-	240,000
Issue of HK\$700,000,000 convertible bonds (note 31)	-	-	-	57,815	-	-	-	57,815	-	57,815
<b>Total transactions with owners</b>	2,609	237,391	-	57,815	-	-	-	297,815	-	297,815
<b>Balance at 31 March 2015</b>	17,471	1,283,770	77,102	57,815	113,733	12	(643,296)	906,607	44,724	951,331



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>OPERATING ACTIVITIES</b>			
(Loss)/profit before tax			
From continuing operations		(97,584)	378,244
From a discontinued operation		(296,806)	(668,676)
Adjustments for:			
Dividend income from unlisted available-for-sale financial assets		(1,560)	(1,560)
Dividend income from listed financial assets at fair value through profit or loss		(16)	(118)
Bank interest income		(446)	(2,230)
Other interest income		–	(4)
Unrealised gain on investments in financial assets at fair value through profit or loss		(130,072)	(179,382)
Gain on bargain purchase	36	(1,685)	(292,080)
Gain on disposal of property, plant and equipment		(65)	–
Fixed assets written off		16	–
Depreciation		46,141	5,500
Amortisation of intangible assets		35,909	4,613
Impairment loss on exploration and evaluation assets	20	294,237	665,334
Fair value changes in derivative component of convertible bonds		13,441	9,817
Interest expenses		154,590	43,336
Tax penalties settled by the tax reserve certificate		–	1,374
<b>Operating profit/(loss) before working capital changes</b>		16,100	(35,832)
Decrease in inventories		1,122	492
Increase in financial assets at fair value through profit or loss		(19,830)	–
Decrease/(increase) in trade receivables		5,555	(14,433)
Increase in prepayments, deposits and other receivables		(218,165)	(160,625)
Decrease in trade payables		–	(528)
Increase in other payables and accruals		52,677	13,116
Decrease in customers' deposits		(396)	(880)
<b>Net cash used in operating activities</b>		(162,937)	(198,690)

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

	<b>2016</b>	<b>2015</b>
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
<b>INVESTING ACTIVITIES</b>		
Dividend received from unlisted available-for-sale financial assets	1,560	1,560
Dividend received from listed financial assets at fair value through profit or loss	16	118
Bank interest received	446	2,230
Other interest received	–	4
Purchases of property, plant and equipment	(188,511)	(114)
Proceeds from disposal of property, plant and equipment	65	–
Acquisition of subsidiaries	36 <u>(11,252)</u>	<u>(316,730)</u>
<b>Net cash used in investing activities</b>	<u><u>(197,676)</u></u>	<u><u>(312,932)</u></u>
<b>FINANCING ACTIVITIES</b>		
Interest paid	(93,051)	(29,202)
Other loans obtained	–	5,000
Repayment of margin loan	–	(10,326)
Repayment of bank loans	(4,862)	(2,498)
Repayment of other loans	(2,431)	(25,004)
Net proceeds from issue of convertible bonds	<u>622,219</u>	<u>698,229</u>
<b>Net cash generated from financing activities</b>	<u><u>521,875</u></u>	<u><u>636,199</u></u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	161,262	124,577
Effect of foreign exchange rate changes	(4,351)	(7,034)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>138,008</u>	<u>20,465</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>294,919</u></u>	<u><u>138,008</u></u>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Time deposit and cash and bank balances attributable to continuing operations	294,674	136,122
Cash and bank balances attributable to a discontinued operation	<u>245</u>	<u>1,886</u>
	<u><u>294,919</u></u>	<u><u>138,008</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. CORPORATE INFORMATION**

China Smarter Energy Group Holdings Limited (the “Company”) was incorporated in Bermuda on 8 August 1997 as an exempted company with limited liability under the Companies Act (as amended) of Bermuda. The principal office of the Company is located at Rooms 2004-2005, 20/F., World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.

The Company is engaged in investment holding and trading of listed equity securities. The principal activities of the subsidiaries are clean energy operation, share investment and trading of fur garment. The Group was also engaged in the business of mining natural resources, which was discontinued during the year (see note 12).

The consolidated financial statements are presented in Hong Kong dollars which is the same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

**2. BASIS OF PREPARATION**

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets and liabilities which have been measured at fair value as specified in the significant accounting policies as set out in note 5.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2016. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealized gains and losses resulting from intra-company transactions and intra-company balances within the Group are eliminated in full on consolidation.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 6.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19, Defined benefit plans: Employee contributions

Annual Improvements to HKFRSs 2010-2012 Cycle

Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these consolidated financial statements.

In addition, the Company has adopted the amendments to the listing rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

### 4. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2016

Certain new and revised HKFRSs and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2016 or later periods, which the Group has not early adopted, are as follows:

HKAS 1 (amendment)	Presentation of financial statements – disclosure initiative <sup>1</sup>
HKAS 16 (amendment) and HKAS 38 (amendment)	Clarification of acceptable methods of depreciation and amortisation <sup>1</sup>
HKAS 16 (amendment) and HKAS 41 (amendment)	Agriculture: bearer plants <sup>1</sup>
HKAS 27 (amendment)	Equity method in separate financial statements <sup>1</sup>
HKFRS 9	Financial instruments <sup>2</sup>
HKFRS 10 (amendment) and HKAS 28 (amendment)	Sale or contribution of assets between an investor and its associate or joint venture <sup>1</sup>
HKFRS 10 (amendment), HKFRS 12 (amendment) and HKAS 28 (amendment)	Investment entities: applying the consolidation exception <sup>1</sup>
HKFRS 11 (amendment)	Accounting for acquisitions of interests in joint operations <sup>1</sup>
HKFRS 14	Regulatory deferral accounts <sup>1</sup>
HKFRS 15	Revenue from contracts with customers <sup>2</sup>
Annual improvement to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle <sup>1</sup>

<sup>1</sup> Effective for financial periods beginning on or after 1 January 2016

<sup>2</sup> Effective for financial periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these amendments and new and revised standards in the period of initial application. The directors anticipate that the application of these amendments and new and revised HKFRSs are not likely to have a significant impact on the Group's consolidated financial statements and are not analysed in detail.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-company balances and transactions and any unrealized profits and losses arising from intra-company transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-company transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets and liabilities measured initially at their fair values at the acquisition date and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, the Company's interests in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

**Goodwill**

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at the end of the reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**Excess over the cost of business combinations**

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in profit or loss as a gain on bargain purchase.

**Non-current assets held for sale and discontinued operations***i) Non-current assets held for sale*

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the group and the company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 5.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

*ii) Discontinued operations*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowings costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	The shorter of the lease terms and 50 years
Leasehold improvements	The shorter of the lease terms and 5 years
Solar power generation plant/station	10 to 20 years
Plant and machinery	3 to 5 years
Furniture, fixtures, office equipment and motor vehicles	3 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowing funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### **Exploration and evaluation assets**

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

When the technical feasibility and commercial viability for extracting a mineral resource becomes demonstrable, any previously recognised exploration and evaluation assets are reclassified as property, plant and equipment, mining rights or other intangible assets. These assets are assessed for impairment and any impairment loss is recognised before reclassification.

#### **Intangible assets**

Intangible assets with finite useful lives that are acquired in business combinations are stated in the consolidated statement of financial position at fair value at the acquisition date less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives of 24 years.



**Inventories**

Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of operating activity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Investments and other financial assets**

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of the reporting period.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationship as defined by HKAS 39. Derivatives, including separated embedded derivative, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. Gains or losses on investments held for trading are recognised in profit or loss.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

**Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative that are either designated or not classified as any of the other categories. At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated separately in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse to profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairments losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

**Impairment on assets carried at amortised cost**

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**Impairment on available-for-sale financial assets**

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

**Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

**Convertible bonds contains liability component, equity component and derivative component**

Convertible bonds issued by the Company that contain liability component, equity component and derivative component are classified separately into respective item on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is classified as an equity instrument. On initial recognition, both the liability and derivative components are measured at fair value. The fair value of the liability component on initial recognition is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair values assigned to the liability and derivative components respectively, representing the conversion option for the holder to convert the convertible bonds into equity, is included in equity.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in the equity until the conversion option is exercised, in which case the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the expiry date, the balance recognised in equity will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

When the convertible bonds are converted, the carrying amounts of the liability component and the derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the convertible bonds are redeemed, the difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, equity and derivative components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### **Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss for the year.

#### **Impairment of assets other than exploration and evaluation assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows, that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimate future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the year in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

#### **Impairment of exploration and evaluation assets**

In the following cases, or similar cases, the Group shall test exploration and evaluation assets for impairment.

- (a) The period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purpose of impairment testing exploration and evaluation assets are allocated to the relevant cash-generating units expected to benefit from the assets. Cash-generating units to which exploration and evaluation assets have been allocated are tested for impairment when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of exploration and evaluation assets allocated to the unit.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

**Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

#### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

#### **Trade and other payables**

Liabilities for trade and other payables which are normally settled on 30 to 60 days terms are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

#### **Provisions and contingent liabilities**

##### ***i) Contingent liabilities acquired in business combinations***

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note (ii) below. Contingent liabilities that cannot be reliably fair valued are disclosed in accordance with note (ii) below.

##### ***ii) Other provisions and contingent liabilities***

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

- (a) Revenue arising from the sale of electricity is recognised in the accounting period when electricity has been delivered on grid and is measured based on the tariff rates determined by the relevant local authority.
- (b) Sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.
- (c) Net gains/(losses) from equity securities trading arise from the disposal and remeasurement of financial instruments at fair value through profit or loss and is included in “Revenue”. All transactions related to equity securities trading are recorded in the consolidated financial statements based on trade dates. Accordingly, only those trade dates falling within the accounting year have been taken into account.
- (d) Interest income is recognised as it accrues using the effective interest method.
- (e) Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

**Employee benefits**

- i) The Group joins a defined contribution Mandatory Provident Fund (“MPF”) retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF scheme are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF scheme. The Group’s employer contributions are fully and immediately vested in favour of the employees.
- ii) The Company’s subsidiaries which operate in the PRC are required to make contributions to defined contribution retirement plans managed by the local government authorities for their employees. The contributions are calculated at fixed rate of the relevant employees’ salary cost. The Group’s contributions to these plans are charged to profit or loss when incurred. The Group has no obligation for the payment of retirement and other post-employment benefits of staff other than contributions described above.



## iii) Equity share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will be transferred to retained profits.

## iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

**Leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms.

**Foreign currencies**

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency at the exchange rates ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in the terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollars. At the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period and, their profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in equity in the exchange fluctuation reserve (attributable to minority interests as appropriate). On disposal of a foreign entity, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

**Dividends**

Interim dividend is simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividend is recognised immediately as a liability when it is proposed and declared.

Final dividend proposed by the directors is classified as a separate allocation of retained profits within capital and reserves in the consolidated statement of financial position, until it has been approved by the shareholders in a general meeting. When the dividend has been approved by the shareholders and declared, it is recognised as a liability.

**Related parties**

A party is considered to be related the Group if:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - i) has control or joint control over the Group;
  - ii) has significant influence over the Group; or
  - iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii) Both entities are joint ventures of the same third party.
  - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - vi) The entity is controlled or jointly controlled by a person identified in (a).

- vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

#### **Segment reporting**

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Chief Executive Officer that makes strategic decisions.

### **6. SUMMARY ACCOUNTING JUDGEMENTS AND ESTIMATES**

#### **Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements.

#### **Purchase accounting**

Accounting for acquisitions requires the Group to allocate the costs of acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group has undertaken process to identify all assets and liabilities acquired, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of gain on bargain purchase and depreciation and amortization charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of tangible and intangible assets acquired also requires judgement.

#### **Useful lives of property, plant and equipment**

Depreciation of property, plant and equipment is calculated to write off the cost of property, plant and equipment over their estimated useful lives on a straight-line basis. Management reviews the estimated useful lives and residual values of property, plant and equipment to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated changes.

**Income taxes**

- (1) The Group recognises liabilities for anticipated tax issues for which the ultimate tax determination may be uncertain based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current and deferred tax provisions in the financial period in which such determination is made.
- (2) At 31 March 2016, the Group had estimated unused tax losses of approximately HK\$404,506,000 (2015: HK\$311,460,000) available for offset against future profits. No deferred tax asset has been recognised on the tax losses of approximately HK\$404,506,000 (2015: HK\$311,460,000) due to unpredictability of future profits streams. The reliability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more or less than expected, a material reversal or recognition of deferred tax asset may arise.

**Allowances for inventories**

The management makes allowance for obsolete and slow-moving inventories that are identified as no longer salable. The management estimates the net realisable value of inventories based primarily on the latest invoice prices and current market conditions. The Group carries out review of inventories on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items.

**Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of trading and selling products of similar nature. Management reassesses those estimates at the end of each reporting period.

**Impairment assessment for receivables**

The policy for impairment assessment for receivables of the Group is based on the evaluation of collectability and an ageing analysis of receivables and on the judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group deteriorate, resulting in an impairment of their ability to make payments, a material impairment loss may be required.

**Impairment of exploration and evaluation assets**

In determining whether the Group's exploration and evaluation assets are impaired, the directors have to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether the Group is able to obtain the right to exploit in the specific mining site; (2) whether carrying amount of exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale. In any such case, the Group shall perform an impairment test in accordance with the accounting policy as disclosed in the note 5. During the year ended 31 March 2016, an additional impairment loss of HK\$294,237,000 (2015: HK\$665,334,000) was recognised for exploration right. The aggregate carrying value of exploration and evaluation assets was HK\$ Nil (2015: HK\$300,985,000) at 31 March 2016.

**7. SEGMENT INFORMATION**

The chief executive office (the “CEO”) organizes the business units based on their products delivered and services provided, and has reportable operating segments as follows:

- a) Clean energy.
- b) Trading in securities comprise net gains/(losses) from trading of listed securities and dividend income from listed equity investments.
- c) Investments comprise dividend income from unlisted equity investments.
- d) Trading of fur garment.
- e) Trading of fur skins.
- f) Others comprise the provision of management services to the companies of the Group.
- g) Mine (classified as discontinued operation during the year – see note 12).

The CEO monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that finance costs as well as corporate expenses are excluded from such measurement.

Segment assets consist of property, plant and equipment, available-for-sale financial assets, exploration and evaluation assets, inventories, trade and other receivables, deposits and financial assets at fair value through profit or loss. Unallocated assets comprise derivative financial assets and time deposit and cash and bank balances.

Segment liabilities consist of trade and other payables and accruals, customers’ deposits and bank and other borrowings. Unallocated liabilities comprise convertible bonds.

Inter-segment transactions are on arm’s length basis in a manner similar to transactions with third parties.

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**
**a) Operating segment information**
*For the year ended 31 March 2016*

	Continuing operations						Discontinued operation		Consolidated HK\$'000
	Clean energy	Trading in securities	Trading of fur skins	Investments	Trading of fur garment	Others	Total	Mine	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Segment revenue</b>									
Revenue from external customers	115,095	-	-	6,414	-	-	121,509	-	121,509
Investment income and net gains	-	130,088	1,560	-	-	-	131,648	-	131,648
Inter-segment sales	-	-	-	718	-	-	718	-	718
<b>Reportable segment revenue</b>	<b>115,095</b>	<b>130,088</b>	<b>1,560</b>	<b>7,132</b>	<b>-</b>	<b>-</b>	<b>253,875</b>	<b>-</b>	<b>253,875</b>
Elimination of inter-segment sales									(718)
<b>Consolidated revenue</b>									<b>253,157</b>
<b>Segment results</b>	<b>(195)</b>	<b>126,560</b>	<b>1,554</b>	<b>(10,356)</b>	<b>(190)</b>	<b>(14,137)</b>	<b>103,236</b>	<b>(223,618)</b>	<b>(120,382)</b>
Reconciliation:									
Interest income									443
Change in fair value of derivative component of convertible bonds									(13,441)
Unallocated corporate expenses									(33,344)
Loss from operating activities									(166,724)
Finance costs									(154,478)
Loss before tax									(321,202)
Income tax credit									1,122
Loss for the year									<b>(320,080)</b>
<b>Other segment information</b>									
Depreciation	(45,685)	-	-	(61)	-	(311)	(46,057)	(84)	(46,141)
Amortisation of intangible assets	(35,909)	-	-	-	-	-	(35,909)	-	(35,909)
Impairment loss on exploration and evaluation assets	-	-	-	-	-	-	-	(294,237)	(294,237)

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

For the year ended 31 March 2015 (Restated)

	Continuing operations						Discontinued operation		Consolidated HK\$'000
	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	
<b>Segment revenue</b>									
Revenue from external customers	14,356	(1,131)	-	8,125	-	-	21,350	-	21,350
Investment income and net gains	-	179,500	1,560	-	-	-	181,060	-	181,060
Inter-segment sales	-	-	-	3,303	-	-	3,303	-	3,303
<b>Reportable segment revenue</b>	<b>14,356</b>	<b>178,369</b>	<b>1,560</b>	<b>11,428</b>	<b>-</b>	<b>-</b>	<b>205,713</b>	<b>-</b>	<b>205,713</b>
Elimination of inter-segment sales									(3,303)
<b>Consolidated revenue</b>									<b>202,410</b>
<b>Segment results</b>	<b>283,451</b>	<b>175,837</b>	<b>(3,468)</b>	<b>(7,944)</b>	<b>746</b>	<b>(3,848)</b>	<b>444,774</b>	<b>(502,342)</b>	<b>(57,568)</b>
Reconciliation:									
Interest income									2,227
Change in fair value of derivative component of convertible bonds									(9,817)
Unallocated corporate expenses									(15,754)
Loss from operating activities									(80,912)
Finance costs									(43,186)
Loss before tax									(124,098)
Income tax expense									(4,825)
Loss for the year									<b>(128,923)</b>
<b>Other segment information</b>									
Depreciation	(5,157)	-	-	(151)	(67)	(4)	(5,379)	(121)	(5,500)
Amortisation of intangible assets	(4,613)	-	-	-	-	-	(4,613)	-	(4,613)
Impairment loss on exploration and evaluation assets	-	-	-	-	-	-	-	(665,334)	(665,334)

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

- b) The segment assets and liabilities based on the reportable segments at the end of the reporting period are as follows:

At 31 March 2016

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



**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

At 31 March 2015

	Clean energy HK\$'000	Mine 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
<b>Reportable segment assets</b>	<u>1,889,521</u>	<u>301,680</u>	<u>217,671</u>	<u>10,417</u>	<u>12,626</u>	<u>15,732</u>	<u>196,885</u>	<u>2,644,532</u>
Elimination of inter-segment receivables								<u>(115,946)</u>
Unallocated assets: Time deposit and cash and bank balances								<u>2,528,586</u>
<b>Total assets per consolidated statement of financial position</b>								<u><u>2,666,594</u></u>
<b>Reportable segment liabilities</b>	<u>(967,101)</u>	<u>(87,698)</u>	<u>-</u>	<u>(2,990)</u>	<u>(58,440)</u>	<u>(25,235)</u>	<u>(26,499)</u>	<u>(1,167,963)</u>
Elimination of inter-segment payables								<u>115,946</u>
Unallocated liabilities: Convertible bonds								<u>(1,052,017)</u>
<b>Total liabilities per consolidated statement of financial position</b>								<u><u>(1,715,263)</u></u>
<b>Other segment information</b>								
Additions to property, plant and equipment during the year	81	8	-	-	4	-	21	114
Property, plant and equipment and intangible assets arising from acquisition of Rander International Limited (note 36)	<u>1,727,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,727,187</u>

c) **Geographical information**i) **Revenue from external customers**

The Group's activities are conducted predominantly in Hong Kong and Mainland China. 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:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	138,062	188,054
Mainland China	<u>115,095</u>	<u>14,356</u>
Total revenue	<u><u>253,157</u></u>	<u><u>202,410</u></u>

ii) **Non-current assets**

The non-current assets information is based on the location of assets and excludes financial instruments.

The following table provides an analysis of the Group's non-current assets by geographical location:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China	1,763,655	2,033,128
Hong Kong	<u>259</u>	<u>231</u>
	<u><u>1,763,914</u></u>	<u><u>2,033,359</u></u>

**Information about major customers**

For the year ended 31 March 2016, revenue from sale of electricity with one customer had exceeded 10% of the Group's total revenue. Revenue from this customer amounted to HK\$111,830,000 for the year ended 31 March 2016. No other single customer had transactions which contributed 10% or more of the Group's total revenue for the year ended 31 March 2016.

No individual customer had transactions which contributed 10% or more of the Group's total revenue for the year ended 31 March 2015.

## 8. REVENUE, OTHER INCOME AND OTHER LOSSES, NET

An analysis of the Group's revenue, other income and other losses, net is as follows:

	2016 HK\$'000	2015 HK\$'000 (Restated)
Revenue		
Sale of electricity	115,095	14,356
Sale of fur garment	6,414	8,125
Net realised and unrealised gains on trading securities	130,072	178,251
Dividend income from unlisted available-for-sale financial assets	1,560	1,560
Dividend income from listed financial assets at fair value through profit or loss	<u>16</u>	<u>118</u>
	<u>253,157</u>	<u>202,410</u>
Others income		
Bank interest income	443	2,227
Other interest income	–	4
Compensation on trading of fur skins	–	1,187
Recovery of other receivables	6,341	–
Others	<u>651</u>	<u>111</u>
	<u>7,435</u>	<u>3,529</u>
Other losses, net		
Fair value change on derivative component of convertible bonds	(13,441)	(9,817)
Exchange gain	<u>–</u>	<u>1,778</u>
	<u>(13,441)</u>	<u>(8,039)</u>

Sale of electricity included HK\$79,311,000 (2015: HK\$9,635,000) tariff adjustment received and receivable from the provincial grid companies in the PRC based on the prevailing nationwide government policies on renewable energy for solar farms.

## 9. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Imputed interest on convertible bonds	110,270	35,683
Interest on bank loans not wholly repayable within five years	43,303	5,758
Interest on other borrowings wholly repayable within five years:		
Margin loan payable	415	122
Other loans	<u>490</u>	<u>1,623</u>
	<u>154,478</u>	<u>43,186</u>

## 10. (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The (loss)/profit before tax from continuing operations is arrived at after charging:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Auditors' remuneration		
– audit services	800	653
– non-audit services	58	750
	858	1,403
Depreciation	46,057	5,379
Amortisation of intangible assets	35,909	4,613
Minimum lease payments under operating leases on land and buildings	6,535	4,224
Staff salaries, allowances and benefits in kind (excluding directors' remuneration)	14,474	7,258
Pension contributions	920	383
Provision for obsolete inventories	436	1,510
Exchange loss	<u>3,063</u>	<u>–</u>

## 11. TAXATION

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 March 2016 and 2015. Overseas taxes on assessable profits of the Company or its subsidiaries, 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 year, one 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, followed by a 50% tax exemption for the next three years.

The amount of income tax (credit)/expense in the consolidated statement of profit or loss:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Underprovision of Hong Kong profits tax in prior years	–	4,825
Deferred tax ( <i>note 32</i> )	<u>(1,122)</u>	<u>–</u>
Income tax (credit)/expense	<u><u>(1,122)</u></u>	<u><u>4,825</u></u>

The reconciliation between the loss before tax and the income tax (credit)/expense per consolidated statement of profit or loss is as follows:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
(Loss)/profit before tax	<u>(97,584)</u>	<u>378,244</u>
Tax effect at Hong Kong profits tax rate of 16.5% (2015: 16.5%)	(16,102)	62,410
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3,624)	(441)
Effect on tax holiday on assessable profit of a subsidiary incorporated in the PRC	–	(425)
Income not subject to tax	(23,609)	(79,295)
Expenses not deductible for tax purposes	33,243	11,101
Unrecognised tax losses	19,610	6,641
Unrecognised temporary differences	(10,638)	9
Underprovision of Hong Kong profits tax in prior years	–	4,825
Utilisation of tax losses previously not recognised	<u>(2)</u>	<u>–</u>
Income tax (credit)/expense	<u><u>(1,122)</u></u>	<u><u>4,825</u></u>

## 12. ASSETS OF 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.

In June 2016, the Group had completed the disposal of its 100% equity interest (with relevant shareholder's loan) in Perfect Fair Group to an independent third party for a cash consideration of HK\$1 million. Details of this transaction is also disclosed in note 45 to the consolidated financial statements.

The loss for the year from the discontinued mining business is set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the mining business as discontinued operation.

(a) The results of a discontinued operation for the years ended 31 March 2016 and 2015 are as follows:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	Nil	Nil
Other income	73	3
Administrative and operating expenses	(296,767)	(668,529)
Finance cost	<u>(112)</u>	<u>(150)</u>
Loss before taxation	(296,806)	(668,676)
Tax credit	<u>73,559</u>	<u>166,334</u>
Loss after taxation	(223,247)	(502,342)
Loss recognised on the measurement to fair value less costs to sell on disposal group	<u>(371)</u>	<u>–</u>
Loss for the year from a discontinued operation	<u><u>(223,618)</u></u>	<u><u>(502,342)</u></u>
Loss for the year from a discontinued operation includes the following:		
Staff salaries and allowances	1,237	1,223
Retirement benefit scheme contributions	<u>77</u>	<u>76</u>
Total staff costs	<u><u>1,314</u></u>	<u><u>1,299</u></u>
Depreciation of property, plant and equipment	<u>84</u>	<u>121</u>
Impairment loss on property, plant and equipment	<u>33</u>	<u>–</u>
Impairment loss on exploration and evaluation assets	<u><u>294,237</u></u>	<u><u>665,334</u></u>

- (b) The major classes of assets and liabilities of a disposal group classified as held for sale at the end of the reporting period are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Assets</b>		
Property, plant and machinery	841	–
Exploration and evaluation assets ( <i>note 20</i> )	–	–
Prepayments, deposits and other receivables	46	–
Cash and bank balances	<u>245</u>	<u>–</u>
Assets of disposal group classified as held for sale	<u><u>1,132</u></u>	<u><u>–</u></u>
<b>Liabilities</b>		
Other payables and accruals	<u>132</u>	<u>–</u>
Liabilities of disposal group classified as held for sale	<u><u>132</u></u>	<u><u>–</u></u>
Net assets of disposal group classified as held for sale	<u><u>1,000</u></u>	<u><u>–</u></u>

- (c) The net cash flow of the discontinued operation dealt with in the consolidated financial statements for the years ended 31 March 2016 and 2015 are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Operating activities	1,572	(155)
Investing activities	(616)	1,814
Financing activities	<u>(2,543)</u>	<u>(150)</u>
Net cash (outflow)/inflow attributable to a discontinued operation	<u><u>(1,587)</u></u>	<u><u>1,509</u></u>

- (d) Loss per share from a discontinued operation

	2016	2015
Basic and diluted	<u><u>HK(2.47) cents</u></u>	<u><u>HK(6.62) cents</u></u>

The calculation of the basic loss per share from a discontinued operation is based on the loss for the year from discontinued operation attributable to owners of the Company of HK\$179,132,000 (2015: HK\$402,154,000) and the weighted average number of 7,243,402,000 (2015: 6,067,844,000) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share from a discontinued operation presented for the years ended 31 March 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.

### 13. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 March 2016 (2015: Nil).

### 14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Fees	-----360	-----470
Other emoluments		
Basic salaries and allowances	8,552	5,748
Retirement scheme contributions	-----107	-----95
	-----8,659	-----5,843
	-----9,019	-----6,313

#### a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Fok Ho Yin, Thomas	120	120
Tsui Ching Hung	120	120
Cheung Oi Man, Amelia	-----120	-----120
	-----360	-----360

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).



## b) Executive directors

	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2016</b>				
Wang Hao	–	2,562	17	2,579
Lai Leong	–	1,300	18	1,318
Zhou Chengrong	–	1,180	18	1,198
Lam Kwan Sing	–	1,560	18	1,578
Wong Nga Leung	–	1,560	18	1,578
Hon Ming Sang	–	390	18	408
	<u>–</u>	<u>8,552</u>	<u>107</u>	<u>8,659</u>
<b>2015</b>				
Wang Hao ( <i>Note 1</i> )	–	135	–	135
Lai Leong ( <i>Note 2</i> )	–	1,300	17	1,317
Zhou Chengrong ( <i>Note 3</i> )	–	430	7	437
Kong Shan, David ( <i>Note 4</i> )	110	373	17	500
Lam Kwan Sing	–	1,560	18	1,578
Wong Nga Leung	–	1,560	18	1,578
Hon Ming Sang	–	390	18	408
	<u>110</u>	<u>5,748</u>	<u>95</u>	<u>5,953</u>

*Note 1:* Mr. Wang Hao was appointed as an executive director, a chairman of the board and chief executive officer of the Company on 11 March 2015.

*Note 2:* Mr. Lai Leong was resigned as a chairman of the board and chief executive office of the Company on 11 March 2015. Mr. Lai remains as an Executive Director of the Company.

*Note 3:* Mr. Zhou Chengrong was appointed as an executive director on 23 September 2014.

*Note 4:* Mr. Kong Shan, David resigned as an executive director on 11 March 2015.

## c) The number of directors whose emoluments fell within the following band is as follows:

	Number of directors	
	2016	2015
Nil – HK\$1,000,000	4	7
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$1,500,001 – HK\$2,000,000	<u>3</u>	<u>2</u>

No director has waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2016 and 2015.

**15. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid individuals during the year ended 31 March 2016 included five directors (2015: five directors), details of whose emoluments are disclosed above.

**16. (LOSS)/EARNINGS PER SHARE****a) For loss for the year**

Basic loss per share for the years ended 31 March 2016 and 2015 is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2016 and 2015 respectively. Calculation is as follows:

	<b>2016</b>	<b>2015</b>
Loss for the year attributable to owners of the Company ( <i>HK\$'000</i> )	(275,537)	(28,778)
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	7,243,402	6,067,844
Basic loss per share ( <i>HK cents per share</i> )	<u>(3.80) cents</u>	<u>(0.47) cents</u>

**b) For (loss)/profit for the year from continuing operations**

Basic (loss)/earnings per share for the years ended 31 March 2016 and 2015 is calculated by dividing the (loss)/profit for the year from continuing operations attributable to owners of the Company by the weighted average numbers of ordinary shares in issue during the years ended 31 March 2016 and 2015 respectively. Calculation is as follows:

	<b>2016</b>	<b>2015</b>
(Loss)/profit for the year from continuing operations attributable to the owners of the Company ( <i>HK\$'000</i> )	(96,405)	373,376
Weighted average number of ordinary shares in issue ( <i>thousand</i> )	7,243,402	6,067,844
Basic (loss)/earnings per share ( <i>HK cents per share</i> )	<u>(1.33) cents</u>	<u>6.15 cents</u>

**c) Diluted (loss)/earnings per share**

Diluted (loss)/earnings per share for the years ended 31 March 2016 and 2015 is the same as the basic (loss)/earnings per share, as the Company's outstanding convertible bonds had an anti-dilutive effect on the basic (loss)/earnings per share for the years ended 31 March 2016 and 2015 respectively.

## 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings HK\$'000	Leasehold improvements HK\$'000	Solar power generation plant/station HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures, office equipment and motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost							
At 1.4.2014	363	2,609	-	2,064	7,186	-	12,222
Exchange adjustments	(1)	-	7,021	-	2	-	7,022
Additions	-	-	-	-	114	-	114
Acquisition of subsidiaries (note 36)	-	-	852,627	-	870	-	853,497
At 31.3.2015 and 1.4.2015	362	2,609	859,648	2,064	8,172	-	872,855
Exchange adjustments	(15)	-	(35,930)	(3)	(64)	-	(36,012)
Additions	-	-	152,937	-	8,189	24,329	185,455
Disposal/written off	-	-	-	-	(623)	-	(623)
Acquisition of subsidiaries (note 36)	-	-	-	-	153	-	153
Transferred to disposal group classified as held for sale	(347)	-	-	(77)	(1,250)	-	(1,674)
<b>At 31.3.2016</b>	<b>-</b>	<b>2,609</b>	<b>976,655</b>	<b>1,984</b>	<b>14,577</b>	<b>24,329</b>	<b>1,020,154</b>
Accumulated depreciation							
At 1.4.2014	107	2,566	-	1,987	6,601	-	11,261
Exchange adjustments	-	-	-	-	(8)	-	(8)
Charge for the year	17	26	5,124	40	293	-	5,500
At 31.3.2015 and 1.4.2015	124	2,592	5,124	2,027	6,886	-	16,753
Exchange adjustments	(5)	-	(902)	(3)	(44)	-	(954)
Charge for the year	8	17	44,544	30	1,542	-	46,141
Amount written back	-	-	-	-	(607)	-	(607)
Transferred to disposal group classified as held for sale	(127)	-	-	(70)	(603)	-	(800)
<b>At 31.3.2016</b>	<b>-</b>	<b>2,609</b>	<b>48,766</b>	<b>1,984</b>	<b>7,174</b>	<b>-</b>	<b>60,533</b>
Net carrying amount							
<b>At 31.3.2016</b>	<b>-</b>	<b>-</b>	<b>927,889</b>	<b>-</b>	<b>7,403</b>	<b>24,329</b>	<b>959,621</b>
At 31.3.2015	238	17	854,524	37	1,286	-	856,102

The Group's leasehold buildings at 31 March 2016 and 2015 are held in the People's Republic of China (the "PRC").

## 18. SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation and operation*	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Directly held</b>				
Max Access Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100%	Investment holding
Rising Group International Limited	British Virgin Islands/Hong Kong	Ordinary US\$4,000	100%	Investment holding
<b>Indirectly held</b>				
China Smarter Energy Investment Limited	Hong Kong	Ordinary HK\$10,000	100%	Investment holding
Rising Development Limited	Hong Kong	Ordinary HK\$100 Non-voting deferred** HK\$5,000,000	100%	Trading of fur garment and investment holding
Rising Manufacturing Limited	Hong Kong	Ordinary HK\$10,000	100%	Provision of car rental service to a group company
Wealth Vantage Investments Limited	Hong Kong	Ordinary HK\$1	100%	Holding a lease for office
Mega Asset Developments Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100%	Investment holding
Oriental Harvest Development Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10	100%	Investment holding
Legend Sense Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100%	Securities dealing
Smarty Express Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100%	Trading of fur garment

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

Name of subsidiary	Place of incorporation and operation*	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Dongcheng Enterprise Management Consultant (Shenzhen) Company Limited*** 東晟企業管理顧問(深圳)有限公司	PRC/Mainland China	HK\$10,000,000	100%	Investment holding
Shaanxi Jiuquan Mining Company Limited*** 陝西久權礦業有限公司	PRC/Mainland China	RMB10,770,200	80%	Mine exploration
Tianhe Smarter Energy Company Limited*** 天合智慧能源有限公司	PRC/Mainland China	RMB134,000,000	100%	Investment holding
Jilin Hareon Electric Development Company Limited*** 吉林海潤電力技術開發有限公司	PRC/Mainland China	RMB1,000,000	51%	Development of solar power station
Shanghai Hengxian Investment Consultation Company Limited*** 上海恒賢投資諮詢有限公司	PRC/Mainland China	RMB6,266,937	100%	Investment holding
Jinchang Jintai Photovoltaic Company Limited*** 金昌錦泰光伏電力有限公司	PRC/Mainland China	RMB160,000,000	100%	Operation of solar power plant
Baotou Chaoyang Photovoltaic Company Limited*** 包頭超陽光伏電力有限公司	PRC/Mainland China	RMB950,000	95%	Development of solar power plant
Shanghai Xin Lan Electric Company Limited*** 上海昕嵐電力有限公司	PRC/Mainland China	RMB10,000,000	100%	Operation of distributed solar power station

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

Name of subsidiary	Place of incorporation and operation*	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Dezhou Guanyang Solar Energy Technology Company Limited 德州冠陽太陽能科技有限公司***	PRC/Mainland China	RMB2,000,000	100%	Operation of distributed solar power station
Linyi Xinlan Electric Company Limited 臨邑昕嵐電力有限公司***	PRC/Mainland China	****	100%	Development of distributed of solar power station
Dezhou Miaoli Energy Company Limited 德州妙理新能源有限公司***	PRC/Mainland China	****	100%	Development of distributed solar power station

\* Where different

\*\* The non-voting deferred shares carry no rights to dividends, no rights to vote at general meetings and no rights to receive any surplus in a return of capital in a winding-up or otherwise.

\*\*\* These subsidiaries are incorporated in PRC and are limited liability companies.

\*\*\*\* Registered capital has not yet paid at the end of the reporting period

The above table lists all the subsidiaries which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

The following table lists out the information relating to Shaanxi Jiuquan Mining Company Limited 陝西久權礦業有限公司, the only subsidiary of the Group which has material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any intra-company elimination.

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
NCI percentage	20%	20%
Current assets	403	504
Non-current assets	246	301,906
Current liabilities	(8,114)	(7,436)
Non-current liabilities	–	(74,393)
Net (liabilities)/assets	(7,465)	220,581
Carrying amount of NCI	(1,493)	44,116
Loss for the year	(222,430)	(500,942)
Total comprehensive loss	(222,430)	(500,942)
Loss allocated to NCI	(44,486)	(100,188)
Cash flows used in operating activities	(56)	(84)
Cash flows generated from/(used in) investing activities	<u>1</u>	<u>(7)</u>

**19. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity securities, at cost	<u>7,800</u>	<u>7,800</u>

At the end of the reporting period, the above unlisted equity investments 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.

## 20. EXPLORATION AND EVALUATION ASSETS

	Evaluation rights <i>HK\$'000</i>	Exploration expenditure <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2014	958,980	8,425	967,405
Exchange adjustments	(1,074)	(12)	(1,086)
Impairment loss	<u>(656,921)</u>	<u>(8,413)</u>	<u>(665,334)</u>
Balance at 31 March 2015 and 1 April 2015	300,985	–	300,985
Exchange adjustments	(6,748)	–	(6,748)
Impairment loss	(294,237)	–	(294,237)
Transferred to disposal group classified as held for resale ( <i>note 12</i> )	<u>–</u>	<u>–</u>	<u>–</u>
Balance at 31 March 2016	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

The exploration rights represent the carrying amount of the mining rights for mining, exploration and exploitation in a Vanadium mine located in Shaanxi, PRC. The exploitation licence of Vanadium mine has been renewed in 2015 for 3 years till September 2017 and is renewable on an ongoing basis.

## a) Impairment testing of mining rights in respect of the Vanadium mine:

At 30 September 2015, the directors had engaged an independent professional valuer, BMI Appraisals Limited (the “Appraiser”), to carry out a valuation on the exploration rights for the purposes of an impairment review on the exploration rights.

Based on the valuation report prepared by the Appraiser, the fair value of exploration and evaluation assets at 30 September 2015 was nominal (HK\$0). An additional impairment loss of HK\$294,237,000 (2015: HK\$665,334,000) was recognised in consolidated statement of profit or loss for the year ended 31 March 2016.

The recoverable amount of the mining rights is determined by the income approach adopted by the Appraiser in its valuation report, which adopted the following key assumptions for the valuation of the mining rights:

- Under the income approach, the Excess Earnings Method was adopted. The Excess Earnings Method is predicated on the basis that the value of an intangible asset is the present value of the earnings it generates, net of a reasonable return on other assets which also contribute to that stream of earnings.

For the purpose of the valuation, the after-tax required rates of return on the net fixed assets, the net working capital and the workforce assembled of 8.72%, 3.45% and 13.05% (2015: 9.07%, 4.01% and 13.26%) respectively were adopted.



2. The fair value of the mining rights was also determined by reference to the listed companies that are considered to be comparable to the mine business.
  3. The discount rate of the mining rights was calculated as 13.05% (2015: 13.26%).
- b) In connection with the acquisition of the Vanadium mining assets by the Group in 2008 and in its audited consolidated financial statements for the year ended 31 March 2008, the Company had made reference to a valuation report that adopted “market approach” for the valuation as there was then a PRC Vanadium mine sale that could be used as a market comparable. In preparing the Group’s interim consolidated statements of financial position at 30 September 2008 and 30 September 2009 and the Group’s consolidated statements of financial position at 31 March 2009 and 31 March 2010, reference was made to valuations of the Vanadium mining asset (classified in the consolidated financial statements as “exploration and evaluation assets” (the “Mining Asset”), by the discounted cash flow method under the income approach (“DCF”). This valuation method was adopted in accordance with Hong Kong Financial Reporting Standard 6 and paragraph 75 of Hong Kong Accounting Standard 38.

In view of the delay of the mining production schedule (originally scheduled to commence production in early 2009), the directors considered that it was more appropriate to disclose the value of the Vanadium mining rights specifically instead of the Mining Asset in the consolidated financial statements. In order to value the mining exploration and exploitation rights specifically, the Appraiser adopted the Excess Earnings Method under the income approach (“ER”), instead of using DCF. The ER method has been adopted for the valuation of the mining exploration and exploitation rights for the purpose of the Group’s consolidated financial statements for the six months period ended 30 September 2010 and thereafter. The Appraiser has confirmed to the Company that since the Vanadium mine has not been exploited, the difference in value of the Mining Asset using DCF and the value of the mining exploration and exploitation rights under ER should be immaterial.

The directors consider that the fair value of exploration and evaluation assets at 31 March 2016 was still nominal (HK\$0) (2015: HK\$300,985,000) mainly due to the market price of Vanadium Pentoxide that is used in refining of steel was about RMB55,000/MT at 31 March 2015 but further substantially dropped to approximately RMB41,000/MT at 30 September 2015 and the market price of Vanadium Pentoxide at 31 March 2016 was almost the same as that at 30 September 2015.

In view of the depressed market price of Vanadium, the directors decided to cease and dispose of the Vanadium mine business and accordingly, the carrying amount of the exploration and evaluation assets of HK\$0 was transferred to assets of disposal group classified as held for sale.

## 21. INTANGIBLE ASSETS

	<b>Customer contract</b>
	<i>HK\$'000</i>
Cost	
At 1 April 2014	–
Acquisition of Rander International Limited ( <i>note 36</i> )	873,690
Exchange adjustments	<u>7,195</u>
At 31 March 2015 and 1 April 2015	880,885
Exchange adjustments	<u>(36,819)</u>
<b>At 31 March 2016</b>	<u>844,066</u>
Accumulated amortisation	
At 1 April 2014	–
Amortisation for the year	<u>4,613</u>
At 31 March 2015 and 1 April 2015	4,613
Exchange adjustments	(749)
Amortisation for the year	<u>35,909</u>
<b>At 31 March 2016</b>	<u>39,773</u>
Net carrying amount	
<b>At 31 March 2016</b>	<u>804,293</u>
At 31 March 2015	<u>876,272</u>

## 22. INVENTORIES

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	278	1,560
Finished goods	<u>1,834</u>	<u>1,681</u>
	<u>2,112</u>	<u>3,241</u>

The analysis of the amount of inventories recognised as expense is as follows:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of inventories sold	3,620	4,625
Write-down of inventories	1,325	2,625
Reversal of write-down of inventories	<u>(889)</u>	<u>(1,115)</u>
	<u><u>4,056</u></u>	<u><u>6,135</u></u>

### 23. TRADE RECEIVABLES

Credit terms granted to the Group's major customers are as follows:

#### Sale of electricity

The Group's trade receivables from sale of electricity are mainly receivables from the provincial power grid companies. Generally, trade receivables are wholly settled within one month from the date of billing.

#### Sale of fur garment

The Group normally granted a credit period ranging from 30 to 60 days to major customers.

No credit to be granted by the Group to small customers.

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

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	13,681	13,702
31 days to 60 days	3,213	10,320
Over 60 days	<u>1,449</u>	<u>1,074</u>
	<u><u>18,343</u></u>	<u><u>25,096</u></u>

At 31 March 2016 and 2015, there were no impairment losses in respect of trade receivables.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	16,799	13,702
Less than 1 month past due	215	7,681
1 to 3 months past due	1,143	3,690
Over 3 months past due	186	23
	<u>1,544</u>	<u>11,394</u>
	<u>18,343</u>	<u>25,096</u>

Receivables that were neither past due nor impaired relate to certain customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

#### 24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Deposits for acquisitions	300,000	162,445
Value added tax receivable	70,557	70,805
Prepayments, deposits and other receivables	<u>93,383</u>	<u>8,169</u>
	<u>463,940</u>	<u>241,419</u>

The amount of the Group's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is HK\$2,489,000 (2015: HK\$559,000). All of the other prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

#### 2016

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. 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.

2015

- a) On 31 October 2014, the Group entered into an agreement with an independent third party (“the Vendor”) for the purpose to acquire the entire equity interest in Jinchang Guoyuan Photovoltaic Company Limited 金昌國源電力有限公司 and the relevant shareholder’s loans at an aggregate consideration of HK\$500,000,000. The consideration will be satisfied as to HK\$100,000,000 by the allotment and issue of the Company’s shares and as to the balance payable in cash or by issue of loan note to the Vendor. After signing the said agreement, the Company had paid a deposit of HK\$100 million to the Vendor, which is refundable if this acquisition cannot be completed. Details of this acquisition are disclosed in the announcement issued by the Company on 4 November 2014, 26 February 2015 and 30 April 2015. This acquisition agreement had lapsed and ceased to have any effect as the conditions precedent to the acquisition agreement had not been fulfilled as disclosed in announcement issued by the Company on 2 November 2015. The vendor had refunded the deposit of HK\$100 million to the Group accordingly.
- b) On 27 January 2015, Tianhe Smarter Energy Company Limited 天合智慧能源有限公司 (“Tianhe Smarter Energy”) (which is wholly-owned by the Company), Shanghai Hua Xing Electronic Company Limited 上海華星電器有限公司 (“Vendor”) and Shanghai Xin Lan Electric Company Limited 上海昕嵐電力有限公司 (“Shanghai Xin Lan”) (which is wholly-owned by the Vendor) entered into a framework agreement under which they agreed to work together towards developing distributed solar power projects through Shanghai Xin Lan, with a view to a possible acquisition by Tianhe Smarter Energy. In this respect under the framework agreement, earnest moneys of RMB50,000,000 (HK\$62,445,000) had been paid which are refundable (upon termination of the cooperation) and guaranteed by the Vendor and its affiliate. This transaction had been completed on 17 June 2015 (see note 36).

## 25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK\$'000	2015 HK\$'000
Equity securities listed in Hong Kong at fair value	<u>367,573</u>	<u>217,671</u>

## 26. TIME DEPOSIT AND CASH AND BANK BALANCES

	2016 HK\$'000	2015 HK\$'000
Time deposit with bank	14,695	32,141
Cash and bank balances	<u>279,979</u>	<u>105,867</u>
	<u>294,674</u>	<u>138,008</u>

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

Time deposit and cash and bank balances include the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Euro	46	46
United States dollars	15,991	1,305
Canadian dollars	37	37
Danish Krone	20	20
Yen	<u>63</u>	<u>63</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposit is made one month depending on the immediate cash requirements of the Group, and earns interest at the short-term time deposit rate.

**27. TRADE PAYABLES**

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

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	–	–
31 days to 60 days	–	–
Over 60 days	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

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

**28. OTHER PAYABLES AND ACCRUALS**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due to an investee company	2,491	2,491
Others	<u>74,336</u>	<u>26,671</u>
	<u>76,827</u>	<u>29,162</u>

Amount due to an investee company is unsecured, non-interest bearing and has no fixed terms of repayment.

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

Other payables and accruals include the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
United States dollars	2,491	2,491
Euro	<u>–</u>	<u>742</u>

**29. UNSECURED SHORT TERM LOANS**

Unsecured short term loan carries interest at 12% (2015: 6% to 12%) per annum. This loan is wholly repayable within twelve months from the end of the reporting period.

**30. BANK LOANS**

The bank loans to be repayable as follows:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u>15,557</u>	<u>4,996</u>
After 1 year but within 2 years	43,081	16,236
After 2 years but within 5 years	179,505	157,361
After 5 years	<u>467,910</u>	<u>563,254</u>
	<u>690,496</u>	<u>736,851</u>
	<u>706,053</u>	<u>741,847</u>

All bank loans are unsecured, carry interest at 6.55% (2015: 6.55%) per annum and to be repayable by the semi-annual instalments with the last instalments due in 2027 and 2028.

The Company has issued a single guarantee of RMB598,000,000 (HK\$715,626,600) (2015: RMB598,000,000 (HK\$746,842,200)) to the bank to support the aforesaid bank loans granted to the Group.

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reconciliation to the consolidated statement of financial position		
Current liabilities	15,557	4,996
Non-current liabilities	<u>690,496</u>	<u>736,851</u>
	<u>706,053</u>	<u>741,847</u>

**31. 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. At the date of the consolidated financial statements for the year ended 31 March 2015, management of the Company had not yet decided whether to exercise the right to redeem all or part of the outstanding Convertible Bonds I by issuing the conversion shares.

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 (see note 33). 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 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.



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.

Binominal Tree Model is used for valuation of derivative component of the Convertible Bonds I and II.

The inputs into the model for Convertible Bonds I and II.

#### Convertible Bonds I

	<b>12.9.2014</b> <b>(date of initial</b> <b>recognition)</b>	<b>31.3.2015</b>
Share price of the Company	HK\$6.53	)
Conversion price	HK\$3.39	)
Stock price volatility	97.54%	)
Time to maturity	1.96 years	) <i>Note (1)</i>
Risk-free rate	0.43%	)
Credit spread	9.67%	)
Dividend yield	0.00%	)

#### Convertible Bonds II

	<b>30.7.2015</b> <b>(date of initial</b> <b>recognition)</b>	<b>31.3.2016</b>
Share price of the Company	HK\$1.09	HK\$0.72
Conversion price	HK\$1.0891	HK\$1.0891
Stock price volatility	101.03%	58.99%
Time to maturity	3 years	2.33 years
Risk-free rate	1.05%	0.77%
Credit spread	24.64%	29.63%
Dividend yield	0.00%	0.00%

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

	<b>Convertible Bonds I</b>	<b>Convertible Bonds II</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Liability component</b>			
Balance at 1 April 2014	–	–	–
Issued on 12 September 2014	651,858	–	651,858
Transaction costs	(1,627)	–	(1,627)
Imputed interest expenses	35,683	–	35,683
Interest paid	<u>(22,668)</u>	<u>–</u>	<u>(22,668)</u>
Balance at 31 March 2015 and 1 April 2015	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	<u>(680,850)</u>	<u>–</u>	<u>(680,850)</u>
<b>Balance at 31 March 2016</b>	<b><u>–</u></b>	<b><u>438,064</u></b>	<b><u>438,064</u></b>
<b>Equity component</b>			
Balance at 1 April 2014	–	–	–
Issued on 12 September 2014	57,959	–	57,959
Transaction costs	<u>(144)</u>	<u>–</u>	<u>(144)</u>
Balance at 31 March 2015 and 1 April 2015	57,815	–	57,815
Issued on 30 July 2015	–	256,731	256,731
Transactions costs	–	(703)	(703)
Conversion of Convertible Bonds I	<u>(57,815)</u>	<u>–</u>	<u>(57,815)</u>
<b>Balance at 31 March 2016</b>	<b><u>–</u></b>	<b><u>256,028</u></b>	<b><u>256,028</u></b>

	Convertible Bonds I HK\$'000	Convertible Bonds II HK\$'000	Total HK\$'000
<b>Derivative component</b>			
Balance at 1 April 2014	–	–	–
Issued on 12 September 2014	(9,817)	–	(9,817)
Change in fair value	<u>9,817</u>	<u>–</u>	<u>9,817</u>
Balance at 31 March 2015 and 1 April 2015	– <i>(Note 1)</i>	–	–
Issued on 30 July 2015	–	(26,509)	(26,509)
Change in fair value	<u>–</u>	<u>13,441</u>	<u>13,441</u>
<b>Balance at 31 March 2016</b>	<u>–</u>	<u>(13,068)</u> <i>(Note 2)</i>	<u>(13,068)</u>

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 agreement in respect of issue of Convertible Bonds II, 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.

**Convertible Bonds II**

The following tables set out the shareholding structure of the Company (i) at 31 March 2016; and (ii) for illustrative purpose only, immediately after the issue of the 571,481,039 conversion shares to redeem at fair value all of the outstanding Convertible Bonds II, assuming that there will be no other changes to the share capital of the Company from 31 March 2016 up to the date of issue of conversion shares (assuming that all the outstanding Convertible Bonds II to be redeemed by issuing the conversion shares at the end of the reporting period).

Shareholders	At 31.3.2016		Immediately after the issue of conversion shares	
	No. of shares	Approximate (%)	No. of shares	Approximate (%)
Oriental Day International Limited	1,411,446,400	18.06	1,411,446,400	16.83
Linkage Group Limited	1,043,478,260	13.35	1,043,478,260	12.44
Ms. Cao Zhiying	960,000,000	12.29	960,000,000	11.45
Shanghai Electric Hongkong Co. Limited	825,958,700	10.57	825,958,700	9.85
Safe Castle Limited	777,736,000	9.95	777,736,000	9.27
Public shareholders	2,795,732,000	35.78	2,795,732,000	33.35
Maximum number of conversion shares may be issued to redeem all the outstanding Convertible Bonds II	—	—	571,481,039	6.81
	<u>7,814,351,360</u>	<u>100.00</u>	<u>8,385,832,399</u>	<u>100.00</u>

There will be no dilutive impact on the loss per share if the conversion shares of 571,481,039 were issued at 31 March 2016.

The redemption of the Convertible Bonds II by issuing the conversion shares will not have any impact on the cash flow of the Group.

The analysis of the Company's share price at which it would be equally financially advantageous for the bondholders to convert the Convertible Bonds II based on their implied rate of return at a range of dates in the future:

Suggested Conversion date	Company's	Implied rate of
	share price	return of bondholders (%)
30 September 2016	HK\$1.1436	10
31 March 2017	HK\$1.1980	10

### Convertible Bonds I

The following tables set out the shareholding structure of the Company (i) at 31 March 2015; and (ii) for illustrative purpose only, immediately after the issue of the 825,958,700 conversion shares to redeem at fair value all of the outstanding Convertible Bonds I due to put event had occurred, assuming that there will be no other changes to the share capital of the Company from 31 March 2015 up to the date of issue of conversion shares (assuming that the Company exercised its right to redeem all the outstanding Convertible Bonds I to be redeemed by issuing the conversion shares at the end of the reporting period).

Shareholders	At 31.3.2015		Immediately after the issue of conversion shares	
	No. of shares	Approximate (%)	No. of shares	Approximate (%)
Oriental Day International Limited	1,411,446,400	20.20	1,411,446,400	18.06
Linkage Group Limited	1,043,478,260	14.93	1,043,478,260	13.35
Ms. Cao Zhiying	960,000,000	13.74	960,000,000	12.29
Skytop Technology Limited	460,000,000	6.58	460,000,000	5.89
Freeman Financial Corporation Limited	380,920,960	5.45	380,920,960	4.87
Public shareholders	2,732,547,040	39.10	2,732,547,040	34.97
Maximum number of conversion shares may be issued to redeem all the outstanding Convertible Bonds I	—	—	825,958,700	10.57
	<u>6,988,392,660</u>	<u>100.00</u>	<u>7,814,351,360</u>	<u>100.00</u>

There will be no dilutive impact on the earnings per share if the conversion shares of 825,958,700 were issued at 31 March 2015.

The redemption of the Convertible Bonds I by issuing the conversion shares will not have any impact on the cash flow of the Group.

The analysis of the Company's share price at which it would be equally financially advantageous for the bondholders to convert the Convertible Bonds based on their implied rate of return at a range of dates in the future:

Suggested Conversion date	Company's share price	Implied rate of return of bondholders (%)
30 September 2015	HK\$0.8729	6*
31 March 2016	HK\$0.8984	6*

\* Assume 3 months HIBOR is 0.5%

### 32. DEFERRED TAX LIABILITIES

- a) The followings are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Fair value gains on customer contract <i>HK\$'000</i>	Fair value gains on exploration rights component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	–	240,995	240,995
Acquisition of Rander International Limited (note 36)	196,694	–	196,694
Exchange adjustments	1,620	(268)	1,352
Credited to profit or loss (note 12)	<u>–</u>	<u>(166,334)</u>	<u>(166,334)</u>
At 31 March 2015 and 1 April 2015	198,314	74,393	272,707
Exchange adjustments	(8,272)	(834)	(9,106)
Credited to profit or loss (notes 11 and 12)	<u>(1,122)</u>	<u>(73,559)</u>	<u>(74,681)</u>
At 31 March 2016	<u>188,920</u>	<u>–</u>	<u>188,920</u>

- b) At 31 March 2016, the Group had unused tax losses of HK\$404,506,000 (2015: HK\$311,460,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The unrecognised tax losses of HK\$308,940,000 (2015: HK\$272,685,000) can be carried forward indefinitely. The remaining HK\$95,566,000 (2015: HK\$38,775,000) will expire in next one to five years.

No provision for deferred taxation has been made for other temporary differences as the effect is not material.

## 33. SHARE CAPITAL

	<i>Note</i>	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.0025 each			
<b>Authorised share capital:</b>			
At 1 April 2014		30,000,000	300,000
Share subdivision	<i>(a)</i>	<u>90,000,000</u>	<u>–</u>
<b>At 31 March 2015, 1 April 2015 and 31 March 2016</b>		<u>120,000,000</u>	<u>300,000</u>
<b>Issued and fully paid share capital:</b>			
At 1 April 2014		1,486,228	14,862
Share subdivision	<i>(a)</i>	4,458,686	–
Issue of shares for acquisition of Rander International Limited	<i>(b)</i>	<u>1,043,478</u>	<u>2,609</u>
At 31 March 2015 and 1 April 2015		6,988,392	17,471
Issue of shares upon conversion of convertible bonds	<i>(c)</i>	<u>825,959</u>	<u>2,065</u>
<b>At 31 March 2016</b>		<u>7,814,351</u>	<u>19,536</u>

Except for the above, during the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

*Note*

- a) Pursuant to a special resolution passed on 18 December 2014, each of the Company's authorised and issued shares of par value of HK\$0.01 each were subdivided into 4 shares of par value of HK\$0.0025 each ("Share Subdivision"). The Share Subdivision is effective on 19 December 2014, the authorised share capital of the Company was divided into 120,000,000,000 shares of HK\$0.0025 each and the issued share capital of the Company was divided into 5,944,914,400 of HK\$0.0025 each. Details of share subdivision are disclosed in the announcement by the Company on 12 November 2014 and 18 December 2014 and the circular of the Company dated 2 December 2014.

- b) On 17 February 2015, the Company issued 1,043,478,260 new ordinary shares of HK\$0.0025 each at HK\$0.23 per share, as part of the consideration for the acquisition of 100% equity interest in Rander International Limited. Details of this acquisition are set out in note 36.
- c) During the year ended 31 March 2016, additional 825,958,700 ordinary shares of HK\$0.0025 each were issued at par upon conversion of the convertible bonds at a conversion price of HK\$0.8475 per share. The ordinary shares issued have the same rights as other shares in issue.

#### Share option scheme

On 30 July 2004, shareholders' resolution of the Company was passed to terminate the share option scheme adopted by the Company on 9 October, 1997 and to adopt another share option scheme (the "2004 Scheme"). The purpose of the 2004 Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group. Eligible participants of the 2004 Scheme include employees (including executive directors), non-executive directors (including independent non-executive directors), suppliers of goods or services, customers, shareholders of the Group and persons or entity that provides research, development or other technological support to the Group. Unless otherwise terminated or amended, the 2004 Scheme will remain in force for 10 years from 11 August 2004, the date of the Stock Exchange's granting of the listing of and permission to deal in the shares to be issued pursuant to the exercise of options under the 2004 Scheme.

Pursuant to the 2004 Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2004 Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares insurable under share options to each eligible participant within any 12-month period is limited to 1% of the Company's shares in issue at any time. The offer of a grant of share options may be accepted within 28 days from the date of the offer with consideration of HK\$1.00 being payable by the grantee. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors, but may not less than the highest of (1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option; (2) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and (3) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

There were no outstanding options at the beginning of the financial year ended 31 March 2014. No share option has been granted by the Company under the 2004 Scheme during the period from 1 April 2014 to 10 August 2014 (date of expiration of 2004 Scheme).



The Company has adopted a new share option scheme (the “New Scheme”) on 18 December 2014 upon the expiration of the 2004 Scheme. The purpose of the New Scheme is to reward participants who have contributed or will contribute to the Group and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Eligible participants of the New Scheme comprise of (a) any employee(s) (whether full time or part time employee(s), including any executive director but not any non-executive director) of the Company or its subsidiaries; (b) any non-executive director (including independent non-executive directors) of the Company or any of its subsidiaries; (c) any supplier of goods or services to a member of the Group; (d) any customer of the Group; and (e) any person or entity that provides research, development or other technological support to the Group. The New Scheme shall be valid and effective for a period of 10 years commencing on the adoption date after which period no further option shall be offered or granted but the provision of the New Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any option granted or exercised prior thereto or otherwise as may be required the New Scheme.

The principal terms of the New Scheme are:

- a) The subscription price for the shares under the share option to be granted will be determined by the directors and will be the highest of:
  - i) the closing price of the Company’s shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;
  - ii) the average closing price of the Company’s shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
  - iii) the nominal value of the shares on the date of grant.
- b) The maximum number of the Company’s shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not, in the absence of shareholders’ approval, in aggregate exceed 10% in the nominal amount of the aggregate of shares in issue on the adoption date.
- c) No option may be granted to any person such that the total number of the Company’s shares issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of the Company’s shares in issue.
- d) At any time, the maximum number of the Company’s shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the Company’s shares in issue from time to time.

- e) Any grant of share options to a director, chief executive or substantial shareholder of the Company or to any of their associates, is subject to approved in advance by the independent non-executive directors.
- f) Any grant of share options to a substantial shareholders or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the prices of the shares of the Company at the date of grant) in excess of HK\$5 million, within any 12-month period, is subject to shareholders' approval in advance at a general meeting.
- g) The offer of a grant of share options may be accepted within 5 days from the date of offer, to be accompanied by the payment of a consideration of HK\$1 in total by the grantee.

The share options do not carry any right to vote in general meeting of the Company, or any right, dividend, transfer or any other rights including those arising on the liquidation of the Company.

No share option was granted under the New Scheme during the period from 18 December 2014 to 31 March 2015 and during the year ended 31 March 2016.

The total number of the Company's shares available for issue under the New Scheme at the date of these consolidated financial statements was 594,491,440 (2015: 594,491,440), representing 7.6% (2015: 8.5%) of the issued share capital of the Company as at the date of these consolidated financial statements.

## 34. RESERVES

## a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 42 and 43 of the consolidated financial statements.

## b) Company

	Share premium	Contributed surplus	Convertible bonds equity reserve	Retained profits/ (accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	1,046,379	154,440	-	41,079	1,241,898
Issue of HK\$700 million convertible bonds	-	-	57,815	-	57,815
Issue of shares at premium for acquisition of Rander International Limited	237,391	-	-	-	237,391
Loss and total comprehensive expense for the year	-	-	-	(711,313)	(711,313)
At 31 March 2015 and 1 April 2015	1,283,770	154,440	57,815	(670,234)	825,791
Conversion of convertible bonds	736,600	-	(57,815)	-	678,785
Issue of US\$80 million convertible bonds	-	-	256,028	-	256,028
Loss and total comprehensive expense for the year	-	-	-	(524,479)	(524,479)
At 31 March 2016	<u>2,020,370</u>	<u>154,440</u>	<u>256,028</u>	<u>(1,194,713)</u>	<u>1,236,125</u>

The contributed surplus arose (i) as a result of the Group reorganisation carried out on 12 September 1997 and represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefore and (ii) as a result of another Group capital reorganisation carried out on 3 April 2009 in respect of capital reduction which became effective on 6 April 2009.

Under the Companies Act 1981 (as amended) of Bermuda, the Company may make distributions to its members out of the contribution surplus under certain circumstances.

**35. 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 year was as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Short-term employee benefits	9,822	6,635
Post-employment benefits	<u>143</u>	<u>113</u>
	<u>9,965</u>	<u>6,748</u>

Further details of directors' remuneration are disclosed in note 14 to the consolidated financial statements.

The remuneration of directors and senior executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

**36. BUSINESS COMBINATIONS****Year ended 31 March 2016**

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.

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

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:

	<b>Shanghai Xin Lan</b>	<b>Wealth Vantage</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase consideration			
Cash paid	<u>12,483</u>	<u>–<sup>(Note)</sup></u>	<u>12,483</u>

Note: The purchase consideration is HK\$1.

	<b>Shanghai Xin Lan</b>	<b>Wealth Vantage</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>(112,345)</u>	<u>–</u>	<u>(112,345)</u>
Total identifiable net assets at fair value	<u>12,488</u>	<u>1,680</u>	<u>14,168</u>
Gain on bargain purchase	<u>5</u>	<u>1,680</u>	<u>1,685</u>
Net cash outflow on the acquisition			
Consideration paid in cash	12,483	–	12,483
Less: cash and cash equivalents acquired	<u>(1,231)</u>	<u>–</u>	<u>(1,231)</u>
Net cash outflow	<u>11,252</u>	<u>–</u>	<u>11,252</u>

Acquisition-related costs of HK\$170,500 have been excluded from the above considerations transferred and have been recognised as an expense in the current year's profit or loss.

**Impact of the acquisitions on the results of the Group*****Wealth Vantage***

This subsidiary had not carried on any business during the years ended 31 March 2016 and 2015 but only holds a lease agreement for the Group's office premises. Accordingly, Wealth Vantage can not contribute any revenue to the Group. However, the Group's loss for the year ended 31 March 2016 is increased by approximately HK\$4,638,000 due to this acquisition.

***Shanghai Xin Lan***

Shanghai Xin Lan and its subsidiary only started to operate 3 distributed solar power stations after 17 June 2015 (date of acquisition) and contributed revenue of approximately HK\$3,265,000 to the Group's revenue for the year ended 31 March 2016. The operation of Shanghai Xin Lan and its subsidiary caused the Group's loss be increased by approximately HK\$3,583,000 for the year ended 31 March 2016. Shanghai Xin Lan and its subsidiary had no revenue prior to the date of acquisition.

**Year ended 31 March 2015**

On 17 February 2015, the Group completed the acquisition of 100% equity interest in Rander International Limited, which indirectly owns 100% equity interest in Jinchang Jintai Photovoltaic Company Limited 金昌錦泰光伏電力有限公司 ("Jinchang Jintai"). Jinchang Jintai is principally engaged in the operation of two solar power stations which are located in Jinchang, Gansu Province, PRC and have an aggregate annual production capacity of 100MW. Further details of this acquisition are set out in the Company's announcements dated 15 July 2014, 25 September 2014, 31 October 2014, 10 December 2014, 30 December 2014, 16 January 2015 and 17 February 2015 and the circular of the Company dated 31 December 2014.

The following table summarises the purchase consideration paid for the acquisition of Rander International Limited, the fair values of identifiable assets acquired and liabilities assumed at the date of acquisition:

***Purchase consideration***

	<i>HK\$'000</i>
Cash paid	322,000
Allotment of 1,043,478,260 new ordinary shares of the Company at HK\$0.23 per share as consideration (see note 33)	<u>240,000</u>
	<u><u>562,000</u></u>

The fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition

	<i>HK\$'000</i>
Property, plant and equipment	853,497
Intangible assets	873,690
Accounts receivable	8,406
Deposits and prepayments	73,316
Cash and bank balances	5,270
Other payables and accruals	(25,139)
Bank loans	(738,266)
Deferred tax liabilities	<u>(196,694)</u>
Total identifiable net assets at fair value	<u><u>854,080</u></u>

Gain on bargain purchase	<i>HK\$'000</i>
Consideration transferred	562,000
Less: fair value of net assets acquired – shown as above	<u>854,080</u>
Gain on bargain purchase	<u><u>(292,080)</u></u>

Net cash outflow on acquisition of Rander International Limited

	<i>HK\$'000</i>
Consideration paid in cash	322,000
Less: cash and cash equivalents acquired	<u>(5,270)</u>
Net cash outflow	<u><u>316,730</u></u>

Acquisition-related costs of HK\$6,313,139 had been excluded from the above consideration transferred and had been recognised as an expense in the Group's profit or loss.

#### **Impact of acquisition on the results of the Group**

Rander International Limited and its subsidiaries contributed revenue of approximately HK\$14,356,000 to the Group's revenue for the year ended 31 March 2015. However, the Group's loss for the year ended 31 March 2015 was increased by approximately HK\$2,950,000 due to the above acquisition.

Had the above business combinations been taken place at the beginning of the year, the Group's loss for the year would have been approximately HK\$148,800,000 and the Group's revenue would have been approximately HK\$316,100,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The directors review and agree policies for managing each of these risks and they are summarised below.

**Interest rate risk**

The Group's interest rate risk relates primarily to interest-bearing bank and other loans. The bank deposit and balances carry interest at prevailing rates. Bank and other loans bearing interest at fixed rates expose the Group to fair value interest rate risk. The US\$80,000,000 guaranteed secured convertible bonds also carry interest at fixed rate of 6% (2015: Nil) per annum.

The directors closely monitor interest rate exposure and will consider entering into interest rate swap transactions to hedge significant interest rate risk should the risk arises.

**Foreign currency risk**

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, United States dollars and Renminbi ("RMB").

The foreign currency exchange exposure on assets and liabilities denominated in United States dollars is considered to be minimal as Hong Kong dollars is currently pegged to United States dollars.

The Group is exposed to foreign exchange risk arising from its investments which are located in the PRC.

For the translation risk at 31 March 2016, if RMB had strengthened/weakened by 5% (2015: 5%) against Hong Kong dollars, with all other variables held constant, total equity would have been HK\$55,980,000 (2015: HK\$71,700,000) higher/lower respectively.

**Credit risk**

The Group's credit risk is primarily attributable to trade receivables. This directors have a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customer operate and therefore significant concentration of credit risk primarily arise when the Group has significant exposure to individual customer. In addition, certain customers in respect of fur garment trading are required to pay deposits upon placing the orders and the receivable balances are monitored on an ongoing basis and therefore the Group's exposure to bad debts is not significant. Normally, the Group does not obtain collateral from customers.

At 31 March 2016, 67.76% (2015: 93.07%) of the total trade receivables was due from the Group's largest customer within the clean energy segment.



Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the consolidated financial statements.

The Group's cash balances are placed with reputable financial institutions and the directors consider the Group's exposure to credit risk on bank deposit and balances is limited.

#### Liquidity risk

For the management of the liquidity risk, the Group monitors and maintains a sufficient level of cash and bank balances deemed adequate by the directors to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The directors review and monitor the Group's working capital requirements regularly.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

#### At 31 March 2016

	Contractual undiscounted cash flow							Carrying amount
	On demand	Less than 3 months	3 to 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	2	-	-	-	-	-	2	2
Other payables and accruals	76,827	-	-	-	-	-	76,827	76,827
Unsecured short term loans	5,000	-	-	-	-	-	5,000	5,000
Bank loans	-	11,562	50,091	87,714	291,437	584,694	1,025,498	706,053
Convertible bonds	-	-	37,440	37,440	642,720	-	717,600	438,064
	<u>81,829</u>	<u>11,562</u>	<u>87,531</u>	<u>125,154</u>	<u>934,157</u>	<u>584,694</u>	<u>1,824,927</u>	<u>1,225,946</u>

The contractual maturity analysis on the convertible bonds are prepared with the assumption that the Company will redeem all the convertible bonds at the maturity date.

At 31 March 2015

	Contractual undiscounted cash flow						Total	Carrying amount
	On demand	Less than 3 months	3 to 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	2	-	-	-	-	-	2	2
Other payables and accruals	29,162	-	-	-	-	-	29,162	29,162
Unsecured short term loans	7,497	-	-	-	-	-	7,497	7,497
Bank loans	-	12,148	41,343	64,343	285,908	717,117	1,120,859	741,847
Convertible bonds	-	10,271	8,239	-	-	-	18,510	663,246
	<u>36,661</u>	<u>22,419</u>	<u>49,582</u>	<u>64,343</u>	<u>285,908</u>	<u>717,117</u>	<u>1,176,030</u>	<u>1,441,754</u>

The contractual maturity analysis on the convertible bonds are prepared with the assumption that the Company will issue conversion shares to redeem all the outstanding convertible bonds at the date of the first anniversary of the date of the initial issue date of the convertible bonds.

#### Equity price risk

The Group is exposed to equity price changes arising from listed financial assets at fair value through profit or loss. The Group's listed investments are listed on The Stock Exchange of Hong Kong and are included in the Hang Seng Index.

The Group is also exposed to equity price risk arising from changes in the Company's own share to the extent that the Company's own equity instruments underline the fair values of derivatives of the Group. At 31 March 2016, the Group is exposed to the risk through the conversion rights attached to US\$80,000,000 convertible bonds issued by the Company as disclosed in note 31.

At 31 March 2016, it is estimated that an increase/(decrease) of 5% (2015: 5%) in the share price of relevant listed financial assets at fair value through profit or loss or the Company's own share price (for the derivative component of US\$80,000,000 convertible bonds) as applicable, with all other variables held constant would have increased/decreased the Group's loss for the year as follows:

	2016		2015	
	<i>Effect on loss for the year and accumulated losses</i>		<i>Effect on loss for the year and accumulated losses</i>	
Changes in the relevant equity price risk variable				
Increase	5%	(18,701,000)	5%	(10,890,000)
Decrease	5%	18,701,000	5%	10,890,000

The sensitivity analysis indicates the instantaneous change in the Group's loss for the year (and accumulated losses) that would arise assuming that the changes in the share prices had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. The analysis is performed on the same basis for 2015.

#### **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 31 March 2016 <i>HK\$'000</i>	Fair value measurement at 31 March 2016 categorised into			Total carrying amount at 31 March 2016 <i>HK\$'000</i>	Valuation technique and key input
		Level 1	Level 2	Level 3		
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
<b>Recurring fair value measurements</b>						
<b>Assets</b>						
Financial assets at fair value through profit or loss	367,573	367,573	-	-	367,573	Quoted bid prices in an active market

	Fair value at 31 March 2015 <i>HK\$'000</i>	Fair value measurement at 31 March 2015 categorised into			Total carrying amount at 31 March 2015 <i>HK\$'000</i>	Valuation technique and key input
		Level 1	Level 2	Level 3		
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
<b>Recurring fair value measurements</b>						
<b>Assets</b>						
Financial assets at fair value through profit or loss	217,671	217,671	-	-	217,671	Quoted bid prices in an active market

**Recurring fair value measurements**

## Derivative financial assets – derivative component of convertible bonds

	<i>HK\$'000</i>
At 1 April 2014	-
HK\$700 million convertible bonds issued on 12 September 2014	(9,817)
Change in fair value recognised in profit or loss	<u>9,817</u>
At 31 March 2015 and 1 April 2015	-
US\$80 million convertible bonds issued on 30 July 2015	(26,509)
Change in fair value recognised in profit or loss	<u>13,441</u>
<b>At 31 March 2016</b>	<b><u>(13,068)</u></b>

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.

During the years ended 31 March 2016 and 2015, 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 31 March 2016 and 2015.

**38. CAPITAL RISK MANAGEMENT**

The primary objective of the Group's capital risk management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2016 and 2015.

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 operation. Capital includes equity attributable to owners of the Company. The gearing ratio at the end of the reporting periods was as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Borrowings		
Unsecured short term loans	5,000	7,497
Bank loans	706,053	741,847
Convertible bonds	<u>438,064</u>	<u>663,246</u>
Total borrowings	1,149,117	1,412,590
Less: time deposit and cash and bank balances	<u>(294,674)</u>	<u>(138,008)</u>
Net debt	<u><u>854,443</u></u>	<u><u>1,274,582</u></u>
Total equity	<u><u>1,517,152</u></u>	<u><u>951,331</u></u>
Gearing ratio	<u><u>56.3%</u></u>	<u><u>134.0%</u></u>

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

## 39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

2016

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available-for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Financial assets</b>				
Available-for-sale financial assets	–	–	7,800	7,800
Trade receivables	–	18,343	–	18,343
Deposits and other receivables	–	454,900	–	454,900
Financial assets at fair value through profit or loss	367,573	–	–	367,573
Derivative financial assets	13,068	–	–	13,068
Time deposit and cash and bank balances	–	294,674	–	294,674
	<u>380,641</u>	<u>767,917</u>	<u>7,800</u>	<u>1,156,358</u>
				<b>Financial liabilities at amortised cost <i>HK\$'000</i></b>
<b>Financial liabilities</b>				
Trade payables				2
Other payables and accruals				76,827
Unsecured short term loan				5,000
Bank loans				706,053
Convertible bonds				<u>438,064</u>
				<u>1,225,946</u>

2015

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available-for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets				
Available-for-sale financial assets	–	–	7,800	7,800
Trade receivables	–	25,096	–	25,096
Deposits and other receivables	–	240,640	–	240,640
Financial assets at fair value through profit or loss	217,671	–	–	217,671
Time deposit and cash and bank balances	–	138,008	–	138,008
	<u>217,671</u>	<u>403,744</u>	<u>7,800</u>	<u>629,215</u>
				<b>Financial liabilities at amortised cost <i>HK\$'000</i></b>
Financial liabilities				
Trade payables				2
Other payables and accruals				29,162
Unsecured short term loan				7,497
Bank loans				741,847
Convertible bonds				<u>663,246</u>
				<u>1,441,754</u>

**40. BANKING FACILITIES/BORROWINGS**

Details of the unsecured short term loans, bank loans and convertible bonds are set out in note 29, 30 and 31 respectively.

**41. MAJOR NON-CASH TRANSACTIONS**

- a) During the year ended 31 March 2016, the Company issued 825,958,700 conversion shares to redeem all of the outstanding Convertible Bonds I due to put event had occurred (see notes 31 and 33).
- b) During the year ended 31 March 2015, as part of the consideration for the acquisition of Rander International Limited (note 36), 1,043,478,260 ordinary shares with aggregate fair values amounted to HK\$240,000,000 were issued (see note 36).

## 42. 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:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	11,801	3,395
In the second to fifth years, inclusive	16,497	2,123
Over five years	<u>35,195</u>	<u>165</u>
	<u><u>63,493</u></u>	<u><u>5,683</u></u>

- b) At 31 March 2016, the Group had the following capital commitments in respect of construction of the distributed solar power stations:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	<u><u>110,000</u></u>	<u><u>–</u></u>

- c) On 23 September 2015, the Group established a wholly owned subsidiary, Linyi Xinlan Electric Company Limited 臨邑昕嵐電力有限公司, which has a registered capital of RMB5,000,000 (HK\$5,983,500) and seeks to build and operate a 5MW distributed solar power station in Dezhou, Shandong. At 31 March 2016, the Group had not yet made capital contribution of RMB5,000,000 (HK\$5,983,500) to this subsidiary (2015: Nil).
- d) On 9 March 2016, the Group acquired a wholly owned subsidiary, Dezhou Miaoli Energy Company Limited 德州妙理新能源有限公司 at a consideration of RMB Nil, which has a registered capital of RMB10,000,000 (HK\$11,967,000) and seeks to build and operate a 8MW distributed solar power station in Dezhou, Shandong. At 31 March 2016, the Group had not yet made capital contribution of RMB10,000,000 (HK\$11,967,000) to this subsidiary (2015: Nil).
- e) 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.

Due to the construction of JHED’s power plant had not yet commenced during the year ended 31 March 2016 and 2015 and the Group’s responsibility and obligation under the terms of the above-mentioned agreements have not yet fulfilled at the end of the reporting period.

- f) On 2 February 2015, the Group established a 95% owned subsidiary, Baotou Chaoyang Photovoltaic Company Limited 包頭超陽光伏電力有限公司, which has a registered capital of RMB1,000,000 (HK\$1,248,900) and seeks to build and operate a 100MW solar power plant project in Baotou. At 31 March 2015, the Group had not yet made capital contribution of RMB950,000 (HK\$1,186,455) to this subsidiary.

During the year ended 31 March 2016, the Group had contributed the capital of RMB950,000 to the above-mentioned subsidiary.

- g) On 31 October 2014, the Group entered into an agreement (“the Acquisition Agreement”) with an independent third party (“the Vendor”) for the purpose to acquire 100% equity interest in Jinchang Guoyuan Photovoltaic Company Limited 金昌國源電力有限公司 and the relevant shareholder’s loans at an aggregate consideration of HK\$300,000,000. The consideration will be satisfied as to HK\$100,000,000 by the allotment and issue of the Company’s new shares and as to the balance payable in cash or by issue of loan note. This transaction had not completed on 31 March 2015.

Due to the conditions precedent to the Acquisition Agreement (as supplemented by the First Supplemental Agreement and Second Supplemental Agreement) have not been fulfilled on or before 31 October 2015, the Acquisition Agreement has lapsed and ceased to have any effect.

#### 43. CONTINGENT LIABILITIES

At 31 March 2016 and 2015, the Group did not have any significant contingent liabilities.

## 44. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March	
		2016 HK\$'000	2015 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		–	–
Interests in subsidiaries		996,736	1,259,310
		996,736	1,259,310
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables		300,312	2,617
Financial assets at fair value through profit or loss		367,573	217,671
Derivative financial assets			
– Derivative component of convertible bonds		13,068	–
Time deposit and cash and bank balances		24,695	35,277
		705,648	255,565
<b>CURRENT LIABILITIES</b>			
Amount due to a subsidiary		7,680	6,720
Other payables and accruals		979	1,647
		8,659	8,367
<b>NET CURRENT ASSETS</b>		696,989	247,198
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,693,725	1,506,508
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds		438,064	663,246
<b>NET ASSETS</b>		1,255,661	843,262
<b>CAPITAL AND RESERVES</b>			
Share capital	33	19,536	17,471
Reserves	34(b)	1,236,125	825,791
<b>TOTAL EQUITY</b>		1,255,661	843,262

## 45. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

In June 2016, the Group had completed the disposal of its 100% equity interest (with relevant shareholder's loan) in Perfect Fair Limited and its subsidiaries to an independent third party for a cash consideration of HK\$1 million (see note 12).

## 46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2016.

## 3. INDEBTEDNESS

The following table illustrates the indebtedness of the Group as at 31 July 2016:

	<b>As at 31 July 2016</b> <i>HK\$'000</i>
<b>Non-current</b>	
Convertible bonds (principal amount)	390,000
Loan and bank borrowings	<u>924,300</u>
	1,314,300
Less: bank borrowings falling due within 1 year	<u>15,210</u>
Sub-total	<u><u>1,299,090</u></u>
<b>Current</b>	
Bank borrowings falling due within 1 year	15,210
Other loans	<u>5,000</u>
Sub-total	<u><u>20,210</u></u>
Total	<u><u>1,319,300</u></u>

Details of such convertible bonds, loan and bank borrowings and other loans which are secured, guaranteed or unsecured are set out below:

	<b>As at 31 July 2016</b> <i>HK\$'000</i>
Secured and guaranteed	624,000
Unsecured	<u>695,300</u>
	<u><u>1,319,300</u></u>

The Group's convertible bonds 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 its wholly-owned subsidiaries Max Access Limited and Surplus Basic Limited and were guaranteed by the Company's wholly owned subsidiaries, Max Access Limited and Rising Group International Limited.

Loan to the extent of HK\$234 million in the form of bonds were secured by 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 floating charges on property, assets, goodwill, rights and revenue of the Company and its wholly-owned subsidiaries Max Access Limited and Surplus Basic Limited and were guaranteed by the Company's wholly owned subsidiaries, Max Access Limited and Rising Group International Limited.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 July 2016, the Group did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, material contingent liabilities or guarantees outstanding.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollar at the rates of RMB1 to HK\$1.17 and US\$1 to HK\$7.8.

#### **4. MATERIAL CHANGE**

The Directors confirm that save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 March 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date:

- (i) according to the announcement of the Company dated 27 July 2016, the Company repurchased convertible bonds with principal amount of US\$30 million;
- (ii) the Group recorded a significant increase in available-for-sale financial assets due to increase in investment in unlisted companies.
- (iii) the Group borrowed a loan in the form of bonds of approximately HK\$234.0 million at a fixed interest rate of 6%;

- (iv) the Group recorded a significant increase in accounts receivable as at 31 July 2016 due to the increase in unsettled government subsidies for renewable energy, which will normally be settled within one month from the date of billing;
- (v) the Group recorded a significant increase in accrued liabilities and other payables as at 31 July 2016 due to increase in payable for the distributed solar power station constructor; and
- (vi) the Group recorded an increase in administrative and operating expenses for the four months ended 31 July 2016 due to the increase in depreciation of the fixed assets in relation to distributed solar power station.

**1. RESPONSIBILITY STATEMENT**

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Offeror, the Group and the Offers.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

This Composite Document, for which all Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it), is in compliance with the Listing Rules. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this Composite Document (other than that relating to the Offeror and parties acting in concert with it) misleading.

**2. SHARE CAPITAL**

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$300,000,000 divided into 120,000,000,000 Shares of HK\$0.0025 each. The number of issued and paid-up Shares as at the Latest Practicable Date was 7,814,351,360 Shares.

All the Shares in issue rank *pari passu* in all respects with each other, including as to rights in respect of capital and dividends and voting. The Company has not issued any Shares since 31 March 2016, being the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date.

As at the Latest Practicable Date, there were 7,814,351,360 Shares in issue, of which the Offeror and parties acting in concert with it held 4,041,446,400 Shares, representing approximately 51.72% of the issued share capital of the Company.

As at the Latest Practicable Date, the Company had in issue the Convertible Bonds convertible into 357,175,650 Shares at the initial conversion price of HK\$1.0891 per Share (subject to adjustment). Other than the Shares in issue and the Convertible Bonds, the Company has no other outstanding shares, options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue.

### 3. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price HK\$
29 February 2016	0.60
31 March 2016	0.72
29 April 2016	0.49
31 May 2016	0.52
30 June 2016	0.60
29 July 2016	0.58
18 August 2016 (the Last Trading Day)	0.51
31 August 2016	0.41
6 September 2016 (Latest Practicable Date)	0.56

During the Relevant Period, the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.91 on 19 February 2016 and the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.41 on 31 August 2016.

### 4. INTERESTS IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date:

- i. no arrangement was in place for any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- ii. none of the Company and any of the Directors was interested in or owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror;
- iii. none of the Directors held any Shares, convertible securities, warrants, options or derivative of any Shares and therefore they are not subject to the Offers;

- iv. there were no Shares, convertible securities, warrants, options or derivative of any Shares which the Company or the Directors had borrowed or lent;
- v. none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of “associate” in the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- vi. no persons had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code;
- vii. no Shares, convertible securities, warrants, options or derivatives in respect of any Shares were managed on a discretionary basis by fund managers connected with the Company;
- viii. there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- ix. no material contracts have been entered into by the Offeror in which any Director has a material personal interest.

## **5. DEALING IN SECURITIES AND OTHER ARRANGEMENTS**

During the Relevant Period:

- i. none of the Company nor any of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;
- ii. save for the sale of 1,411,446,400 Shares by Oriental Day International Limited (a company wholly-owned by Mr. Lai Leong) to Creaton Holdings on 28 April 2016 (details of which are set out in “Letter from Haitong International Securities”), none of the Directors have dealt for value in any Shares, options, derivatives, warrants or other securities convertible into the Shares;
- iii. none of the subsidiaries of the Company or any pension funds of the Group or any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;



- iv. no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- v. no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

#### **6. DIRECTORS’ SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which:

- (i) have been entered into or amended (including both continuous and fixed term contracts) within 6 months prior to the commencement of the Offer Period;
- (ii) are continuous contracts with a notice period of 12 months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

#### **7. EXPERT AND CONSENT**

In addition to the Offeror’s experts listed in paragraph 5 of Appendix IV, the following are the qualifications of the expert who has given opinions or advice which is contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Lego	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Lego has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion, and/or references to its name in the form and context in which it appears.

## **8. LITIGATION**

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or threatened by or against the Company or any member of the Group.

## **9. MATERIAL CONTRACTS**

The following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, were entered into by any member of the Group after the date falling two years before the commencement of the Offer Period up to and including the Latest Practicable Date and are or may be material:

- (i) the subscription agreement dated 22 August 2014 entered into by the Company as the issuer and Shanghai Electric Hongkong Co. Limited as the subscriber in respect of the issue and subscription of the HK\$700,000,000 3 months HIBOR plus 5.5% convertible bonds due 2016 under general mandate. These convertible bonds were convertible into an aggregate of 825,958,700 Shares at the conversion price of HK\$0.8475 per Share (as adjusted for the effect of the share subdivision which took effect on 19 December 2014). The issue was completed on 12 September 2014 with net proceeds of approximately HK\$698 million. Please refer to the announcements of the Company dated 22 August 2014 and 12 September 2014 for more details of the issue;
- (ii) the acquisition agreement (“2014 Acquisition Agreement”) dated 31 October 2014 (as supplemented on 30 April 2015 and 3 August 2015) entered into by Surplus Basic Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser, Accurate Win Limited (“Accurate Win”) as the vendor and Mr. CHENG Teng Man Andy as guarantor for Accurate Win in respect of the sale and purchase of (a) the entire issued share capital in Incentive Power Limited and (b) a loan due from Incentive Power Limited to Accurate Win as at the completion date for an aggregate consideration of HK\$500,000,000 (subject to downward adjustments depending on the amount of consolidated liabilities and borrowing of Incentive Power Limited and its subsidiaries), which was to be satisfied by (x) HK\$100,000,000 in cash; (y) HK\$100,000,000 by the issue and allotment of 353,982,300 consideration shares at the issue price of HK\$0.2825 per consideration share; and (z) the remaining by either payment in cash or the issue of a loan note (as specified in the 2014 Acquisition Agreement) by Surplus Basic Limited to Accurate Win. The 2014 Acquisition Agreement lapsed on 31 October 2015 as the conditions precedent thereto had not

been fulfilled by that date. Please refer to the announcements of the Company dated 31 October 2014, 30 April 2015, 3 August 2015 and 2 November 2015 for more details of the 2014 Acquisition Agreement;

- (iii) the acquisition agreement (“2015 Acquisition Agreement”) dated 17 June 2015 entered into by 天合智慧能源有限公司 (Tianhe Smarter Energy Company Limited\*), a wholly-owned subsidiary of the Company, as purchaser and 上海華星電器有限公司 (Shanghai Hua Xing Electronic Company Limited\*) as vendor with respect to the purchase and sale of 100% of the equity capital of 上海昕嵐電力有限公司 (Shanghai Xin Lan Electric Company Limited\*) for a consideration of RMB10,000,000. Please refer to the announcement of the Company dated 17 June 2015 for more details of the 2015 Acquisition Agreement;
- (iv) the subscription agreement dated 14 July 2015 entered into by the Company as the issuer and each of Cheer Hope Holdings Limited, Zhongtai Financial Investment Limited, Haitong International Financial Products Limited and Taiping Trustees Limited as subscriber in respect of the issue and subscription of the Convertible Bonds in the aggregate principal amount of US\$80,000,000 under general mandate. The Convertible Bonds were convertible into a total of 571,481,039 Shares at the initial conversion price of HK\$1.0891 per Share. The issue was completed on 30 July 2015 with net proceeds of approximately US\$79.8 million. Please refer to the announcements of the Company dated 14 July 2015 and 30 July 2015 for more details of the issue; and
- (v) the sale and purchase agreement dated 30 June 2016 entered into by the Company as the purchaser and Cheer Hope Holdings Limited as the vendor whereby the Company agreed to repurchase the Convertible Bonds in the principal amount of US\$30,000,000 from Cheer Hope Holdings Limited at their principal amount together with interest accrued and unpaid thereon from up to (and excluding) the completion date. Completion of the repurchase took place on 27 July 2016. Please refer to the announcement of the Company dated 27 July 2016 for further details of the repurchase.

**10. GENERAL**

- (i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is at Rooms 2004-2005, 20/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.
- (ii) The share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The English texts of this Composite Document and the Forms of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection on (i) the website of the SFC (<http://www.sfc.hk>); and (ii) the website of the Company at [www.cse1004.com](http://www.cse1004.com) during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 March 2015 and 2016, respectively;
- (c) the letter from the Board, the text of which is set out in this Composite Document;
- (d) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (e) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (f) the written consent referred to in the paragraph headed "7. Expert and Consent" in this appendix; and
- (g) the material contracts referred to in the paragraph headed "9. Material Contracts" in this appendix.

**1. RESPONSIBILITY STATEMENT**

The information contained in this Composite Document relating to the Offeror and its intention has been supplied by the Offeror. The sole director of the Offeror and the directors of Shanghai Gorgeous jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

**2. DISCLOSURE OF INTERESTS OF THE OFFEROR**

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror, the sole director of the Offeror and parties acting in concert with the Offeror were as follows:

<b>Name of Offeror/parties acting in concert with it</b>	<b>Capacity and nature of interest</b>	<b>Number and class of securities</b>	<b>Approximate % of the issued Shares</b>
the Offeror	Beneficial owner	4,041,446,400 Ordinary Shares (L) (Note 3)	51.72%
Shanghai Gorgeous	Interest in controlled corporation	4,041,446,400 Ordinary Shares (L) (Note 3)	51.72%
Shanghai Gu Yuan	Interest in controlled corporation	4,041,446,400 Ordinary Shares (L) (Note 3)	51.72%
Creaton Holdings	Interest in controlled corporation	4,041,446,400 Ordinary Shares (L) (Note 3)	51.72%
Rich Crown	Interest in controlled corporation	4,041,446,400 Ordinary Shares (L) (Note 3)	51.72%
Mr. Ko	Interest in controlled corporation	4,041,446,400 Ordinary Shares (L) (Note 3)	51.72%
HIIF	Beneficial owner	US\$20 million Convertible Bonds (L)	–

*Notes:*

- (1) The letter “L” denotes the long position of the substantial Shareholder in the Shares or the long position of the Bondholder in the outstanding Convertible Bonds.
- (2) As at the Latest Practicable Date, the total number of issued Shares was 7,814,351,360 Shares.
- (3) The 4,041,446,400 Shares were held by the Offeror as the beneficial owner. The Offeror is directly wholly-owned by Shanghai Gorgeous, which is directly owned by Shanghai Gu Yuan as to 75.66%. Shanghai Gu Yuan is directly owned by Creaton Holdings and Rich Crown as to 40.21% and 59.79%, respectively, both of which are directly owned by Mr. Ko as to 99%. For details, please refer to the paragraph headed “Information on the Offeror” in the “Letter from Haitong International Securities” of this Composite Document.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its sole director and parties acting in concert with the Offeror had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

**3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS**

- (i) During the Relevant Period and as at the Latest Practicable Date, save for (i) the acquisitions of a total of 2,241,446,400 Shares by Creaton Holdings on 23 May 2016 and 13 June 2016 respectively; and (ii) the Offeror’s acquisitions of the Sale Shares pursuant to the Share Purchase Agreements, none of the Offeror, its sole director, its ultimate beneficial owner and/or any party acting in concert with any of them had dealt for value in or was interested in any Shares, convertible securities, warrants, options or derivatives of the Company.
- (ii) As at the Latest Practicable Date, there were no outstanding derivatives in respect of securities in the Company which had been entered into by the Offeror, its ultimate beneficial owner and/or any person acting in concert with any of them.
- (iii) As at the Latest Practicable Date, the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them had not received any irrevocable commitment to accept or reject the Offers.
- (iv) As at the Latest Practicable Date, none of the Offeror or parties acting in concert with it had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

- (v) As at the Latest Practicable Date, save for (i) the senior secured bonds issued by the Offeror to Haitong International New Energy VIII Limited, an associated corporation of Haitong International Securities, which is secured by 1,800,000,000 Shares acquired by the Offeror; and (ii) loan facilities provided by Haitong International Securities to the Offeror, which is secured by all the Shares acquired by the Offeror pursuant to the Share Purchase Agreements (including the 1,800,000,000 Shares referred to in (i) above) and the Shares to be acquired by the Offeror through the Share Offer, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Offeror, or any person acting in concert with it, and any other person, or between any other associate of the Offeror and any other person.
- (vi) As at the Latest Practicable Date, there was no agreement (whether by way of options, indemnity or otherwise) in relation to the shares of the Offeror and parties acting in concert with it or the Company which might be material to the Offers.
- (vii) As at the Latest Practicable Date, save for the Sale Shares held by the Offeror and the HIIF Convertible Bonds held by HIIF, which is presumed to be a party acting in concert with the Offeror in relation to the Offers, none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company.

#### **4. ARRANGEMENTS IN CONNECTION WITH THE OFFERS**

As at the Latest Practicable Date:

- (a) no benefit (other than statutory or pre-existing contractual compensation) will be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror and parties acting in concert with the Offeror and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependence on the Offers;
- (c) there was no agreement or arrangement to which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them was a party which relates to circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the Offers;

- (d) the Offeror intends to finance the total consideration payable by the Offeror under the Offers by the loan facilities provided by Haitong International Securities (as lender) to the Offeror (as borrower) and, save for (i) the senior secured bonds issued by the Offeror to Haitong International New Energy VIII Limited, an associated corporation of Haitong International Securities, which is secured by 1,800,000,000 Shares acquired by the Offeror; and (ii) loan facilities provided by Haitong International Securities to the Offeror, which is secured by all the Shares acquired by the Offeror pursuant to the Share Purchase Agreements (including the 1,800,000,000 Shares referred to in (i) above) and the Shares to be acquired by the Offeror through the Share Offer, there was no agreement, arrangement or understanding that any securities of the Company, acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons; and
- (e) the Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) under the loan facilities provided by Haitong International Securities will depend to any significant extent on the business of the Group.

#### **5. QUALIFICATION AND CONSENT OF EXPERTS**

In addition to the Offeree's expert listed in paragraph 7 of Appendix III hereto, the followings are the qualifications of the experts whose letter/opinion are contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Haitong International Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Haitong International Securities	a licensed corporation to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO

The above experts have given and have not withdrawn their written consents to the issue of this Composite Document with the inclusion herein of their advice, letter and/or references to its name in the form and context in which it appears.



**6. MISCELLANEOUS**

- (i) The registered office of the Offeror is 263 Main Street, Road Town, Tortola, BVI. The sole director of the Offeror is Shanghai Gorgeous.
- (ii) The registered address of Shanghai Gorgeous is No.1 Anshan Road, Yangpu District, Shanghai, the PRC. The board of directors of Shanghai Gorgeous comprises Mr. Ko, Mr. Shen Jianhong, Ms. Zhou Li, Mr. Shao Ming'an and Ms. Ma Huili.
- (iii) The registered address of Shanghai Gu Yuan is Room 708, No.399 Jiujiang Road, Shanghai, the PRC. The board of directors of Shanghai Gu Yuan comprises Mr. He Xuanhong, Mr. Qing Zhengguo, Mr. Shen Jianhong, Ms. Zhou Li and Ms. Ma Huili.
- (iv) The registered address of Creaton Holdings is Room 11, 12/F, Block A, Merit Industrial Centre, 94 Tokwawan Road, Kowloon, Hong Kong. The board of directors of Creaton Holdings comprises Mr. Ko and Mr. Cheng Teng Man Andy.
- (v) The registered address of Rich Crown is Flat B, 1/F, Galloway Mansion, 7-9 Cheung Sha Wan Road, Kowloon, Hong Kong. The board of directors of Rich Crown comprises Mr. Ko and Mr. Cheng Kwun Fu.
- (vi) The registered office of each of Haitong International Capital and Haitong International Securities is at 22/F, Li Po Chun Chambers, 189 Des Voeus Road Central, Hong Kong.
- (vii) The English text of this Composite Document and the accompanying Forms of Acceptance shall prevail over their respective Chinese texts.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection, during the period from 9 September 2016, being the date of this Composite Document for so long as the Offers remain open for acceptance, at (i) the website of the SFC at <http://www.sfc.hk>; and (ii) the website of the Company at <http://www.cse1004.com>:

- (a) the memorandum and articles of association of the Offeror;
- (b) this Composite Document;
- (c) the letter dated 9 September 2016 from Haitong International Securities as set out on pages 7 to 19 of this Composite Document; and
- (d) the letters of consents referred to under the paragraph headed "Qualifications and Consents of Experts" in this appendix.