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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the "Board") of China Smarter Energy Group Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (together hereinafter referred to as the "Group") for the year ended 31 December 2022 together with comparative figures for the previous year as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Note	**2022** **HK$'000**	2021 HK$'000
Continuing operations			
Revenue	3	**195,910**	203,280
Cost of sales		**(112,635)**	(118,982)
Gross profit		**83,275**	84,298
Other income		**9,514**	6,217
Other gains and losses, net		**324**	19,749
Impairment losses on property, plant and equipment		**–**	(36,746)
Impairment losses on trade receivables		**–**	(514)
Impairment losses on other receivables		**–**	(43,149)
Impairment losses on refundable deposits		**–**	(237,558)
Provisions for litigations and claims		**(8,240)**	(32,847)
Administrative and operating expenses		**(44,972)**	(36,662)
Profit/(loss) from operations		**39,901**	(277,212)
Finance costs		**(142,430)**	(144,515)
Loss before tax		**(102,529)**	(421,727)
Income tax credit	5	**7,084**	2,228
Loss for the year from continuing operations		**(95,445)**	(419,499)
Discontinued operations			
Loss for the year from discontinued operations	6	**–**	(227,951)
Loss for the year	8	**(95,445)**	(647,450)

	Note	2022 HK$'000	2021 HK$'000
Loss for the year attributable to owners of the Group:			
– from continuing operations		**(94,744)**	(422,756)
– from discontinued operations		**–**	(227,951)
		(94,744)	(650,707)
(Loss)/profit for the year attributable to non-controlling interest:			
– from continuing operations		**(701)**	3,257
– from discontinued operations		**–**	–
		(701)	3,257

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Note	**2022**	2021
		HK$'000	*HK$'000*
Other comprehensive income/(expense):			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income ("FVTOCI")		**312**	(187,864)
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**14,789**	(971)
Release of reserves upon disposal of a subsidiary		**(13)**	–
Release of reserves upon deemed disposal of a subsidiary		**(4)**	24,776
Other comprehensive income/(expense) for the year, net of tax		**15,084**	(164,059)
Total comprehensive expense for the year		**(80,361)**	(811,509)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(79,660)**	(814,766)
Non-controlling interests		**(701)**	3,257
		(80,361)	(811,509)
Loss per share			
From continuing and discontinued operations			
Basic *(cents per share)*	*10*	**(1.01)**	(6.94)
Diluted *(cents per share)*	*10*	**(1.01)**	(6.94)
From continuing operations			
Basic *(cents per share)*	*10*	**(1.01)**	(4.51)
Diluted *(cents per share)*	*10*	**(1.01)**	(4.51)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**764,071**	901,741
Right-of-use assets		**14,955**	16,858
Intangible assets		**398,424**	464,322
Financial assets at FVTOCI	*11*	**350**	1,200
Club membership debenture	*11*	**130**	130
Total non-current assets		**1,177,930**	1,384,251
Current assets			
Trade and bill receivables	*12*	**668,960**	622,422
Prepayments, deposits and other receivables		**50,709**	86,137
Refundable deposits	*13*	**98,220**	99,135
Financial assets at fair value through profit or loss ("FVTPL")		**43**	47
Derivative financial instruments		**–**	15
Restricted bank deposit		**638**	757
Cash and bank balances		**157,287**	84,073
Total current assets		**975,857**	892,586
LIABILITIES			
Current liabilities			
Trade payables	*14*	**–**	12
Accruals and other payables		**638,181**	525,876
Amounts due to related parties		**9,660**	9,660
Provisions for litigations and claims		**273,954**	287,613
Lease liabilities		**6,179**	4,453
Bank and other borrowings		**1,341,476**	1,458,740
Current tax liabilities		**7,261**	7,912
Total current liabilities		**2,276,711**	2,294,266
Net current liabilities		**(1,300,854)**	(1,401,680)
Total assets less current liabilities		**(122,924)**	(17,429)

	Note	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Lease liabilities		**11,952**	14,608
Deferred tax liabilities		**106,821**	124,571
Total non-current liabilities		**118,773**	139,179
Net liabilities		**(241,697)**	(156,608)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**23,436**	23,436
Other reserves		**(265,113)**	(185,453)
		(241,677)	(162,017)
Non-controlling interests		**(20)**	5,409
Capital deficiency		**(241,697)**	(156,608)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

General Information

China Smarter Energy Group Holdings Limited (the "Company") was incorporated in Bermuda under the Companies Act (as amended) of Bermuda as an exempted company with limited liabilities on 8 August 1997. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Room 2609, 26/F, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

Going concern basis

The Group incurred a net loss of approximately HK$95,445,000 for the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$1,300,854,000 and the Group had net liabilities of approximately HK$241,697,000. As at that date, the Group's total borrowings amounted to approximately HK$1,341,476,000, while its cash and cash equivalents amounted to approximately HK$157,287,000 only.

In view of these circumstances, the directors have estimated the Group's cash requirements by preparing a Group cash flow forecast for the 12 months ending 31 December 2023 and have, during the year and up to the date of the approval of these consolidated financial statements, instituted the financing plans and measures as set out in note 1 to the consolidated financial statements to mitigate the liquidity pressure on the Group, to restructure its financial obligations and to improve its financial position. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the successful outcome of these measures, which are subject to multiple uncertainties including:

(a) the successful negotiation with the lenders for extension of the maturity date of debts fallen due or expected to fall due within the next 12 months;

(b) the successful negotiation with the lenders of borrowings maturing after the next 12 months, requesting to further delay the loan repayment schedules;

(c) the successful obtaining of other possible financings; and

(d) the successful disposal of further solar power plants of the Group.

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

(b) New and revised HKFRSs in issue but not yet effective

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Save as those stated below, the adoption of the relevant HKFRSs did not result in substantial changes to the Company's accounting policies.

3. REVENUE

Disaggregation of revenue from contracts with customers by major products or service line for the year from continuing operation is as follows:

	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sale of electricity	**195,910**	195,574
– Sale of bulk commodities	**–**	2,090
	195,910	197,664
Revenue from other sources		
Dividend income from financial assets at FVTOCI	**–**	5,616
	195,910	203,280

Sale of electricity included HK$148,688,000 (year ended 31 December 2021: HK$153,882,000) tariff subsidy received and receivable from the state grid companies in the PRC based on the prevailing nationwide government policies on renewable energy for solar plants and distributed power stations.

4. SEGMENT INFORMATION

The Group has four operating segments as follows:

Clean energy	–	Sale of electricity
Trading in securities	–	Trading in securities comprise net gains/(losses) from trading of listed securities and dividend income from listed equity investments
Investment	–	Investments comprise dividend income from unlisted equity investments
Trading of bulk commodities	–	Trading of bulk commodities comprise the trading of solid, liquid and gaseous fuels and other related products and the trading of bulk commodities derivatives

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include unallocated corporate expenses, certain other income, finance cost and income tax. Segment assets do not include derivative financial assets, cash and bank balances and unallocated assets. Segment liabilities do not include some other borrowings and unallocated liabilities. Segment non-current assets do not include financial assets at FVTOCI and club membership debenture.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about operating segment profit or loss, assets and liabilities from continuing operations:

	Clean energy	**Trading in securities**	**Investments**	**Trading of bulk commodities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2022					
Revenue from external customers	195,910	–	–	–	195,910
Total revenue of reportable segments	195,910	–	–	–	195,910
Segment profit/(loss)	69,852	(4,319)	(39)	(3,891)	61,603
Depreciation and amortisation	91,391	952	–	–	92,343
Income tax (credit)/expense	(7,434)	350	–	–	(7,084)
Additions to segment non-current assets	107	–	–	–	107
At 31 December 2022					
Segment assets	1,876,912	45,359	–	–	1,922,271
Segment liabilities	1,358,540	701,183	2,491	–	2,062,214

4. SEGMENT INFORMATION (CONT'D)

Information about operating segment profit or loss, assets and liabilities from continuing operations: (Cont'd)

	Continuing operations					Discontinued operations	
	Clean energy	Trading in securities	Investments	Trading of bulk commodities	Sub-Total	Clean energy	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2021							
Revenue from external customers	195,574	–	–	2,090	197,664	7,840	205,504
Dividend income	–	–	5,616	–	5,616	–	5,616
Total revenue of reportable segments	195,574	–	5,616	2,090	203,280	7,840	211,120
Segment profit/(loss)	41,018	(17,202)	(5,520)	(10,870)	7,426	(2,953)	4,473
Depreciation and amortisation	104,076	3,611	–	853	108,540	4,488	113,028
Income tax credit	(2,228)	–	–	–	(2,228)	(425)	(2,653)
Additions to segment non-current assets	–	180	–	–	180	–	180
Impairment losses on property, plant and equipment	36,746	–	–	–	36,746	–	36,746
At 31 December 2021							
Segment assets	2,087,033	15,723	1.200	429	2,104,385	–	2,104,385
Segment liabilities	1,346,781	720,258	2.491	–	2,069,530	–	2,069,530

Reconciliations of segment revenue and profit or loss from continuing operations:

	2022	2021
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**195,910**	203,280
Elimination of intersegment revenue	**–**	–
Consolidated revenue from continuing operations	**195,910**	203,280
Profit or loss		
Total profit or loss of reportable segments	**61,603**	7,426
Unallocated amounts:		
Interest income	**1,031**	99
Provisions for litigations and claims	**(8,240)**	(32,847)
Unallocated corporate expenses	**(14,493)**	(14,332)
Impairment losses on refundable deposits	**–**	(237,558)
Finance costs	**(142,430)**	(144,515)
Consolidated loss before tax from continuing operations	**(102,529)**	(421,727)

4. SEGMENT INFORMATION (CONT'D)

Reconciliations of segment assets and liabilities:

	2022	2021
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**1,922,271**	2,104,385
Unallocated amounts:		
Cash and bank balances	**157,287**	84,073
Prepayment, deposits, other receivables and other assets	**74,229**	88,379
Consolidated total assets	**2,153,787**	2,276,837
Liabilities		
Total liabilities of reportable segments	**2,062,214**	2,069,530
Unallocated amounts:		
Other payables and accruals	**145,852**	152,340
Provisions for litigations and claims	**187,418**	211,575
Consolidated total liabilities	**2,395,484**	2,433,445

Geographical information:

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location are detailed below:

	Revenue		**Non-current assets**	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**195,910**	195,574	**1,152,824**	1,381,766
Hong Kong	**–**	5,616	**24,626**	1,155
Singapore	**–**	2,090	**–**	–
Consolidated total	**195,910**	203,280	**1,177,450**	1,382,921

4. SEGMENT INFORMATION (CONT'D)

Revenue from major customers from continuing operations:

	2022	2021
	HK$'000	*HK$'000*
Clean energy segment		
Customer A	**124,159**	122,587
Customer B	**22,262**	28,302
Customer C	**20,320**	25,606

5. INCOME TAX CREDIT

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2022	2021
	HK$'000	*HK$'000*
Current tax – Overseas		
Provision for the year	**399**	5,514
	399	5,514
Deferred tax	**(7,483)**	(7,742)
	(7,084)	(2,228)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2022 (2021: Nil).

No provision for Singapore Corporate Tax is required since the Group has no assessable profit for the year ended 31 December 2022 (2021: Nil).

PRC Enterprise Income Tax has been provided at a rate of 25% (2021: 25%). During the year, seven (2021: seven) subsidiaries of the Group which are engaging in the operation of solar power plants and distributed power stations have obtained the relevant preferential tax concession. These subsidiaries are having 50% tax exemption from the PRC enterprise income tax for the coming two years or are entitling to PRC enterprise income tax at concessionary rate of 15% during the reporting period.

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

6. DISCONTINUED OPERATION

The results of the discontinued operation are summarised as follows:

	2021
	HK$'000
Revenue	7,840
Cost of sales	(4,785)
Administrative expenses	(102)
Finance cost	(1,495)
Profit before tax	1,458
Taxation	425
Profit for the year from discontinued operation	1,883
Loss on disposal *(Note 7)*	(229,834)
	(227,951)

Profit for the year include the followings:

	2021
	HK$'000
Depreciation of property, plant and equipment	4,488

7. DEEMED DISPOSAL OF A SUBSIDIARY

In January 2021, a sale and purchase agreement (the "S&P Agreement") was entered into between the Group and a purchaser, an independent third party and a company incorporated in the PRC, in connection with the Group's disposal of all the equity interest in Jinchang Disheng Solar Energy Company Limited ("Jinchang Disheng"), a then subsidiary company of the Group engaging in operation of solar plant station in Gansu Province, the PRC, to the purchaser. As disclosed in Note 50 "Events After the Reporting Period" to the annual report of the Company for the financial year ended 31 December 2020, on 4 February 2021, the purchaser has effected the change of the registered owner of Jinchang Disheng from the Group to the purchaser ("Change of Registered Owner"), which was not in accordance with the S&P Agreement as the conditions precedent as set out in the S&P Agreement have not been executed. In the opinion of the directors, the Group remained as the owner of Jinchang Disheng. However, given the Change of Registered Owner of Jinchang Disheng which resulted in the Group being unable to access to the financial information of Jinchang Disheng, the Company accounted for the Change of Registered Owner as deemed disposal of Jinchang Disheng ("Discontinued Operations").

A special general meeting (the "SGM") was held on 11 November 2022 in which the S&P Agreement was approved, confirmed and ratified. Reference is made to the announcements of the Company dated 26 October 2022 and 11 November 2022.

7. DEEMED DISPOSAL OF A SUBSIDIARY (CONT'D)

Details of the Discontinued Operations are as follows:

	2021
	HK$'000
Consideration	421,680
Waiver of current account	(166,842)
Net assets disposed of	(459,896)
Loss on deemed disposal	(205,058)
Adjustment for cumulative exchange difference in respect of the net assets reclassified from equity to profit or loss	(24,776)
Net loss on deemed disposal	(229,834)
Satisfied by:	
Cash received	361,440
Receivables	60,240
	421,680
Net cash inflow on deemed disposal:	
Cash consideration received	361,440
Less: bank balance and cash disposed of	(13)
	361,427

8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year from continuing operations is stated after charging the followings:

	2022	2021
	HK$'000	*HK$'000*
Auditor's remuneration		
– audit services	**1,950**	1,650
– other services	**–**	290
	1,950	1,940
Depreciation of property, plant and equipment	**62,561**	77,162
Depreciation of right-of-use assets	**3,133**	5,112
Amortisation of intangible assets	**27,624**	28,586
Impairment losses on property, plant and equipment	**–**	36,746
Impairment losses on other receivables	**–**	43,149
Impairment losses on refundable deposits	**–**	237,558
Expenses relating to short-term lease	**–**	1,059
Impairment losses on trade receivables	**–**	514

Cost of sales includes depreciation, amortisation of intangible assets and operating lease charges of approximately HK$91,391,000 (2021: HK$100,194,000).

9. DIVIDENDS

No dividends have been paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (year ended 31 December 2021: Nil).

10. LOSS PER SHARE

From continuing and discontinued operations

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

	2022	2021
	HK$'000	*HK$'000*
Losses		
Loss for the year attributable to owners of the Company		
for the purpose of calculating basic earnings per share *(HK$'000)*		
From continuing operations	**(94,744)**	(422,756)
From discontinued operation	**–**	(227,951)
	(94,744)	(650,707)
Number of shares		
Weighted average number of ordinary share in issue *(thousands)*	**9,374,351**	9,374,351
Basic and diluted loss per share		
From continuing operation *(cents per share)*	**1.01**	4.51
From discontinued operation *(cents per share)*	**–**	2.43
	1.01	6.94

Diluted loss per share is the same as the basic loss per share as the Company did not have any dilutive potential shares for the financial years ended 31 December 2022 and 2021.

From continuing operations

Basic and diluted loss per share from the continuing operations is HK1.01 cents per share (2021: HK4.51 cents per share), based on the loss for the year from continuing operations attributable to the owners of the Company of approximately HK$94,744,000 (2021: approximately HK$422,756,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic and diluted loss per share from the discontinued operations is nil cents per share (2021: 2.43), based on the loss for the year from discontinued operations attributable to the owners of the Company of nil (2021: HK$227,951,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

11. FINANCIAL ASSETS AT FVTOCI AND CLUB MEMBERSHIP DEBENTURE

	Note	**2022**	2021
		HK$'000	*HK$'000*
Unlisted equity securities			
Company A	*(i)*	**–**	1,126
Company B	*(ii)*	**–**	20
Company C	*(iii)*	**–**	54
Company D	*(iv)*	**350**	–
Total financial assets at FVTOCI		**350**	1,200
Club membership debenture	*(v)*	**130**	130
		480	1,330
Analysed as:			
Non-current assets			
Financial assets at FVTOCI		**350**	1,200
Club membership debenture		**130**	130
		480	1,330

Financial assets at FVTOCI and club membership debenture are denominated in the following currencies:

	2022	2021
	HK$'000	*HK$'000*
Renminbi	**350**	–
Hong Kong dollars	**130**	1,330
	480	1,330

The unlisted equity investments relate to investments in private entities, which were intended to hold for long-term strategic purpose at the time of acquisitions. Company A, Company B and Company C are engaged in the provision of advisory and financial services, investment in securities trading and money lending, respectively.

Notes:

(i) At 31 December 2022, the Group had shareholding of approximately Nil (2021: 1.71%) in Company A.

(ii) At 31 December 2022, the Group had shareholding of approximately Nil (2021: 5.07%) in Company B.

(iii) At 31 December 2022, the Group had shareholding of approximately Nil (2021: 2.58%) in Company C.

(iv) At 31 December 2022, the Group had shareholding of approximately 16.67% (2021: Nil) in Company D.

(v) Club membership debenture is classified as amortised costs at initial recognition. The Group does not intend to dispose the investment in the near future.

During the year ended 31 December 2022, no impairment loss on club membership debenture was recognised (2021: Nil).

12. TRADE AND BILL RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**695,929**	653,304
Allowance for doubtful debts	**(26,969)**	(30,882)
	668,960	622,422

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

	2022	2021
	HK$'000	*HK$'000*
Unbilled *(Note)*	**641,807**	599,522
0 to 30 days	**–**	2,036
Over 30 days	**27,153**	20,864
	668,960	622,422

Note: Unbilled trade receivables include tariff subsidy to be billed and recovered on prevailing nationwide government policies on renewable energy from the state grid companies.

As the collection of accrued revenue on tariff subsidy is expected in the normal operating cycle, which may be recovered after twelve months from the reporting date. Accrued revenues on tariff subsidy are discounted at an effective interest rate ranged from 2.05% to 2.34% per annum (2021: 2.46% to 2.92% per annum) as at 31 December 2022.

At 31 December 2022, HK$26,969,000 allowance was made for estimated irrecoverable trade receivables of individual customers (2021: HK$30,882,000).

13. REFUNDABLE DEPOSITS

	2022	2021
	HK$'000	*HK$'000*
Refundable deposits	**98,220**	99,135

The Group paid deposits for the potential acquisition of solar power plant in Ningdong, Ningxia, the PRC. Details of the potential acquisition were disclosed in the Company's announcements on 11 December 2015 and 13 March 2019.

At 31 December 2019, as no agreement was reached by the Group and the potential vendor to the further extension of the completion date of the potential acquisition, the potential acquisition has been lapsed and terminated. Accordingly, the parties shall have no further obligation to proceed with the potential acquisition and the deposit paid would be refunded in due course.

In March 2020, the Group agreed a repayment timetable with the vendor for settlement before September 2020, and such was pledged by certain solar plants and machineries owned by the vendor to secure the repayments of the deposits to the Group. The vendor was in default of the payment on 30 September 2020. The deposits have not been repaid during the year and the Group continuously negotiated with the vendor for the repayments of the deposits.

The management engaged an independent qualified valuer to determine the expected credit loss of the refundable deposits, and no impairment loss was recognised for the year ended 31 December 2022 (2021: HK$237,558,000 recognised).

14. TRADE PAYABLES

The ageing analysis of trade payables, based on invoice date, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Over 60 days	**–**	12

The trade payables are non-interest bearing and normally settled on 30 to 90 days terms.

15. LEGAL PROCEEDINGS

a) During the year ended 31 December 2020, Jinchang Jintai and a third party received an arbitration petition from Gansu Jintai due to an alleged late payment on the part of Jinchang Jintai and a third party in aggregate of RMB22,027,000 (equivalent to HK$24,659,000) pursuant to various service agreements entered into between, inter alia, Jinchang Jintai and Gansu Jintai. During the year ended 31 December 2020, pursuant to a Settlement Agreement entered into between, inter alia, Jinchang Jintai and Gansu Jintai on 27 January 2021 and the judgement made by the court in the PRC in relation to this litigation, the Group was required to make payments of RMB29,122,000 (equivalent to HK$32,602,000) and corresponding late penalties of RMB3,439,000 (equivalent to HK$3,850,000) to Gansu Jintai and RMB21,706,000 (equivalent to HK$24,300,000) and corresponding late penalties of RMB5,275,000 (equivalent to HK$5,905,000)) to a third party. These amounts were included in the provisions for litigations and claims as at 31 December 2022 and 2021 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

b) During the year ended 31 December 2020, Gansu Jintai, initiated arbitrations petition against Jinchang Jintai, for outstanding receivables of RMB111,003,000 (equivalent to approximately HK$124,268,000) and corresponding late penalties of RMB26,028,000 (equivalent to HK$29,138,000) in respect of the acquisition of Jinchang Jintai in 2014. The Group is concurrently in the process of negotiating with Gansu Jintai for a settlement and an amicable disposal of the matter. The aggregate amount was included in the provisions for litigations and claims as at 31 December 2022 and 2021 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

c) During the year ended 31 December 2020, 中民新能投資集團有限公司who was the former shareholder of Gaoan Jinjian, a subsidiary of the Group, initiated arbitrations against Shanghai Gorgeous Smarter Energy Company Limited, an indirectly owned subsidiary of the Group, and Gaoan Jinjian, for outstanding receivables due from Shanghai Gorgeous Smarter Energy Company Limited of RMB15,582,000 (equivalent to approximately HK$17,444,000) and corresponding late penalties of RMB3,286,000 (equivalent to approximately HK$3,679,000) and outstanding receivables due from Gaoan Jinjian of RMB6,435,000 (equivalent to HK$7,204,000), in respect of the Group's acquisition of Gaoan Jinjian in 2017.

On 30 September 2021, the Company and 中民新能投資集團有限公司entered into a settlement agreement and total settlement further increase to RMB44,000,000 (equivalent to approximately HK$49,258,000). The aggregate amount was included in the provisions for litigations and claims as at 31 December 2022 and 2021 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

d) On 20 November 2019, the Group has initiated a lawsuit against Hongxiang New Materials Company Limited (宏祥新材料股份有限公司) ("Hongxiang") for the recovery of, inter alia, electricity charges and late payment fee in the aggregate amount of RMB10,533,000 (equivalent to approximately HK$11,586,000) pursuant to a rooftop rental agreement dated 28 August 2015 and its supplemental agreement dated 6 June 2017 entered into between Hongxiang and Dezhou Miaoli, an indirect whollyowned subsidiary of the Company. As at the approval date of these financial statements, no settlement regarding the aforesaid case has been made. On 11 December 2020, Hongxiang initiated a lawsuit counterclaiming against Dezhou Miaoli for recovery of, inter alia, electricity and late payment fee. With reference to advice of the Group's legal advisor, the directors estimated the Group will likely to be liable to pay a total of approximately RMB4,142,000 (equivalent to HK$4,637,000). The aggregate amount was included in the provisions for litigations and claims as at 31 December 2022 and 2021 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

e) Subsequent to the reporting period, there were legal claims brought against subsidiaries of the Group by certain service providers of the clean energy segment. In the opinion of the directors, adequate liabilities of these claims were already provided in provisions for litigations and claims and other payables as at 31 December 2022.

16. CONTINGENT LIABILITIES

At 31 December 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil) other than as disclosed in note 15.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the year ended 31 December 2022 ("Current Year") against the year ended 31 December 2021 ("Comparative Year") is as follows:

- Clean Energy: approximately HK$195,910,000 (Comparative Year: approximately HK$195,574,000)

- Trading in securities: Nil (Comparative Year: Nil)

- Investments: Nil (Comparative Year: approximately HK$5,616,000)

- Trading of bulk commodities: Nil (Comparative Year: approximately HK$2,090,000)

Revenue by Geographical Region

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

- Hong Kong: Nil (Comparative Year: approximately HK$5,616,000)

- The People's Republic of China ("PRC"): approximately HK$195,910,000 (Comparative Year: approximately HK$195,574,000)

- The Republic of Singapore ("Singapore"): Nil (Comparative Year: approximately HK$2,090,000)

BUSINESS REVIEW

Clean Energy

Clean-energy power generation business is the principal business of the Group. As at 31 December 2022, the Group's installed capacity is approximately 172 megawatt(s) ("MW") (as at 31 December 2021: 172MW), all of which are photovoltaic power generation projects locating in four provinces, Gansu, Anhui, Jiangxi and Shandong.

During the Current Year, sale of electricity of the on-grid was approximately 219,244,000 kilowatt hour(s) ("KWh") (Comparative Year: approximately 206,519,000KWh) and generated revenue of approximately HK$195,910,000 as compared to revenue of approximately HK$195,574,000 in the Comparative Year. The revenue was mainly contributed by a 100% owned subsidiary, namely Jinchang Jintai Photovoltaic Company Limited 金昌錦泰光伏電力有限公司, which has an aggregate production capacity of 100MW.

Segment profit of approximately HK$69,852,000 was recorded during the Current Year as compared to a profit of approximately HK$41,018,000 in the Comparative Year. The increase in profit is principally due to the decrease in impairment losses on property, plant and equipment.

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

Jintai 100MW Project in Jinchang, Gansu: During the Current Year, sale of electricity was approximately 154,087,000KWh, representing an increase of 10.2% as compared with Comparative Year's sale of electricity of approximately 139,806,000KWh. Sales revenue was approximately HK$121,334,000, representing an increase of 2.7% as compared with Comparative Year's revenue of approximately HK$118,191,000.

Guanyang 8.25MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was approximately 7,580,000KWh, representing an increase of 12.3% as compared with Comparative Year's sale of electricity of approximately 6,750,000KWh. Sales revenue was approximately HK$7,835,000, representing an increase of 13.7% as compared with Comparative Year's revenue of approximately HK$6,891,000.

Hongxiang 8MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was approximately 3,022,000KWh, representing a decrease of 47.5% as compared with Comparative Year's sale of electricity of approximately 5,761,000KWh. Sales revenue was approximately HK$3,160,000, representing a decrease of 47.5% as compared with Comparative Year's revenue of approximately HK$6,023,000.

Jinde 5MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was approximately 1,171,000KWh, representing a decrease of 42.4% as compared with Comparative Year's sale of electricity of approximately 2,034,000KWh. Sales revenue was approximately HK$1,163,000, representing a decrease of 46.5% as compared with Comparative Year's revenue of approximately HK$2,172,000.

Jiayang 10MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was approximately 9,440,000KWh (Comparative Year: approximately 9,331,000KWh), representing an increase of 1.2%. Sales revenue was approximately HK$9,420,000 (Comparative Year: approximately HK$9,894,000), representing a decrease of 4.8%.

Hongyang 20MW Project in Changfeng, Anhui: During the Current Year, sale of electricity was approximately 22,776,000KWh (Comparative Year: approximately 22,823,000KWh), representing a decrease of 0.2%. Sales revenue was approximately HK$27,454,000 (Comparative Year: approximately HK$27,512,000), representing a decrease of 0.2%.

Jinjian 20MW Project in Gaoan, Jiangxi: During the Current Year, sale of electricity was approximately 21,168,000KWh (Comparative Year: approximately 20,014,000KWh), representing an increase of 5.8%. Sales revenue was approximately HK$25,544,000 (Comparative Year: approximately HK$24,891,000), representing an increase of 2.6%.

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

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

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

Trading in securities

During the Current Year, the net realised and unrealised gain resulted from trading of listed equity securities was nil (Comparative Year: nil). Loss of approximately HK$4,319,000 was recorded from this business segment during the Current Year as compared to a record of segment loss of approximately HK$17,202,000 for the Comparative Year. Dividend income from listed equity securities was nil (Comparative Year: nil).

Investments

During the Current Year, the Group had investments in certain unlisted companies, the investment of which was to utilise its funds for potential high return on one hand, to diversify its investments and hence reduce business risk on the other. The Group closely monitors the market conditions and may consider to change its portfolio of investments from time to time. No dividend income is recognised in profit or loss during the Current Year (Comparative Year: approximately HK$5,616,000).

The gain on change of fair value of HK$312,000 on these financial assets at fair value through other comprehensive income was recognised during the Current Year (Comparative Year: approximately loss of HK$187,864,000).

Trading of Bulk Commodities

During the Current Year, the revenue from this segment was nil (Comparative Year: approximately HK$2,090,000) and recorded a segment loss of approximately HK$3,891,000 (Comparative Year: segment loss of approximately HK$10,870,000).

PROSPECTS

China officially made its commitment to the world that green development and carbon neutrality are the key macro themes in its long-term development. It aims to achieve "carbon neutrality" before 2060 and have carbon dioxide emissions reaching its peak before 2030. The proportion of non-fossil energy to total energy consumption will increase from 15.9% in 2020 to 20% in 2025 and further to 25% in 2030. The energy consumption and carbon dioxide emissions per unit of GDP will reduce by 13.5% and 18%, respectively during the 14th Five-year Plan period. The government plans to implement systems focusing on carbon intensity control and supported by the control on total carbon emissions. It implies that the economic structure will transform towards energy concentration and the efficiency of energy utilization is expected to improve and the energy structure will transform towards low carbon intensity. China's 14th Five-year Plan requires to vigorously expand the size of wind power and photovoltaic power generation. As of the end of 2022, the installed capacities of photovoltaic power and on-grid wind power in China amounted to 392.61GW and 365.44GW, respectively. Based on the target of reaching over 1.2 billion KW in total installed capacities of wind power and solar power generation, the newly-added installed capacities of wind power and photovoltaic power will reach 665GW from 2020 to 2030. During the period, China will "reasonably control" the construction size and development pace of coalfired power generation projects. At the same time, China will advance the green transformation of iron & steel, petrochemical, construction materials and other traditional industries that have high energy consumption. It will also adopt other measures such as the implementation of the market-based trading of energy usage quota and carbon emission quota.

In the new energy sector, energy storage and comprehensive energy services will enjoy huge development potential. In addition to the traditional energy storage such as peak-load shifting and on-grid frequency modulation, at least 8 provinces in China have explicitly required the construction of 5%-20% ancillary energy storage facilities for newly-built wind power and solar plant stations. For existing plants, enterprises are encouraged to equip energy storage facilities appropriately in different stages. Comprehensive energy services are an important path in accelerating the digital and intelligent transformation of the energy industry, which plays a key role in improving the efficiency of the energy system and the modernization of industrial chains and supply chains. For the power industry, it will innovate and improve the integration of power sources, grid, load and storage, increase the power distribution business and develop distributed energy, microgrid, energy storage, intelligent charging and discharging for electric vehicles, demand-side response and other intelligent and high-efficient energy utilization models to promote the intelligent and green improvement of industries, transportation, construction and other scenarios with energy consumption. With the power system as the center, it will speed up the construction of Internet-based energy platforms. It will promote the digital upgrading of facilities in all links covering production, transportation, storage, sales and use of energy and implement the digital construction and transformation of coal mines, oil and gas fields, power plants and grids. It will facilitate the construction of digital platforms based on supply and demand matching, production services, supervision and management and other business relations, including data center, control center and trading platforms.

China's green development policies will not only bring precious historical opportunities for the development of new energy in China, it will also propel the development of global new energy and its comprehensive utilization. The Company will seize the historical opportunity and actively expand its business development in energy storage, comprehensive energy services and other industries based on its existing photovoltaic power generation business and energy trading.

RESULTS OF THE GROUP

During the Current Year, the Group recorded a revenue of approximately HK$195,910,000 as compared to revenue of approximately HK$203,280,000 in Comparative Year. The change in revenue was a combined effect of i) decrease in dividend income from HK$5,616,000 to nil, representing a decrease of 100% when compared to Comparative Year; and ii) decrease in sales of bulk commodities from HK$2,090,000 to nil, representing a decrease of 100% when compared to Comparative Year.

The net loss of the Group for the Current Year amounted to approximately HK$95,445,000 (Comparative Year: approximately HK$647,450,000), representing a decrease in loss of 85.3%. The decrease in loss was a combined effect of i) decease of impairment losses on property, plant and equipment by approximately HK$36,746,000; ii) decease of impairment losses on other receivables by approximately HK$43,149,000; iii) decease of impairment losses on deposits for acquisition by approximately HK$237,558,000; and iv) decrease in provision for litigations and claims by approximately HK$24,607,000.

COST OF SALES

For the Current Year, the amount of cost of sales was approximately HK$112,635,000 (Comparative Year: approximately HK$118,982,000), representing a decrease of 5.3%. There were no significant changes for the two periods under review as the basis with which the cost of sales primarily incurred was not significantly changed. The decrease was mainly due to the exchange effect caused by depreciation of Renminbi.

OPERATING AND ADMINISTRATIVE EXPENSES

For the Current Year, the amount of operating and administrative expenses was approximately HK$44,972,000 (Comparative Year: approximately HK$36,662,000), representing an increase of 22.7%. The increase was mainly due to ad hoc professional fees from consultancy and legal advice.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally derives cash for operation from internal cash flow and from banks and financial institutions in Hong Kong and the PRC. As at 31 December 2022, the Group had cash and bank balances of approximately HK$157,287,000 (At 31 December 2021: approximately HK$84,073,000). As at 31 December 2022, the Group's interest bearing bank and other borrowings amounted to approximately HK$1,341,476,000 (At 31 December 2021: approximately HK$1,458,740,000). Total deficiency attributable to owners of the Company amounted to approximately HK$241,677,000 (At 31 December 2021: approximately HK$162,017,000). The gearing ratio is negative 490.0% (At 31 December 2021: negative 848.5%).

As at 31 December 2022, the Group had net current liabilities of approximately HK$1,300,854,000 (At 31 December 2021: approximately HK$1,401,680,000) and current ratio (being current assets over current liabilities) of 42.9% (At 31 December 2021: 38.9%).

CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. Net debt includes interest-bearing bank and other borrowings, less cash and bank balances. The gearing ratio at the end of the reporting year is as follows:

	31 December 2022	31 December 2021
	HK$'000	*HK$'000*
Bank and other borrowings	**1,341,476**	1,458,740
Less: cash and bank balances	**(157,287)**	(84,073)
Net debt	**1,184,189**	1,374,667
Total deficiency attribute to owners of the Company	**(241,677)**	(162,017)
Gearing ratio	**(490.0%)**	(848.5%)

Save as the minimum public float imposed by the Stock Exchange, neither the Company nor its subsidiaries are subject to externally imposed capital restrictions.

The Company had not conducted any equity fund raising activities during the Current Year. However, the Group conducted certain refinancing activities as follow:

(i) At 31 December 2022, the Group's bank borrowings of HK$493,421,000 (2021: HK$539,090,000) were guaranteed by a subsidiary up to a total amount of RMB440,758,000 (equivalent to HK$493,421,000) (2021: RMB440,758,000 (equivalent to HK$530,090,000)). According to the repayment terms set out in two separate agreements, the bank borrowings will be repayable by semi-annual instalments with the last instalments due in July 2027 and September 2028, respectively. The bank borrowings were interest-bearing per annum at the benchmark interest rate for loans over 5 years determined by the People's Bank of China to financial institutions (2021: same). The Group was in default of the installment repayments during the year. Accordingly, the whole amount of the loan was classified as current liabilities as at 31 December 2022. The default has not been remedied at the date these financial statements were authorised for issue.

(ii) At 31 December 2022, the Group's other loan of HK$535,112,000 (2021: HK$584,642,000) was interest-bearing at 7.90% per annum, and was guaranteed by an independent company and Shanghai Gorgeous Investment Development Company Limited (上海國之杰投資發展有限公司). According to the repayment terms, the other loan was repayable in June 2020. The Group was in default of repayment of this loan and the default has not been remedied at the date these financial statements were authorised for issue.

(iii) At 31 December 2022, the Group's other loans of HK$299,349,000 (2021: HK$327,057,000) were interest-bearing at 7.00% per annum, and were guaranteed by a subsidiary of the Group. According to the repayment terms, the other loans were due for repayment in November 2019 and the default has not been remedied at the date these financial statements were authorised for issue.

(iv) At 31 December 2022, the Group's other loans of HK$13,594,000 (2021: HK$7,951,000) were interest-bearing at 6.00% per annum, and were guaranteed by a subsidiary of the Group. According to the repayment terms, the other loan was repayable in June 2021. The Group was in default of repayment of this loan and the default has not been remedied at the date these consolidated financial statements were authorised for issue.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are mainly conducted in Renminbi and USD. Currently the Group has not implemented any foreign currency forward contracts to hedge the Group's exchange rate exposure. However, the Group will consider necessary policies, where needed, to minimise its foreign currency exposure in the future.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed above, the Group did not carry out any material acquisition and disposal during the Current Year.

EMPLOYEES

At 31 December 2022, the Group employed around 21 employees in Hong Kong and the PRC (31 December 2021: 33). The Group's remuneration policies are based primarily on the prevailing market rate and the performance of individual employees. Fringe benefits, including Mandatory Provident Fund, medical benefits and training are provided. The Group has also established a discretionary bonus scheme for its management and staff with awards determined annually based upon the performance of the Group and individual employees.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2022 (31 December 2021: Nil).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Current Year (Comparative Year: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of all the applicable code provisions of the Code on Corporate Governance Practices (the "Code on CGP"), which was amended and effective since 1 January 2022, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices. During the Current Year, the Company was in compliance with all code provisions set out in the Code on CGP except for the following deviation.

1. The Company failed to timely publish the audited 2021 financial statements and lay the audited 2021 financial statements at the 2022 annual general meeting of the Company in accordance with Rules 13.46 and 13.49 of the Listing Rules, and failed to publish its environmental, social and governance report for the same period covered in these 2021 Annual Results under rule 13.91 of the Listing Rules and the unaudited interim results in accordance with Rules 13.48 and 13.49 of the Listing Rules. The Company has been reviewing and closely monitoring its internal control systems to avoid delay in publication of its periodic financial and non-financial information under the Listing Rules in the future.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the Code on CGP during the Current Year.

Further information on the Company's corporate governance practices will be detailed in the corporate governance report to be contained in the annual report of the Company for the Current Year, which shall be sent to the Company's shareholders in due course.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transaction by the Directors.

Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Current Year.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Current Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's consolidated financial statements and review of the relationship with the auditors of the Company. The Audit Committee comprises three independent non-executive Directors of the Company as at 31 December 2022.

The Audit Committee has reviewed with the Group's senior management the accounting principles and practices adopted by the Group and reviewed the Company's consolidated financial statements for the Current Year.

During the Company's communication with the auditor of the Company, the Company understands and the auditor confirmed that the going concern (paragraph 1 (Going concern) under "Basis for Disclaimer of Opinion" as stated in the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022 as extracted in the section "EXTRACTS OF INDEPENDENT AUDITOR'S REPORT" below) itself forms the basis for disclaimer of opinion. Had the auditor not disclaimed their opinion on the Company's going concern, but only modified their opinion on matters (a) and (b) as stated under paragraph 2 (Other matters) of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022 as extracted in the section "EXTRACTS OF INDEPENDENT AUDITOR'S REPORT" below, the auditor would have issued a qualified opinion (i.e. "Except for").

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022:

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Smarter Energy Group Holdings Limited (the "Company") set out in the 2022 annual report, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, and consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

1. Going concern

We draw attention to note 1 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$95,445,000 for the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$1,300,854,000 and the Group had net liabilities of approximately HK$241,697,000. As at that date, the Group's total borrowings amounted to approximately HK$1,341,476,000, while its cash and cash equivalents amounted to approximately HK$157,287,000 only.

In view of these circumstances, the directors have estimated the Group's cash requirements by preparing a Group cashflow forecast for the 12 months ending 31 December 2023 and have, during the year and up to the date of the approval of these consolidated financial statements, instituted the financing plans and measures as set out in note 1 to the consolidated financial statements to mitigate the liquidity pressure on the Group, to restructure its financial obligations and to improve its financial position. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the successful outcome of these measures, which are subject to multiple uncertainties including:

(a) the successful negotiation with the lenders for extension of the maturity date of debts fallen due or expected to fall due within the next 12 months;

(b) the successful negotiation with the lenders of borrowings maturing after the next 12 months, requesting to further delay the loan repayment schedules;

(c) the successful obtaining of other possible financings; and

(d) the successful disposal of further solar power plants of the Group.

Should the Group be unable to operate as a going concern in the foreseeable future, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

We were unable to obtain sufficient audit evidence about the appropriateness of the preparation of the consolidated financial statements on a going concern basis due to the combined effects of the multiple uncertainties described above.

2. Other matters

Other than the matters described above, we have also modified our opinion in respect of the scope limitations on our audit relating to the matters detailed below.

(a) Scope limitation on the valuation of financial assets at fair value through other comprehensive income ("FVTOCI") as at 31 December 2021

As disclosed in note 11 to the consolidated financial statements, the Group invested in certain equity securities and accounted for these investments as financial assets at FVTOCI with total fair value of HK$1,200,000 as at 31 December 2021. As at 31 December 2021, the fair value assessment of the financial assets at FVTOCI has been made by the directors of the Group.

During the course of our audit, we were not provided with the relevant documents or information, including the financial information of the investee entities, in measuring their fair value. Accordingly, we were unable to obtain sufficient appropriate audit evidence about the fair values of these investments. Subsequently, the respective FVTOCI have been sold at the consideration of HK$1,200,000.

As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the carrying amounts of financial assets at FVTOCI as at 31 December 2021 and fair value changes recorded in other comprehensive income for the years ended 31 December 2021 and 2022.

(b) Scope limitation on the estimation of expected credit losses on refundable deposits

As disclosed in note 13 to the consolidated financial statements, the Group had refundable deposits amounting to HK$333,584,000 receivable from a vendor in relation to a potential acquisition which was terminated in the prior year. In March 2020, the Group agreed a repayment timetable with the vendor to settle the refundable deposits by 30 September 2020 and such was pledged by certain solar plants and machineries owned by the vendor to secure the repayments of the deposits to the Group. The vendor was in default of the payment on 30 September 2020. At 31 December 2022 and 2021, the expected credit loss of the refundable deposits amounting to HK$235,364,000 was recognised.

We were not provided with the financial information of the vendor nor information to support the assets pledged by the vendor as security for settlement of the refundable deposits in order for us to assess the financial capability of the vendor to repay the deposits. Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine whether the expected credit losses on the refundable deposits were properly stated.

As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the carrying amounts of the refundable deposits as at 31 December 2022 and 2021 and expected credit losses recognised in profit or loss for the year ended 31 December 2021.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Current Year.

The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at http://www.hkexnews.hk under "Latest Information" and the Company's website at http://www.cse1004.com.

The Company's 2022 annual report containing all the information required under the Listing Rules will be dispatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

DIRECTORS OF THE COMPANY

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

By order of the Board
China Smarter Energy Group Holdings Limited
Chen Xiaxuan
Chairman and Executive Director

Hong Kong, 31 March 2023