# CHINA CLEAN ENERGY TECHNOLOGY GROUP LIMITED
# 中國清潔能源科技集團有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 02379)**

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

References are made to (i) the announcement of China Clean Energy Technology Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 28 March 2022 in relation to the delay in publication of annual results for the year ended 31 December 2021 and delay in despatch on annual report for the year ended 31 December 2021; and (ii) the announcement of the Company dated 5 June 2023 in relation to the resumption guidance to publish all outstanding financial results and address any audit modifications (the "**Announcements**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

The Board is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2021 (the "**Year**") ("**2021 Financial Results**") together with comparative figures for the preceding financial year as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

| | Note | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Revenue** | 5(a) | **51,902** | 48,592 |
| Cost of properties sold | | **(152,620)** | (8,610) |
| Other revenue, income and other net (loss)/gain | 6 | **(443)** | 40,155 |
| Fair value loss on investment properties | 11 | **(12,160)** | (216,650) |
| Impairment loss on properties held for sale | | **(764)** | – |
| Other operating costs | | **(19)** | (106) |
| Reversal of impairment loss/(impairment loss) on trade receivables | 16(b) | **18,288** | (19,749) |
| Impairment loss on loan and other receivables | 12(c) | **(506,710)** | (130,000) |
| Administrative expenses | | **(12,780)** | (18,907) |
| **Loss from operations** | | **(615,306)** | (305,275) |
| Finance costs | 7(a) | **(121,604)** | (54,369) |
| **Loss before taxation** | 7 | **(736,910)** | (359,644) |
| Income tax credit | 8 | **14,351** | 122,019 |
| **Loss for the year attributable to owners of the Company** | | **(722,559)** | (237,625) |
| **Other comprehensive income for the year** | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange difference on translation of financial statements of foreign subsidiaries | | **1,129** | 2,192 |
| **Total comprehensive loss for the year** | | | |
| Attributable to owners of the Company | | **(721,430)** | (235,433) |
| **Loss per share (expressed in RMB cents)** | | | |
| Basic and diluted | 9 | **(176.1)** | (57.9) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

| | Note | **2021** *RMB'000* | 2020 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 11 | **26,640** | 38,800 |
| Property, plant and equipment | | **300** | 492 |
| Loan and other receivables | 12 | **–** | 309,000 |
| | | **26,940** | 348,292 |
| **Current assets** | | | |
| Properties held for sale | 13 | **135,620** | 288,300 |
| Loan and other receivables | 12 | **–** | 234,225 |
| Prepayments for construction costs | 14 | **153,960** | 149,450 |
| Land under development for sale | 15 | **149,806** | 148,673 |
| Trade and other receivables | 16 | **1,065** | 896 |
| Cash and cash equivalents | | **9,032** | 5,588 |
| | | **449,483** | 827,132 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **243,265** | 113,546 |
| Amount due to former director | | **799** | 825 |
| Amount due to Mr. Chen Jun | | **31,561** | 26,456 |
| Tax payable | | **14,528** | 14,528 |
| Bank and other borrowings | 18 | **687,482** | 773,000 |
| | | **977,635** | 928,355 |
| **Net current liabilities** | | **(528,152)** | (101,223) |
| **Total assets less current liabilities** | | **(501,212)** | 247,069 |
| **Non-current liabilities** | | | |
| Bank and other borrowings | 18 | **–** | 12,500 |
| Deferred tax liabilities | | **50,486** | 64,837 |
| | | **50,486** | 77,337 |
| **Net (liabilities)/assets** | | **(551,698)** | 169,732 |
| **Capital and reserves** | | | |
| Share capital | 19 | **3,667** | 3,667 |
| Reserves | | **(555,365)** | 166,065 |
| **Total (deficit)/equity** | | **(551,698)** | 169,732 |

*Notes:*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 December 2003 under the Companies Law of the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 22 September 2004. The addresses of the registered office and principal of business of the Company are disclosed in the corporate information to the annual report.

The principal business activities of the Group are property development, property leasing and investment, and provision of renovation services and financial services in the People's Republic of China (the "**PRC**").

**Appointment of receiver and change of directors**

In 2017 and 2019, Mr. Chen Jun and two companies owned by Mr. Chen Jun charged a total of 238,042,781 shares of the Company, representing 58.03% of the issued shares of the Company ("**Charged Shares**") to Zhongtai Financial Investment Limited ("**Zhongtai Financial**"). On 21 May 2020, Zhongtai Financial appointed Mr. Yuen Tsz Chun Frank as the receiver over the Charged Shares (the "**Receiver**"). On 21 June 2021, Messrs. Osman Mohammed Arab and Lai Wing Lun were appointed as the joint and several receivers and managers (the "**Receivers**") of the Charged Shares to replace the Receiver.

The Receivers convened an extraordinary general meeting of the Company on 25 November 2021, in which Mr. Chen Jun was removed as the executive director and chairman of the board of directors of the Company; and Ms. Chan Chak Kwan, Mr. Cui Haitao and Mr. Liu Jin Lu were removed as the independent non-executive directors of the Company. In addition, Mr. Wong Chi Shing, Mr. Chiang Chi Kin Stephen and Mr. Mak Tin Sang were appointed as the independent non-executive directors of the Company.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 4 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.

**(b) Going concern basis**

The Group incurred a loss of RMB722,559,000 for the year ended 31 December 2021. As at 31 December 2021, the Group had a net deficit attributable to owners of the Company of RMB551,698,000 and the Group's current liabilities exceeded its current assets by RMB528,152,000. In addition to the above:

(i) The Group was unable to make repayments of other borrowings of RMB600,000,000 upon the due dates on 1 December 2020, 28 June 2021 and 28 June 2022, respectively. As a result, the trust scheme took legal actions and filed a claim against the Group's subsidiary, Qingdao Fuli Wellness Industrial Park Company Limited ("**Fuli Wellness**") as borrower, Mr. Chen Jun and Ms. Su Haiqing as guarantors, to recover the total outstanding principal, interests and default interests of RMB716,553,000. On 31 May 2022, the Intermediate People's Court of Qingdao City issued a judgement in favour of the trust scheme ordered that Fuli Wellness to repay the outstanding loan principal, interests and default interests. On 18 January 2023, the trust scheme enforced the judgement and took possession of the land under development of RMB149,806,000 and prepayments for construction costs of RMB153,960,000 as at 31 December 2021. Up to the date of this announcement, the auction for sale of land under development has not been made by the trust scheme.

(ii) The Group was unable to make repayments of bank borrowings of RMB40,000,000 upon the due date. As a result, Weifang Bank took legal actions and filed a claim against the Group's subsidiary, Qingdao Zhongtian Software Park Co., Ltd. ("**Zhongtian Software Park**") as borrower and Mr. Chen Jun as guarantor, to recover the total outstanding principal, interests and default interests of RMB43,260,000 due to Weifang Bank. On 12 December 2022, the People's Court of North District issued a judgement in favour of Weifang Bank ordered that Zhongtian Software Park to repay loan principal, interests and default interests due to Weifang Bank. On 18 May 2023, Weifang Bank enforced the judgement and took possession of the properties held for sale with carrying amount of RMB47,567,000 as at 31 December 2021. Up to the date of this announcement, the auction for sale of the properties held for sale has not been made by Weifang Bank.

(iii) The Group was unable to make repayments of bank borrowings of RMB37,428,000 upon the due date. As a result, Huaxia Bank took legal actions and filed a claim against the Group's subsidiary, Zhongtian Software Park as borrower and Mr. Chen Jun as guarantor, to recover the total outstanding principal, interests and default interests of RMB37,504,000 due to Huaxia Bank. On 10 May 2022, the High People's Court of Shandong Province issued a judgement in favour of Huaxia Bank ordered that Zhongtian Software Park to repay the loan principal, interests and default interests to Huaxia Bank. Up to the date of this announcement, Huaxia Bank has not enforced the judgement nor take possession of the security, being the properties held for sale of RMB50,515,000 as at 31 December 2021 under the bank borrowings.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but not limited to, the following:

(i) On 16 June 2023, the Company entered into agreements with Mr. Chen Yancheng (the "**Purchaser**"), nephew of Mr. Chen Jun to dispose of its entire 100% equity interests in Success Advantage Limited and Great Miracle Holdings Limited, which indirect hold the 100% equity interests in Fuli Wellness and Zhongtian Software Park, respectively, for a total consideration of RMB1 each, (the "**Disposals**") to mitigate the liquidity pressure of the Group. Mr. Chen Jun, was an executive director of the Company during the year ended 31 December 2021, is a director of various subsidiaries of the Group, and thus a connected person of the Company at subsidiary level, and the Purchaser is a deemed connected person under the Listing Rules. The completion of the Disposals will be subject to the Company's compliance with the Listing Rules.

(ii) On 16 June 2023, the Group through its subsidiary, Qingdao Zhongqingji Energy Co., Ltd entered into a sub-lease agreement with a company, 豐卓(上海)文化旅遊發展有限公司 (Fengzhou (Shanghai) Cultural Tourism Tourism Development Co., Ltd.) (the "**Intermediate Lessor**") owned by Mr. Chen Yancheng, nephew of Mr. Chen Jun to lease a property (the "**Property**") in Shinan District, Qingdao City, the PRC for a term of 9 years and 7 months from 1 June 2023 to 31 December 2032. The landlord of the Property is 青島國敦大酒有限公司 ("**青島國敦**"), which is indirectly wholly owned by Mr. Chen Jun. The Property is first leased by 青島國敦 to the Intermediate Lessor for a period of 15 years from 1 January 2018 to 31 December 2032 to invest and operate a hotel. After the acquisition, the Property will be managed and sub-let by the Group for operating as hotel, catering and commercial complex. Mr. Chen Jun was a former director of the Company and a director of various subsidiaries of the Group, and thus a connected person of the Company at subsidiary level, and the Intermediate Lessor is a deemed connected person under the Listing Rules. The acquisition of assets through sub-lease agreement constitutes a very substantial acquisition under the Listing Rules and therefore the completion of the transaction is subject to the fulfillment of the Listing Rules regulations.

The directors of the Company are of the opinion that, taking into account the above measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the next twelve months from the date of approval of the consolidated financial statements for the year ended 31 December 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2021 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to implement the abovementioned plans and measures. Whether the Group will be able to continue as a going concern would depend on the Group's ability to generate net operating cash inflows through the following:

(i) Successfully completing the disposals of Fuli Wellness and Zhongtian Software Park so that the loans, interests and default interests will no longer be the Group's liabilities in accordance with the disposal agreements such that the Group does not need to obtain additional financing to repay such loans; and

(ii) Successfully completing the aforesaid long-term sub-lease arrangement so that the Group will be engaged in sub-leasing operation to generate net operating cash inflows.

All of the above conditions indicate the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which 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.

## 3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "**Group**").

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). These financial statements are presented in RMB, rounded to the nearest thousand, except for per share data.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at the fair value as explained in the accounting policies set out below:

– Investment properties

The preparation of 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 amounts of assets and liabilities 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.

## 4. APPLICATION OF AMENDMENTS TO HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period:

| | |
|---|---|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest rate benchmark reform – phase 2 |
| Amendment to HKFRS 16 | Covid-19-related rent concessions beyond 30 June 2021 |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

## 5. REVENUE AND SEGMENT INFORMATION

### (a) Revenue

Revenue represents the rental income from properties, the sale of properties, and revenue from provision of financial services. Further details regarding the Group's principal activities and disclosed in note 5(b).

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Gross rental income from properties | **9,682** | 29,588 |
| Revenue from sale of properties | **42,220** | 11,700 |
| Revenue from provision of financial services | **–** | 7,304 |
| | **51,902** | 48,592 |

### (b) Segment information

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**") for the purposes of resources allocation and assessment of segment performance. The Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property segment: this segment includes property development, investment and leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term. All of the Group's investment properties are located in the PRC.

- Financial service segment: provision of services in connection with financing and procurement arrangements in the PRC, details of which are disclosed in Note 12.

- Renovation service segment: provision of services in connection with arranging renovation projects in the PRC.

For the purposes of assessing segment performance and allocation of resources between segments, the Group's CODM monitors the results, assets and liabilities of each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segment and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is "segment operating results". Segment operating profit/loss includes the operating profit/loss generated by the segment without allocation of central administration costs. Taxation charge is not allocated to reportable segment.

*(i)* ***Segment results, assets and liabilities***

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 are set out below:

**For the year ended 31 December 2021**

| | **Property** *RMB'000* | **Financial service** *RMB'000* | **Renovation service** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|
| Disaggregation by timing of revenue recognition | | | | |
| At a point in time | **42,220** | **–** | **–** | **42,220** |
| Over time | **9,682** | **–** | **–** | **9,682** |
| | **51,902** | **–** | **–** | **51,902** |
| Reportable segment results | **(115,637)** | **(621,446)** | **5,284** | **(731,799)** |
| Interest income | **20** | **–** | **–** | **20** |
| Cost of properties sold | **(152,620)** | **–** | **–** | **(152,620)** |
| Depreciation | **(151)** | **–** | **–** | **(151)** |
| Finance costs | **(9,592)** | **(112,012)** | **–** | **(121,604)** |
| Change in fair value of investment properties | **(12,160)** | **–** | **–** | **(12,160)** |
| Impairment loss on properties held for sale | **(764)** | **–** | **–** | **(764)** |
| Reversal of impairment loss on trade receivables | **13,004** | **–** | **5,284** | **18,288** |
| Impairment loss on loan and other receivables | **–** | **(506,710)** | **–** | **(506,710)** |
| Reportable segment assets | **475,735** | **–** | **–** | **475,735** |
| Reportable segment liabilities | **(281,017)** | **(714,735)** | **–** | **(995,752)** |

For the year ended 31 December 2020

| | Property *RMB'000* | Financial service *RMB'000* | Renovation service *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| Disaggregation by timing of revenue recognition | | | | |
| At a point in time | 11,700 | 7,304 | – | 19,004 |
| Over time | 29,588 | – | – | 29,588 |
| | 41,288 | 7,304 | – | 48,592 |
| Reportable segment results | (225,194) | (122,293) | (6,688) | (354,175) |
| Interest income | 36 | 41,164 | – | 41,200 |
| Cost of properties sold | (8,610) | – | – | (8,610) |
| Depreciation and amortisation | (253) | – | – | (253) |
| Finance costs | (13,608) | (40,761) | – | (54,369) |
| Change in fair value of investment properties | (216,650) | – | – | (216,650) |
| Impairment loss on trade receivables | (13,061) | – | (6,688) | (19,749) |
| Impairment loss on loan and other receivables | – | (130,000) | – | (130,000) |
| Reportable segment assets | 626,961 | 543,225 | – | 1,170,186 |
| Reportable segment liabilities | 340,203 | 635,523 | – | 975,726 |

### *(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:*

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| Total reportable segment revenue | **51,902** | 48,592 |
| Elimination of inter-segment revenue | **–** | – |
| Consolidated revenue | **51,902** | 48,592 |
| **Loss** | | |
| Reportable segment results | **(731,799)** | (354,175) |
| Unallocated other corporate expenses | **(5,111)** | (5,469) |
| Consolidated loss before taxation | **(736,910)** | (359,644) |
| **Assets** | | |
| Total reportable segment assets | **475,735** | 1,170,186 |
| Unallocated cash and cash equivalents | **203** | 5,000 |
| Other unallocated corporate assets | **485** | 238 |
| Consolidated assets | **476,423** | 1,175,424 |
| **Liabilities** | | |
| Total reportable segment liabilities | **995,752** | 975,726 |
| Unallocated income tax payable | **1,100** | 1,100 |
| Unallocated corporate liabilities | **31,269** | 28,866 |
| Consolidated liabilities | **1,028,121** | 1,005,692 |

### *(iii) Geographical information*

In determining the Group's geographical information, revenues and operating results are attributed to the geographical location based on the location of the customers, and assets are attributed to the geographical location based on the location of the assets. As the Group's major operations and markets including location of the non-current assets are all located in the PRC, no further geographical information is provided.

### *(iv) Information from major customers*

Revenue from external customers contributing 10% or more of the total revenue from the Group is as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Customer A – rental income from properties | **–** | 16,796 |
| Customer B – sale of properties | **26,322** | – |
| Customer C – sale of properties | **15,898** | – |
| Customer D – sale of properties | **–** | 11,700 |
| Customer E – financial services | **–** | 7,304 |

## 6. OTHER REVENUE, INCOME AND OTHER NET (LOSS)/GAIN

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income from loan receivable | **–** | 40,761 |
| Interest income from bank deposits | **24** | 36 |
| Imputed interest on income receivable from provision of financial service | **–** | 403 |
| Interest income on financial assets measured at amortised cost | **24** | 41,200 |
| Exchange loss, net | **(479)** | (1,070) |
| Sundry income | **12** | 25 |
| | **(443)** | 40,155 |

## 7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(a) Finance costs** | | |
| Interest on bank and other borrowings | **121,604** | 54,369 |
| **(b) Staff costs (including directors' remuneration)** | | |
| Salaries, wages and other benefits | **4,067** | 3,590 |
| Contributions to defined contribution retirement plans | **498** | 183 |
| | **4,565** | 3,773 |
| **(c) Other items** | | |
| Auditor's remuneration – audit services | **788** | 703 |
| Bad debts written off | **1,612** | – |
| Depreciation of property, plant and equipment | **192** | 322 |
| Gross rental income from investment properties less direct outgoings of RMB79,000 (2020: RMB68,000) | **(9,603)** | (29,529) |

## 8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax – PRC Enterprise Income Tax | | |
| – provision for current year | **–** | 4,402 |
| Deferred taxation: | | |
| – origination and reversal of temporary differences | **(14,351)** | (126,421) |
| Income tax credit | **(14,351)** | (122,019) |

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2020: 25%).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2021 and 2020, as the Group did not have assessable profits subject to Hong Kong Profits Tax during the two years.

## 9. LOSS PER SHARE

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loss for the year | **(722,559)** | (237,625) |

| | **2021** | 2020 |
|---|---|---|
| Weighted average number of ordinary shares | **410,209,122** | 410,209,122 |

For the years ended 31 December 2021 and 2020, diluted loss per share are same as basic loss per share because the Company had no dilutive potential ordinary shares outstanding.

## 10. DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

## 11. INVESTMENT PROPERTIES

| | RMB'000 |
|---|---|
| At 1 January 2020 | 549,060 |
| Addition | 3,300 |
| Loss from fair value change | (216,650) |
| Transferred to properties held for sale | (296,910) |
| At 31 December 2020 and 1 January 2021 | 38,800 |
| Loss from fair value change *(note (b))* | (12,160) |
| At 31 December 2021 | 26,640 |

*Note:*

**(a)** The analysis of carrying amounts of investment properties is as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| In Qingdao, the PRC | | |
| – Commercial | **26,640** | 38,800 |

All the investment properties of the Group are held for rental purposes and/or capital appreciation in future.

**(b) Fair value measurements of investment properties**

***(i) Fair value hierarchy***

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified 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. |

| | Fair value as at 31 December 2021 | Fair value measurements as at 31 December 2021 categorised into | | |
|---|---|---|---|---|
| | | **Level 1** | **Level 2** | **Level 3** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| **Recurring fair value measurement** | | | | |
| Investment properties: | | | | |
| Commercial – PRC | **26,640** | **–** | **–** | **26,640** |

| | Fair value as at 31 December 2020 | Fair value measurements as at 31 December 2020 categorised into | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Recurring fair value measurement** | | | | |
| Investment properties: | | | | |
| Commercial – PRC | 38,800 | – | – | 38,800 |

During the years ended 31 December 2021 and 2020, 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 as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued on 31 December 2021 by Cushman & Wakefield Limited ("**CWL**") (2020: Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**")), being an independent firm of valuers, who has amongst its staff, fellow members of chartered surveyors with qualification and recent experience in the location and category of similar properties being valued. The senior management of the Group had discussions with the valuers on the valuation assumptions and valuation results when the valuations for the Group's investment properties were performed at the respective reporting dates.

## 12. LOAN AND OTHER RECEIVABLES

| | Loan receivable within 1 year *RMB'000* | Loan receivable after 1 year *RMB'000* | Income from provision of financial services receivables *RMB'000* | Loan interest receivable *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Current | 240,000 | – | 30,280 | 42,945 | 313,225 |
| Non-current | – | 360,000 | – | – | 360,000 |
| | 240,000 | 360,000 | 30,280 | 42,945 | 673,225 |
| Allowance for expected credit loss | (54,000) | (51,000) | (10,000) | (15,000) | (130,000) |
| At 31 December 2020 | 186,000 | 309,000 | 20,280 | 27,945 | 543,225 |
| **2021** | | | | | |
| Current | 600,000 | – | 21,710 | 15,000 | 636,710 |
| Allowance for expected credit loss | (600,000) | – | (21,710) | (15,000) | (636,710) |
| At 31 December 2021 | – | – | – | – | – |

*Note:*

(a) On 17 July 2017, Fuli Wellness (formerly known as Qingdao Zhongtian Development Co., Ltd), an indirect wholly-owned subsidiary of the Company, entered into a construction and procurement agreement (the "**Construction and Procurement Agreement**") with a third party, namely Qingdao Ruiding Energy Co., Ltd.（青島瑞鼎能源有限公司）natural gas operator (the "**Gas Operator**") and a third party supplier of materials and equipment, namely Qingdao Ruikangjie New Energy Materials Co., Ltd.（青島瑞康捷新能源材料有限公司）(the "**Supplier**"), for construction of the Gas Operation for a term of 10 years (the "**Natural Gas Project"**). In accordance with the commercial substance of the arrangements under the Construction and Procurement Agreement and a supplemental agreement dated 26 March 2018, Fuli Wellness provided the financial services to the Gas Operator and obtained a loan of RMB600,000,000 (the "**Project Loan**") from an independent third party trust scheme (note 18). At the instructions of the Gas Operator, the Project Loan of RMB600,000,000 was transferred to the Supplier as advanced payments made by the Gas Operator for purchase of materials and equipment in connection with the construction of the Natural Gas Project of the Gas Operator. The Project Loan was obtained by Fuli Wellness from the trust scheme on a back-to-back basis for the Gas Operator. Out of the proceeds of the Project Loan of RMB600,000,000 obtained from the trust scheme, the Gas Operator (as one of the beneficiaries of the trust scheme) contributed RMB120,000,000, representing 20% of the Project Loan, to the trust scheme. The Gas Operator shall repay Fuli Wellness for the entire Project Loan by three instalments of RMB120,000,000, RMB120,000,000 and RMB360,000,000, on 31 May 2020, 31 May 2021 and 31 May 2022, respectively. The interests accrued thereon shall be repaid on a quarterly basis. On 18 June 2018, the Gas Operator and Fuli Wellness entered into a pledge agreement, pursuant to which the principal of Project Loan receivable from the Gas Operator, together with the interest accrued thereon and service charges as detailed below, were secured by the collateral of the business and relevant assets of the Natural Gas Project of the Gas Operator.

In consideration of the financial services rendered by Fuli Wellness, the Gas Operator shall pay Fuli Wellness a financial service fee, which is recognised on a daily basis of RMB24,658 (inclusive of value-added tax) per day and on straight line basis over the contract term of 10 years. During the year ended 31 December 2020, financial service income of RMB9,025,000 net of value-added tax of RMB1,038,000 and discounting effect of RMB683,000, amounting to RMB7,304,000 was recognised in the profit or loss.

Since the Gas Operator failed to repay the first instalment of the loan of RMB120,000,000 in 2020, the Group did not take any legal actions to recover the amount due from the Gas Operator, the Group also did not take any action to enforce the pledge agreement to foreclose the business and relevant assets of the Natural Gas Project of the Gas Operator.

On 18 March 2022, Fuli Wellness, the Gas Operator, Mr. Chen Jun, 青島聯瑞新能源合伙企業(有限合伙)("**青島聯瑞**") and 青島瑞鼎能源開發有限公司 ("**瑞鼎能源開發**") entered into a 監管委任協議, pursuant to which (i) the Gas Operator owed Fuli Wellness RMB600,000,000 and related interests remained outstanding and (ii) 瑞鼎能源 and the Gas Operator agreed to change the shareholders and the legal representative of the Gas Operator to persons appointed by Fuli Wellness.

青島聯瑞 is a limited liability company in the PRC formed on 21 February 2022. Mr. Chen Jun is the legal representative of 青島聯瑞. Mr. Chen Jun and his father Mr. Chen Dezhao held 20% and 80% equity interests in 青島聯瑞, respectively. Starting from 21 February 2022, 青島聯瑞 held 100% equity interest in the Gas Operator which is also a limited liability company in the PRC.

In addition, Fuli Wellness appointed Mr. Chen Jun and 青島聯瑞 as the legal representative of and to hold its shareholding in the Gas Operator, respectively. Upon the Gas Operator repaid all the outstanding debts due to Fuli Wellness, Fuli Wellness shall change the shareholders and legal representative to the persons designated by the Gas Operator and 瑞鼎能源開發.

(b) (i) At 31 December 2021, the credit risk of the loan receivables was deemed to have increased significantly since the Gas Operator has failed to repay the scheduled instalments of RMB600,000,000. The Company has made a lifetime expected credit loss provision to all related receivables at 31 December 2021.

The Group assessed the loan and loan interest receivables, together with the service income receivable, totaling approximately RMB636,710,000 (2020: RMB673,225,000), based on the statutory financial statements of the Gas Operator as at 31 December 2021 made available to the Group. The Group also engaged an independent professional valuer, JLL to perform a valuation on the recoverable amount of the amount due by the Gas Operator. According to Mr. Chen Jun, the Gas Operator no longer meets the project requirements of natural gas pipeline networks for distribution of natural gas in the designated areas in Qingdao, the PRC and the realisation value of the business and relevant assets of the Natural Gas Project was immaterial. Therefore, JLL performed the valuation based on the liquidation value of the Gas Operator as the Natural Gas Project has been suspended. According to the valuation report, the recoverable amount of the amount due from the Gas Operator is nil and full impairment was made in the consolidated financial statements. The valuation also assume that no compensation from the local government for the termination of 管道天然氣特許經營協議 would be available.

(ii) At 31 December 2020, the credit risk of the receivables from the Gas Operator was deemed to have increased significantly since the Gas Operator failed to repay the scheduled first instalment of RMB120,000,000 on time during the year. Therefore, the Company has made a lifetime expected credit loss provision for all related debts at 31 December 2020.

The Group assessed the recoverability of the long-term loan and interest receivables, together with the service income receivable, totalled approximately RMB673,225,000, taking into account forward-looking information available like forecast of economic conditions, current conditions at the end of the reporting period and other factors specific to the Gas Operator and the financial abilities of the Gas Operator based on its latest unaudited management accounts at 31 December 2020 made available to the Group, and the recoverable amount of the business and its relevant assets of the Gas Operator, being collaterals as an identified cash-generating unit, by reference to a valuation performed by CHFT Advisory And Appraisal Limited, an independent professional valuer with qualifications and experiences in valuing similar assets.

(iii) Based on the assessment, provision for lifetime ECL amounting to RMB636,710,000 (2020: RMB130,000,000) was made in these financial assets as at 31 December 2021 as follows:

| | Loan receivable within 1 year *RMB'000* | Loan receivable after 1 year *RMB'000* | Income from provision of financial services receivable *RMB'000* | Loan interest receivable *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| At 1 January 2020 | – | – | – | – | – |
| Allowance for expected credit loss *(note (ii))* | 54,000 | 51,000 | 10,000 | 15,000 | 130,000 |
| At 31 December 2020 and 1 January 2021 | 54,000 | 51,000 | 10,000 | 15,000 | 130,000 |
| Reclassification | 51,000 | (51,000) | – | – | – |
| Allowance for expected credit loss *(note (i))* | 495,000 | – | 11,710 | – | 506,710 |
| At 31 December 2021 | 600,000 | – | 21,710 | 15,000 | 636,710 |

## 13. PROPERTIES HELD FOR SALE

| | **2021** **RMB'000** | 2020 *RMB'000* |
|---|---|---|
| As at 1 January | **288,300** | – |
| Transfer from investment properties | **–** | 296,910 |
| Additions | **704** | – |
| Disposal of properties | **(152,620)** | (8,610) |
| Impairment loss recognised | **(764)** | – |
| As at 31 December | **135,620** | 288,300 |

At 31 December 2021, properties held sale with a carrying amount of RMB98,080,000 (2020: RMB288,300,000) have been pledged to secure bank borrowings granted to the Group.

## 14. PREPAYMENTS FOR CONSTRUCTION COSTS

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Prepayments for construction costs *(note)* | **153,960** | 149,450 |

The Group entered into construction contract with an independent main contractor, for the construction of the land into residential units and commercial properties for sale. In accordance with the terms of the construction contract, the Group has made prepayments of approximately RMB153,810,000 (2020: RMB149,300,000) to the main contractor as at 31 December 2021.

Based the fair value of the land according to the valuation performed by independent professional valuer, the directors of the Company are of the view that there is no impairment on prepayments for construction costs at 31 December 2021.

## 15. LAND UNDER DEVELOPMENT FOR SALE

At 31 December 2021 and 2020, the fair value of the land under development, based on the valuation performed by an independent professional valuer, CWL (2020: JLL) on an existing use basis and direct comparison approach, exceeded to its carrying amount and no impairment is considered necessary.

## 16. TRADE AND OTHER RECEIVABLES

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | | |
| – contracts with customers | **223** | – |
| – leases | **1,460** | 21,619 |
| | **1,683** | 21,619 |
| Less: Allowance for expected credit losses *(note (b))* | **(1,460)** | (21,360) |
| Trade receivables, net *(note (a))* | **223** | 259 |
| Other receivables | **595** | 513 |
| Financial assets at amortised cost | **818** | 772 |
| Prepayments | **247** | 124 |
| | **1,065** | 896 |

*Notes:*

**(a) Ageing analysis**

At of the end of the reporting period, the ageing analysis of trade receivables based on date of revenue recognition, and net of doubtful debts, is as follows:

| | 2021 | 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| 0–30 days | **223** | 37 |
| 31–60 days | **–** | 37 |
| 61–90 days | **–** | 37 |
| 91–180 days | **–** | 148 |
| 181–365 days | **–** | 873 |
| | **223** | 259 |

**(b) Impairment of trade receivables**

Impairment loss in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

| | 2021 | 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| At 1 January | **21,360** | 1,611 |
| Provision of impairment loss | **–** | 19,749 |
| Reversal of impairment | **(18,288)** | – |
| Written off | **(1,612)** | – |
| At 31 December | **1,460** | 21,360 |

## 17. TRADE AND OTHER PAYABLES

| | 2021<br>*RMB'000* | 2020<br>*RMB'000* |
|---|---|---|
| Trade payables | **3,890** | 3,884 |
| Other payables and accruals | **26,330** | 27,483 |
| Loan interest payables | **146,068** | 31,464 |
| Receipts in advance | **20,864** | 2,944 |
| Value-Added tax and property tax | **41,185** | 37,742 |
| Land appreciation tax | **2,672** | 7,516 |
| Others | **2,256** | 2,513 |
| | **243,265** | 113,546 |

At the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

| | 2021<br>*RMB'000* | 2020<br>*RMB'000* |
|---|---|---|
| Within 1 year | **6** | – |
| Over 1 year | **3,884** | 3,884 |
| | **3,890** | 3,884 |

## 18. BANK AND OTHER BORROWINGS

| | *Note* | 2021<br>*RMB'000* | 2020<br>*RMB'000* |
|---|---|---|---|
| Bank borrowings | | | |
| – Loan A | (a) | **10,000** | 10,000 |
| – Loan B | (b) | **37,482** | 135,500 |
| – Loan C | (c) | **40,000** | 40,000 |
| Other borrowings from a trust scheme | (d) | **600,000** | 600,000 |
| | | **687,482** | 785,500 |

The analysis of the repayment schedule of bank and other borrowings is as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **687,482** | 773,000 |
| After 1 year but within 2 years | **–** | 12,500 |
| | **687,482** | 785,500 |

At 31 December 2021, except for Loan A, all the other bank and other borrowings of RMB677,482,000 were either overdue or in default.

At 31 December 2021, bank and other borrowings bear interest at 5.88% to 9.30% per annum (2020: 5.88% to 8.00% per annum).

*Note:*

(a) Loan A of RMB10,000,000 (2020: RMB10,000,000) is secured by investment properties with a carrying amount of RMB26,640,000 (2020: RMB38,800,000) as at 31 December 2021 and guaranteed by Mr. Chen Jun.

(b) Loan B of RMB37,482,000 (2020: RMB135,500,000) is secured by properties held for sale with a carrying amount of RMB50,513,000 as at 31 December 2021 and guaranteed by Mr. Chen Jun. Zhongtian Software Park failed to make loan repayments during the year ended 31 December 2021. As a result, Huaxia Bank took legal actions and filed a claim against Zhongtian Software Park as borrower and Mr. Chen Jun as guarantor, to recover the total outstanding loan principal, interests and default interests of RMB37,504,000 due to Huaxia Bank. On 10 May 2022, the High People's Court of Shandong Province issued a judgement in favour of Huaxia Bank ordered that Zhongtian Software Park to repay the loan principal, interests and default interests of RMB37,504,000 due to Huaxia Bank. Up to the date of this announcement, Huaxia Bank has not enforced the judgement nor the possession of the security under the bank borrowings, being the properties held for sale of RMB50,513,000 as at 31 December 2021.

(c) Loan C of RMB40,000,000 (2020: RMB40,000,000) is secured by properties held for sale with a carrying amount of RMB47,567,000 as at 31 December 2021 and guaranteed by Mr. Chen Jun. Zhongtian Software Park failed to make loan repayments during the year ended 31 December 2021. As a result, Weifang Bank took legal actions and filed a claim against Zhongtian Software Park as borrower and Mr. Chen as guarantor, to recover the total outstanding loan principal, interests and default interests of RMB43,260,000 due to Weifang Bank. On 12 December 2022, the People's Court of North District, Qingdao City issued a judgement in favour of Weifang Bank ordered that Zhongtian Software Park to repay the loan principal, interests and default interests of RMB43,260,000 due to Weifang Bank. On 18 May 2023, Weifang Bank enforced the judgement and took possession of properties held for sale with a carrying amount of RMB47,567,000 as at 31 December 2021.

(d) Other borrowings of RMB600,000,000 (2020: RMB600,000,000) from the trust scheme are secured by the land under development for sale of RMB149,806,000 (2020: RMB148,673,000) and the related prepayments for construction costs of RMB153,960,000 (2020: RMB149,450,000), the Group's 100% equity interest in a subsidiary, Fuli Wellness and personal guarantees provided by Mr. Chen Jun and his spouse, Ms. Su Haiqing. The other borrowings were lent to the Gas Operator as disclosed in note 12. As part of the arrangement for the other borrowings of RMB600,000,000 obtained from the trust scheme to which the Gas Operator (one of the beneficiaries of the trust scheme) contributed RMB120,000,000 which is subordinated to the remaining scheme fund of RMB480,000,000 contributed by the other independent third party beneficiaries of the trust scheme. The Gas Operator has also provided an unlimited guarantee in favour of the trust scheme for the repayment of the other borrowings of RMB600,000,000 and the accrued interest thereon at the effective interest rate of 6.49% per annum.

The principal of the borrowings of RMB600,000,000 from the trust scheme was scheduled to be repayable by the following instalments:

– RMB120,000,000 on 28 June 2020, as amended to 31 December 2020;

– RMB120,000,000 on 28 June 2021; and

– RMB360,000,000 on 28 June 2022.

The Group failed to make the repayment of RMB240,000,000 (2020: RMB120,000,000) up to 31 December 2021 and the entire loan of RMB600,000,000 (2020: RMB600,000,000) and the total accrued interest of approximately RMB143,476,000 (2020: RMB31,464,000) are classified under current liabilities.

In 2022, the trust scheme took legal actions and filed a claim against Fuli Wellness as borrower, Mr. Chen Jun and Ms. Su Haiqing as guarantors, to recover the total outstanding loan principal, interests and default interests of RMB716,553,000 due to the trust scheme. On 31 May 2022, the Intermediate People's Court of Qingdao City issued a judgement in favour of the trust scheme ordered that Fuli Wellness to repay the loan principal, interests and default interests due to the trust scheme. On 18 January 2023, the trust scheme enforced the judgement and took possession of land under development for sale and prepayments for construction costs with carrying amounts of RMB149,806,000 and RMB153,960,000 as at 31 December 2021. Up to the date of this announcement, the auction for sale of land under development has not been made by the trust scheme.

## 19. SHARE CAPITAL

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **No. of shares** | **Amount** | No. of shares | Amount |
| | ***'000*** | ***HK$'000*** | *'000* | *HK$'000* |
| Authorised: | | | | |
| Ordinary shares of HK$0.01 each | **10,000,000** | **100,000** | 10,000,000 | 100,000 |

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **No. of shares** | **Amount** | No. of shares | Amount |
| | ***'000*** | ***RMB'000*** | *'000* | *RMB'000* |
| Issued: | | | | |
| Ordinary shares of HK$0.01 each | | | | |
| At 1 January and 31 December | **410,209** | **3,667** | 410,209 | 3,667 |

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

### Basis for disclaimer of opinion

#### *Multiple uncertainties relating to going concern*

As set out in note 2(b) to the consolidated financial statements, the Group incurred a loss of RMB722,559,000 for the year ended 31 December 2021. As at 31 December 2021, the Group had a net deficit attributable to owners of the Company of RMB551,698,000 and the Group's current liabilities exceeded its current assets by RMB528,152,000.

As more fully disclosed in notes 2(b), 21 and 23 to the consolidated financial statements, as at 31 December 2021, the Group had bank and other borrowings of RMB677,482,000, which were either overdue or in default, and the relevant loan interest payables of RMB146,068,000, totalling RMB823,550,000. In 2021 and 2022, legal actions and claims were made by three lenders against two of the Group's subsidiaries, namely, Qingdao Fuli Wellness Industrial Park Company Limited ("**Fuli Wellness**") and Qingdao Zhongtian Software Park Co., Ltd ("**Zhongtian Software Park**") to demand immediate full repayments of the outstanding principals, interests and default interests. Judgements have been made by courts in favour of the lenders. In 2023, two lenders enforced the judgements and took possession of the properties held for sale of RMB47,567,000, land under development for sale of RMB149,806,000 and prepayments for construction costs of RMB153,960,000 as at 31 December 2021 pledged against the bank and other borrowings.

As disclosed in note 2(b) to the consolidated financial statements, a winding up petition (the "**Petition**") was presented by a creditor (the "**Petitioner**") of the Group in November 2021 against the Company, as guarantor, in respect of an other payable of RMB14,487,000. Subsequently, the Company received a summons from the Petitioner to withdraw the Petition and the Petition against the Company was dismissed in June 2022.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out on note 2(b) to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) successfully completing the disposals of the entire interests in indirect holding companies of Fuli Wellness and Zhongtian Software Park, so that the bank and other borrowings, accrued interests and default interests totalling RMB823,550,000 as at 31 December 2021 owed by Fuli Wellness and Zhongtian Software Park will no longer be the Group's liabilities in accordance with the disposal agreements such that the Group does not need to obtain additional financing to repay such debts; and (ii) successfully completing the long-term sub-lease agreement to carry out certain business operations to generate net operating cash inflows.

These conditions indicate the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which may 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

During the Year, the Group is principally engaged in financing services, trading of chemical, property leasing and property development. On 17 July 2017, Qingdao Fuli Wellness Industrial Park Company Limited (formerly known as Qingdao Zhongtian Enterprises Development Co., Ltd) ("**Fuli Wellness**"), an indirect wholly-owned subsidiary of the Company, entered into a construction and procurement agreement with a natural gas operator and a supplier. In accordance with the aforesaid arrangement, as clarified by a supplemental agreement made between Fuli Wellness and the Gas Operator on 26 March 2018, Fuli Wellness was appointed by the Gas Operator to provide the financial services.

Qingdao Zhongtian Software Park Co., Ltd ("**Software Park**"), an indirect wholly-owned subsidiary of the Company, sells, leases and provides operational services for the properties of the Group's subsidiaries located in Qingdao City, the PRC. During the Year, the segment sold its certain properties, which was a continuation of the Company's operating business. Due to the impact of the Corona Virus Disease 2019 ("**COVID-19**") pandemic, the business of disposal of properties will be changed depending on the change of the market, and the leasing of the properties as well as the operational services will be strengthened.

The land of the Group which is under development (the "**Land**") is situated within the Chengyang District in Qingdao City, which is subject to the government's planning permit as well as the commencement report, and the approval process is in progress.

The name of the Company has been changed from "Zhongtian International Limited 中天國際控股有限公司" to "China Clean Energy Technology Group Limited 中國清潔能源科技集團有限公司" during the Year.

## FINANCIAL REVIEW

### Turnover

The Group's total turnover for the Year was approximately RMB51,902,000, representing an increase of approximately 6.8% from approximately RMB48,592,000 for the year in 2020. This was mainly attributable to the revenue generated from the sale of properties in the Year as compared to 2020.

### Other Income and Other Net (Loss)/Gain

The Group's other income and other net (loss)/gain for the Year were loss of approximately RMB443,000 compared to a gain of RMB40,155,000 in 2020. This was mainly attributable to no interest income recognised for loan receivable in the financial service segment.

**Administrative Expenses**

The Group's administrative expenses for the Year were approximately RMB12,780,000 (2020: RMB18,907,000), representing a decrease of approximately 32% over the corresponding year ended 31 December 2020. This was mainly attributable to the decrease in extra expenses related to rental matters during the Year.

**Net Loss**

During the Year, the Group recorded a net loss of approximately RMB722,559,000, while the net loss was approximately RMB237,625,000 for the year in 2020. The loss was mainly attributable to the increase in impairment loss on loan and other receivable in the Year as compared to 2020.

**Fair Value Loss on Investment Properties**

During the Year, the Group recorded a fair value loss on investment properties of approximately RMB12,160,000 (2020: RMB216,650,000), representing a decrease of approximately 94% as compared to 2020. The fair value of overall properties in Qingdao continued to decline, and the overall office rent levels of surrounding property buildings decreased as a result of the overall business level in Qingdao is declining and the office vacancy rate of Qingdao is significantly higher due to the outbreak of Covid-19 and a series of anti-epidemic measures implemented by the Qingdao authorities. In order to maintain the existing source of customers and attract more tenants, the management resolved to adjust the rent level in 2021 to bring it in line with the market.

**Impairment loss on loan and other receivables**

During the Year, the Group recorded an impairment loss on loan and other receivables of approximately RMB506,710,000 (2020: RMB130,000,000) as the credit risks of the loan and other receivables increased significantly, details of which are referred to the financial service segment under business review section below.

**Finance Costs**

The Group's finance costs for the Year were approximately RMB121,604,000 (2020: RMB54,369,000), representing an increase of approximately 124% as compared to the year of 2020. This was mainly attributable to the increase in default interests charged by overdue bank and other borrowing during the Year.

## BUSINESS REVIEW

### Financial Service

On 17 July 2017, Qingdao Fuli Wellness Industrial Park Company Limited (formerly known as Qingdao Zhongtian Enterprise Development Co., Ltd.) ("**Fuli Wellness**"), an indirect wholly-owned subsidiary of the Company, entered into a construction and procurement agreement with the Gas Operator and the Supplier. Pursuant to the aforesaid agreement, as clarified by a supplemental agreement between Fuli Wellness and the Gas Operator on 26 March 2018, Fuli Wellness was appointed by the Gas Operator to provide financing services, for a period of 10 years, and to obtain a loan facility of RMB600,000,000 from a designated trust scheme for the purpose of financing the purchase consideration of materials and equipment, to be supplied by the Supplier, for construction of the Natural Gas Project of the Gas Operator located in Qingdao, the PRC. Under the aforesaid agreements, the Gas Operator (as a third party to the aforesaid agreements) shall bear all the obligations for the repayment of the loan principal, together with the interests accruing thereon, through Fuli Wellness, to the trust scheme on 31 May 2020, 31 May 2021 and 31 May 2022, with each principal payment repaid being RMB120,000,000, RMB120,000,000 and RMB360,000,000, respectively, and the interests accrued on a quarterly basis. The Gas Operator was unable to make first and second instalment of loan principal repayments relating to loan borrowed from the trust scheme with carrying amount of RMB240 million during the Year, which the trustee was entitled to request for the immediate repayment of full amounts owed. The credit risks of the amounts receivable from the Gas Operator have increased significantly due to default in repayment to the Group, provision of lifetime expected credit losses of RMB506,710,000 has been provided during the Year.

### Property

As at 31 December 2021, the details of the investment properties, properties held for sale and land under development for sale of the Group are as follows:

#### *(a) Investment Properties and completed Properties held for Sale*

The Group has sold 6,332.99 sq.m. of the properties held for sale in the composite building located at Laoshan District, Qingdao City, the PRC. In 2021, the Company entered into lease agreements with independent third-party tenants from 8 June 2021 to 7 June 2041 for unsold and unleased commercial and office units. An underground storage with gross floor area of 14.82 sq.m. has not been rented out. 243 underground car parking spaces in the composite building have been rented out on an hourly basis to tenants and visitors to the composite building.

#### *(b) Land under Development*

The land of the Group which is under development is situated within the Chengyang District in Qingdao City, the PRC (the "**Land**"). The land use right of the state-owned construction land of 54,854 sq.m. still belongs to the Group. Currently, the real estate development project will be continuing to be developed. Pursuant to the regulatory detailed planning, the use of the Land has been changed from commercial land to commercial and residential mixed land. The Company is still in the process of applying for the land certificate and change and construction permit.

At the end of the reporting period and up to the date of this announcement, the Group is in the progress of registering the alteration of land certificate, applying for the construction permit and obtaining the planning permit.

The development plan of the Land is as follows:

| | *(sq.m.)* |
|---|---|
| Total land area | 54,854 |
| Total gross floor area | 181,400 |
| Total building area above ground | 132,400 |
| – Commercial properties | 19,980 |
| – A hotel | 6,500 |
| – Residential properties | 105,920 |
| Total underground building area | 49,000 |
| Car parking spaces | 1,584 units |

*Analysis by Business Segment*

During the Year, the Group's principal source of income was derived from the property segment, which accounted for approximately 100% of the total turnover of the Group.

During the Year, all of the Group's income were derived from the Shandong Province, the PRC, which had accounted for 100% of the Group's total turnover.

## FUTURE OUTLOOK

In 2021, the middle-income group across the country will continue to expand, and the income level of residents will increase steadily. In 2021, China's per capita GDP has exceeded USD12,000, and the per capita disposable income of residents has reached RMB35,000, representing an increase of 9.1% over the previous year.

The Group's commercial properties have started to generate stable and growing rental income and have become the Group's main source of income. The Company will respond to the country's call to promote consumption supporting facilities for the use of commercial properties, cultivate urban consumer business circles, and carry out demonstration construction of smart business circles and smart stores based on its own experience and drawing on international and domestic advanced experience, so as to move towards building a well-known urban property user brand.

In recent years, China is vigorously supporting the development of the energy industry, and has become the world's largest producer of clean energy. The Chinese government attaches great importance to the development of clean energy, and its investment has ranked first in the world for many years in a row. The installed capacity of hydropower, wind power and photovoltaic power generation has ranked first in the world, making world-renowned achievements. The "14th Five-Year Plan" clearly pointed out that realizing clean and low-carbon development is not only an urgent need for current development, but also an inevitable requirement for the future, and China's clean energy industry is expected to usher in a golden period in the future. Under such circumstances, the Group has accelerated its deployment in the clean energy industry, and is preparing to leverage its own advantages and respond to development needs to capture market share.

The Huihai Road Project is conveniently located in the planned business district around Hongdao Railway Station with proximity to Metro Line 8. After the successful construction of the project, it will solve the Company's insufficient cash flow. However, due to the delay in the use of the Hongdao Railway Station resulted from the unqualified part in the construction acceptance, and the impact of the outbreak of the COVID-19, market confidence has been affected, resulting in stagnation in the sales of many local properties. The management of the Board will carefully evaluate the project according to the degree of impact of the epidemic in 2022. As at the end of the Year and up to the date of the Company's approval of the consolidated financial statements, the Group is in the process of registering changes in land certificates, applying for planning permits and obtaining planning permits.

After the outbreak of the COVID-19, China has adopted a series of prevention and control measures, including regional traffic control and delayed resumption of factory production. This has undoubtedly had a temporary negative impact on economic activity. In view of the resilience and potential of the Chinese economy in the long run, we believe that the long-term stable growth will remain unchanged.

## DEBTS

As at 31 December 2021, the Group had secured bank and other borrowings of approximately RMB687,482,000 (2020: RMB773,000,000). Details of the secured bank and other borrowings and set out in to Note 17 to the consolidated financial statements.

Save as disclosed above, the Group had no debt securities that were issued, outstanding, approved or otherwise created but unissued, or term loans or other borrowings or debts of borrowing nature, including bank overdrafts, acceptance liabilities or acceptance credits, obligations under financing lease and mortgages.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's capital requirement represents mainly working capital in relation to the costs of business expansion and property investment. The Group principally finances its operation and investment from operating income, internal resources and bank borrowings.

As at 31 December 2021, the Group had cash and bank balances of approximately RMB9,032,000 (2020: RMB5,588,000) nearly all of which were denominated held in Renminbi. The gearing ratio (defined as total interest-bearing debts divided by shareholder's equity) was approximately 140% (2020: 462.8%).

During the Year, the Group did not employ any material financial instrument for hedging purposes.

## FOREIGN EXCHANGE

Since the Group mainly operates in the PRC, most of the revenue and transactions arising from its operations were settled in Renminbi and the Group's assets and liabilities are primarily denominated in Renminbi, the Directors believed that the Group would have sufficient foreign exchange to meet its foreign exchange requirements. The Group had not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and had not adopted any currency hedging policy or other hedging instruments during the Year.

## MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal of subsidiaries and associated companies by the Group during the Year.

## CHARGE ON ASSET AND CONTINGENT LIABILITIES

As at 31 December 2021, the investment properties and properties held for sale totalling approximately RMB162,260,000 (2020: RMB327,100,000) and land under development for sale of approximately RMB149,806,000 (2020: RMB148,673,000) and the relevant prepayment for construction costs of approximately RMB153,960,000 (2020: RMB149,450,000) were pledged for bank and other borrowings of the Group.

Save as disclosed above, the Group had no other material charges on assets and contingent liabilities as at 31 December 2021 (2020: Nil).

## COMMITMENTS

Commitments outstanding at 31 December 2021 and 2020 are as follows:

| | **2021**<br>***RMB'000*** | 2020<br>*RMB'000* |
|---|---|---|
| Contracted but not provided for: | | |
| – Land under development for sale | **23,743** | 28,253 |
| – Properties held for sale | **11,433** | 12,137 |
| | **35,176** | 40,390 |

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 27 employees (2020: 15 employees). Most of the Group's employees are based in the head office of the Group in Qingdao City of Shandong Province in the PRC.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from social insurance and in-house training programmes, discretionary bonuses may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the Year was approximately RMB4,565,000 (2020: RMB3,773,000).

## SIGNIFICANT EVENTS AFTER THE YEAR

Save as disclosed in the notes of the consolidated financial statements for the Year, there was no material subsequent event of the Group after the Year and up to the date of this announcement.

## PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

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

## FINAL DIVIDEND

The Directors did not recommend payment of any final dividend for the Year (2020: Nil).

## CODE OF CONDUCT REGARDING 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 its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Year.

## COMPLIANCE WITH THE LISTING RULES AND THE CORPORATE GOVERNANCE CODE

The new Corporate Governance Code has come into effect on 1 January 2022. During the Year, the corporate governance practices of the Group are based on the principles and the code provisions as set out in the former Corporate Governance Code (the "**Former Code**") contained in Appendix 14 to the Listing Rules. None of the Directors is aware of any information which would reasonably indicate that the Company was not, throughout the Year, in compliance with the Listing Rules and the code provisions (the "**Code Provision(s)**") under the Former Code as set out in Appendix 14 to the Listing Rules, except the following deviations:

**Rules 3.21 and 3.25 of the Listing Rules and Code Provision A.5.1**

Rule 3.21 of the Listing Rules stipulates that, every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2). The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director.

Rule 3.25 of the Listing Rules stipulates that, an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors.

Code Provision A.5.1 of the Former Code stipulates that, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

By an order of the Grand Court of the Cayman Islands (the "**Cayman Court**") dated 1 June 2022 (the "**Order**"), the Cayman Court declared the poll result of the extraordinary general meeting of the Company held on 25 November 2021 was valid and effective. The Cayman Court confirmed the following changes in Directors were effective from 25 November 2021:

(a) The removal:

i. Mr. Chen Jun be removed as an executive Director, the chairman of the Board and from any position from any of the Board committees;

ii. Ms. Chan Chak Kwan ("**Ms. Chan**") be removed as an independent non-executive Director and from any position from any of the Board committees;

iii. Mr. Cui Haitao ("**Mr. Cui**") be removed as an independent non-executive Director and from any position from any of the Board committees;

iv. Mr. Liu Jin Lu ("**Mr. Liu**") be removed as an independent non-executive Director and from any position from any of the Board committees.

(b) The appointment:

i. Mr. Wong Chi Shing ("**Mr. Wong**") be appointed as an independent non-executive Director;

ii. Mr. Chiang Chi Kin Stephen ("**Mr. Chiang**") be appointed as an independent non-executive Director; and

iii. Mr. Mak Tin Sang ("**Mr. Mak**") be appointed as an independent non-executive Director.

There were changes in composition of the Board committees with effect from 13 June 2022 as follow:

(1) Mr. Wong has been appointed as the chairman of the audit committee of the Company (the "**Audit Committee**"), a member of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**");

(2) Mr. Chiang has been appointed as the chairman of the Nomination Committee, the chairman of the Remuneration Committee and a member of the Audit Committee; and

(3) Mr. Mak has been appointed as a member of the Audit Committee, a member of the Nomination Committee, a member of the Remuneration Committee.

For further details, please refer to the announcements of the Company dated 3 June 2020, 5 July 2021 and 27 June 2022.

Upon removal of Ms. Chan, Mr. Cui and Mr. Liu as independent non-executive Directors on 25 November 2021, all Board committees were without any members from 25 November 2021 to 31 December 2021. As such, the Company was not complied with Rules 3.21 and 3.25 of the Listing Rules and Code Provision A.5.1 of the Former Code.

**Code Provision A.2.1**

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. From 20 December 2019 until 25 November 2021, Mr. Chen Jun had been the Chairman and Chief Executive Officer of the Company. He provided leadership to the Board and is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, including independent non-executive Directors. Since Mr. Chen Jun was removed on 25 November 2021, the Company did not have a Chairman or Chief Executive.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the Corporate Governance Code.

**AUDIT COMMITTEE**

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Hui Wing Hung Derek (Chairman), Mr. Chiang Chi Kin Stephen and Mr. Liu Wei. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this announcement and the annual results of the Company for the Year.

## REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDITOR

The figures in this preliminary announcement of the Group's results for the Year have been agreed by the Company's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Crowe (HK) 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on this preliminary announcement.

## PUBLICATION

This annual results announcement of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.irasia.com/listco/hk/ccet/), respectively. The 2021 annual report will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

## CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 12 November 2021 and will continue to be suspended until further notice. On 19 May 2023, the Listing Committee has decided to cancel the Company's listing under Rule 6.01A of the Listing Rules and the Company has submitted an application for a review of the decision. The hearing is scheduled to be held at 10:30 a.m. of 16 August 2023. The outcome of the review is uncertain. The Company will keep the public informed of the latest developments by making further announcement(s) as and when appropriate.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board
**China Clean Energy Technology Group Limited**
**Wan Yitian**
*Executive Director*

Qingdao City, Shandong Province, the PRC, 15 August 2023

*As at the date of this announcement, the Board comprises Mr. Wan Yitian as executive Director; Mr. Chan Wai Leung, Mr. Chiang Chi Kin Stephen, Mr. Hui Wing Hung Derek and Mr. Liu Wei, as independent non-executive Directors.*