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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 2022**

References are made to (i) the announcement of China Clean Energy Technology Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 March 2023 in relation to the delay in publication of annual results for the year ended 31 December 2022 and delay in despatch of annual report for the year ended 31 December 2022; 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 2022 (the “**Year**”) (“**2022 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 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	5(a)	57,350	51,902
Cost of goods sold		(51,509)	–
Cost of properties sold		–	(152,620)
Other revenue, income and other gain/(loss)	6	7,870	(443)
Fair value loss on investment properties	11	–	(12,160)
Impairment loss on properties held for sale		(36,200)	(764)
Other operating costs		–	(19)
Reversal of impairment loss on trade receivables	15(b)	–	18,288
Impairment loss on loan and other receivables	12(c)	–	(506,710)
Administrative expenses		(10,244)	(12,780)
Loss from operations		(32,733)	(615,306)
Finance costs	7(a)	(76,938)	(121,604)
Loss before taxation	7	(109,671)	(736,910)
Income tax credit	8	16,369	14,351
Loss for the year attributable to owners of the Company		(93,302)	(722,559)
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of foreign operations		(3,438)	1,129
Total comprehensive loss for the year			
Attributable to owners of the Company		(96,740)	(721,430)
Loss per share (expressed in RMB cents)			
Basic and diluted	9	(22.7)	(176.1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 RMB'000	2021 RMB'000
Non-current assets			
Investment properties	11	–	26,640
Property, plant and equipment		177	300
		177	26,940
Current assets			
Properties held for sale	13	99,420	135,620
Loan and other receivables	12	–	–
Prepayments for construction costs	14	–	153,960
Land under development for sale	15	303,766	149,806
Trade and other receivables	16	1,153	1,065
Cash and cash equivalents		8,659	9,032
		412,998	449,483
Current liabilities			
Trade and other payables	17	316,263	243,265
Amount due to former directors		865	799
Amount due to Mr. Chen Jun		27,568	31,561
Tax payable		13,474	14,528
Bank and other borrowings	18	677,482	687,482
		1,035,652	977,635
Net current liabilities		(622,654)	(528,152)
Total assets less current liabilities		(622,477)	(501,212)
Non-current liabilities			
Deferred tax liabilities		25,961	50,486
Net liabilities		(648,438)	(551,698)
Capital and reserves			
Share capital	19	3,667	3,667
Reserves		(652,105)	(555,365)
Total deficit		(648,438)	(551,698)

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 RMB93,302,000 for the year ended 31 December 2022. As at 31 December 2022, the Group had a net deficit attributable to owners of the Company of RMB648,438,000 and the Group's current liabilities exceeded its current assets by RMB622,654,000. 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 RMB303,766,000 as at 31 December 2022. 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 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 RMB35,975,000 as at 31 December 2022. 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, Qingdao 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 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 due 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 RMB38,183,000 as at 31 December 2022 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 and sub-let 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 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 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2022 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 2022 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 16	Property, plant and equipment: Proceeds before intended use
Amendments to HKAS 37	Provisions, contingent liabilities and contingent assets: Onerous contracts-cost of fulfilling a contract

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 sales of chemicals, the rental income from properties and the revenue from sale of properties. Further details regarding the Group principal activities are disclosed in note 5(b).

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of chemical	51,695	–
Gross rental income from properties	5,655	9,682
Sale of properties	–	42,220
	<u>57,350</u>	<u>51,902</u>

(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. Currently, 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.
- Trading segment: purchase and sales of chemicals in the PRC, which is the new segment in 2022.

The renovation service segment was discontinued during the year due to the business restructuring. The segment information does not include any amounts for this discontinued operation.

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 or which otherwise arise from the depreciation or amortisation of assets attributable to 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 2022 and 2021 are set out below:

For the year ended 31 December 2022

	Property RMB'000	Financial service RMB'000	Trading RMB'000	Total RMB'000
Disaggregation by timing of revenue recognition	–	–	51,695	51,695
At a point in time	5,655	–	–	5,655
Over time	5,655	–	51,695	57,350
Reportable segment results	(36,058)	(69,996)	(231)	(106,285)
Interest income	24	–	–	24
Cost of goods sold	–	–	(51,509)	(51,509)
Depreciation	(3)	–	–	(3)
Finance costs	(9,153)	(67,785)	–	(76,938)
Impairment loss on properties held for sale	(36,200)	–	–	(36,200)
Reportable segment assets	412,672	–	314	412,986
Reportable segment liabilities	(217,514)	(816,195)	(545)	(1,034,254)

For the year ended 31 December 2021

	Property RMB'000	Financial service RMB'000	Trading RMB'000	Total (restated) RMB'000
Disaggregation by timing of revenue recognition	42,220	–	–	42,220
At a point in time	9,682	–	–	9,682
Over time	51,902	–	–	51,902
Reportable segment results	(115,637)	(621,446)	–	(737,083)
Interest income	20	–	–	20
Cost of property 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	–	–	13,004
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)

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (restated)
Revenue		
Total reportable segment revenue	57,350	51,902
Elimination of inter-segment revenue	–	–
	<u>57,350</u>	<u>51,902</u>
Loss		
Reportable segment results	(106,285)	(737,083)
Reversal of impairment loss	–	5,284
Unallocated other corporate expenses	(3,386)	(5,111)
	<u>(109,671)</u>	<u>(736,910)</u>
Assets		
Total reportable segment assets	412,986	475,735
Unallocated cash and cash equivalents	180	203
Other unallocated corporate assets	9	485
	<u>413,175</u>	<u>476,423</u>
Liabilities		
Total reportable segment liabilities	1,034,254	995,752
Unallocated income tax payable	1,100	1,100
Unallocated corporate liabilities	26,259	31,269
	<u>1,061,613</u>	<u>1,028,121</u>

(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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A – sale of chemical	6,986	–
Customer B – sale of chemical	6,032	–
Customer C – sale of chemical	21,638	–
Customer D – sale of properties	–	26,322
Customer E – sale of properties	–	15,898
	<u>34,656</u>	<u>42,220</u>

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

	2022	2021
	RMB'000	RMB'000
Interest income from bank deposits	<u>24</u>	<u>24</u>
Interest income on financial assets measured at amortised cost	24	24
Exchange gain/(loss), net	876	(479)
Gain on disposal of subsidiaries (<i>note</i>)	6,970	–
Sundry income	<u>–</u>	<u>12</u>
	<u>7,870</u>	<u>(443)</u>

Note:

On 14 March 2022, the Group disposed of its wholly owned subsidiary, Zhongtian Innovation Group Limited to an independent third-party, at a consideration of HK\$10,000.

Assets and liabilities of Zhongtian Innovation Group Limited and its subsidiaries as at the date of completion of the transaction, were as follows:

	<i>RMB'000</i>
Property, plant and equipment	120
Investment properties	26,640
Trade and other receivables	154
Cash and cash equivalents	6
Trade and other payables	(3,500)
Amount due to Mr. Chen Jun	(10,753)
Bank borrowings	(10,000)
Tax payable	(1,054)
Deferred tax liabilities	<u>(8,156)</u>
Net liabilities disposed of	<u>(6,543)</u>
Cash consideration received	8
Add: Net liabilities disposed of	6,543
Add: Exchange reserve	<u>419</u>
Gain on disposal of subsidiaries	<u>6,970</u>

7. LOSS BEFORE TAXATION

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(a) Finance costs		
Interest on bank and other borrowings	<u>76,938</u>	<u>121,604</u>
(b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	3,495	4,067
Contributions to defined contribution retirement plans	<u>251</u>	<u>498</u>
	<u>3,746</u>	<u>4,565</u>
(c) Other items		
Auditor's remuneration		
– audit services	807	788
Depreciation of property, plant and equipment	3	192
Gross rental income from investment properties less direct outgoings of Nil (2021: RMB79,000)	<u>(5,655)</u>	<u>(9,603)</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – PRC Enterprise Income Tax		
– provision for current year	–	–
Deferred taxation:		
– origination and reversal of temporary differences	<u>(16,369)</u>	<u>(14,351)</u>
Income tax credit	<u>(16,369)</u>	<u>(14,351)</u>

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2021: 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 2022 and 2021, 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss for the year	<u>(93,302)</u>	<u>(722,559)</u>
	2022	2021
Weighted average number of ordinary shares	<u>410,209,122</u>	<u>410,209,122</u>

For the years ended 31 December 2022 and 2021, 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 2022 (2021: Nil).

11. INVESTMENT PROPERTIES

	<i>RMB'000</i>
At 1 January 2021	38,800
Loss from fair value change	<u>(12,160)</u>
At 31 December 2021 and 1 January 2022	26,640
Disposal of subsidiaries (<i>note 6</i>)	<u>(26,640)</u>
At 31 December 2022	<u>–</u>

During the year ended 31 December 2022, all investment properties were disposed of as a result of disposal of subsidiaries.

12. LOAN AND OTHER RECEIVABLES

	Loan receivable <i>RMB'000</i>	Income from provision of financial services receivables <i>RMB'000</i>	Loan interest receivable <i>RMB'000</i>	Total <i>RMB'000</i>
2021 and 2022				
Current	600,000	30,280	6,430	636,710
Allowance for expected credit loss	(600,000)	(30,280)	(6,430)	(636,710)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2021 and 2022	<u> </u> -	<u> </u> -	<u> </u> -	<u> </u> -

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 23). 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(有限合夥) (“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 Dezhaoheld 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 2022, 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 2022.

The Group assessed the loan and loan interest receivables, together with the service income receivable, totaling approximately RMB636,710,000 (2021: RMB636,710,000), based on the statutory financial statements of the Gas Operator as at 31 December 2022 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.

- (b) (ii) Based on the assessment, provision for lifetime ECL amounting to RMB636,710,000 (2021: RMB636,710,000) was made in these financial assets as at 31 December 2022 as follows:

	Loan receivable within 1 year <i>RMB'000</i>	Loan receivable after 1 year <i>RMB'000</i>	Income from provision of financial services receivables <i>RMB'000</i>	Loan interest receivable <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	54,000	51,000	10,000	15,000	130,000
Reclassification	51,000	(51,000)	–	–	–
Allowance for expected credit loss	495,000	–	11,710	–	506,710
	<u>495,000</u>	<u>–</u>	<u>11,710</u>	<u>–</u>	<u>506,710</u>
At 31 December 2021, 1 January 2022 and 31 December 2022	<u>600,000</u>	<u>–</u>	<u>21,710</u>	<u>15,000</u>	<u>636,710</u>

13. PROPERTIES HELD FOR SALE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
As at 1 January	135,620	288,300
Additions	–	704
Disposal of properties	–	(152,620)
Impairment loss recognised	(36,200)	(764)
	<u>99,420</u>	<u>135,620</u>

At 31 December 2022, properties held sale with a carrying amount of RMB74,140,000 (2021: RMB98,080,000) have been pledged to secure bank borrowings granted to the Group.

14. PREPAYMENTS FOR CONSTRUCTION COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Prepayments for construction costs (<i>note</i>)	<u>–</u>	<u>153,960</u>

The Group entered into a 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 RMB153,960,000 to the main contractor as at 31 December 2021. During the year ended 31 December 2022, construction works in relation to the prepayments made have been completed and certified. The amount of RMB153,960,000 was transferred to land under development for sale.

15. LAND UNDER DEVELOPMENT FOR SALE

At 31 December 2022 and 2021, the net realisable value of the land under development, based on the valuation performed by an independent professional valuer, CWL (2021: CWL) on an existing use basis and direct comparison approach, exceeded its carrying amount and no impairment is considered necessary.

16. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 <i>RMB'000</i>
Trade receivables		
– contracts with customers	–	223
– leases	–	1,460
	<u>–</u>	<u>1,683</u>
Less: Allowance for expected credit losses (<i>note (b)</i>)	–	(1,460)
Trade receivables, net (<i>note (a)</i>)	–	223
Other receivables	1,153	595
	<u>1,153</u>	<u>818</u>
Financial assets at amortised cost	1,153	818
Prepayments	–	247
	<u>–</u>	<u>247</u>
	1,153	1,065
	<u>1,153</u>	<u>1,065</u>

Note:

(a) Ageing analysis

At 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:

	2022 RMB'000	2021 <i>RMB'000</i>
0–30 days	–	223
31–60 days	–	–
61–90 days	–	–
91–180 days	–	–
181–365 days	–	–
	<u>–</u>	<u>223</u>
	<u>–</u>	<u>223</u>

(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.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	1,460	21,360
Reversal of impairment loss	–	(18,288)
Written off	–	(1,612)
Disposal of subsidiaries (<i>note 6</i>)	(1,460)	–
	<hr/>	<hr/>
At 31 December	–	1,460
	<hr/> <hr/>	<hr/> <hr/>

17. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	3,419	3,890
Other payables and accruals	26,531	26,330
Loan interest payables	223,006	146,068
Receipts in advance	15,690	20,864
Value-added tax and property tax	42,699	41,185
Land appreciation tax	2,672	2,672
Others	2,246	2,256
	<hr/>	<hr/>
	316,263	243,265
	<hr/> <hr/>	<hr/> <hr/>

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

	2022	2021
	RMB'000	RMB'000
0-30 days	–	6
Over 1 year	3,419	3,884
	3,419	3,890

18. BANK AND OTHER BORROWINGS

	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Bank borrowings			
– Loan A	<i>(a)</i>	–	10,000
– Loan B	<i>(b)</i>	37,482	37,482
– Loan C	<i>(c)</i>	40,000	40,000
Other borrowings from a trust scheme	<i>(d)</i>	600,000	600,000
		687,482	687,482

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

	2022	2021
	RMB'000	RMB'000
Within 1 year	677,482	687,482
	677,482	687,482

At 31 December 2022, all the other bank and other borrowings of RMB677,482,000 were either overdue or in default (2021: except for Loan A).

At 31 December 2022, bank and other borrowings bear interest at 6.49% to 9.30% per annum (2021: 5.88% to 9.30% per annum).

Note:

- (a) Loan A of RMB10,000,000 was disposed of during the year. Details are set out in note 6.
- (b) Loan B of RMB37,482,000 (2021: RMB37,482,000) is secured by properties held for sale with a carrying amount of RMB38,183,000 as at 31 December 2022 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 RMB38,183,000 as at 31 December 2022.

- (c) Loan C of RMB40,000,000 (2021: RMB40,000,000) is secured by properties held for sale with a carrying amount of RMB35,957,000 as at 31 December 2022 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 RMB35,957,000 as at 31 December 2022.
- (d) Other borrowings of RMB600,000,000 (2021: RMB600,000,000) from the trust scheme were secured by the land under development for sale of RMB303,766,000 (2021: RMB149,806,000, and the related prepayments for construction costs of RMB153,960,000), the Group's 100% equity interest in a subsidiary, Qingdao Zhongtian 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 RMB600,000,000 (2021: RMB240,000,000) up to 31 December 2022 and the entire loan of RMB600,000,000 (2021: RMB600,000,000) and the total accrued interest of approximately RMB211,261,000 (2021: RMB143,476,000) 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 with carrying amount of RMB303,766,000 as at 31 December 2022. 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

	2022		2021	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>

	2022		2021	
	No. of shares '000	Amount RMB'000	No. of shares '000	Amount RMB'000
Issued:				
Ordinary shares of HK\$0.01 each At 1 January and 31 December	<u>410,209</u>	<u>3,667</u>	<u>410,209</u>	<u>3,667</u>

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

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 RMB93,302,000 for the year ended 31 December 2022. As at 31 December 2022, the Group had a net deficit attributable to owners of the Company of RMB648,438,000 and the Group's current liabilities exceeded its current assets by RMB622,654,000.

As more fully disclosed in notes 2(b), 21 and 23 to the consolidated financial statements, as at 31 December 2022, 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 RMB223,006,000, totalling RMB900,488,000. 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 fully 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 RMB35,957,000 and land under development for sale of RMB303,766,000 as at 31 December 2022 pledged against the bank and other borrowings.

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 of Fuli Wellness and Zhongtian Software Park, so that the bank and other borrowings principals, together with accrued interests and default interests, totalling RMB900,488,000 as at 31 December 2022 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 leased its certain properties.

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.

FINANCIAL REVIEW

Turnover

The Group’s total turnover for the Year was approximately RMB57,350,000, representing an increase of approximately 10% from approximately RMB51,902,000 for the year of 2021. This was mainly attributable to the revenue generated from the ethylene glycol trading in the Year as compared to 2021.

Other Income and Other Net Gains

The Group’s other income and other net gains for the Year were approximately RMB7,870,000 compared to a loss of RMB443,000 in 2021. This was mainly attributable to the gain on disposal of subsidiaries of RMB6,970,000 during the Year.

Fair Value Loss on Properties held for sale

During the Year, fair value loss on properties of the Group was RMB36,200,000 (2021: RMB764,000). 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 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 including regional or provincial blockades and mandatory quarantine orders. In order to maintain the existing source of customers and attract more tenants, the management resolved to adjust the rent level in 2022 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 Nil (2021: RMB506,710,000) as the loan and other receivables were already fully impaired in 2021.

Administrative Expenses

The Group's administrative expenses for the Year were approximately RMB10,244,000 (2021: RMB12,780,000), representing a decrease of approximately 20% over the year 2021. This was mainly attributable to the decrease in extra expenses related to rental matters during the Year.

Finance Costs

The Group's finance costs for the Year were approximately RMB76,938,000 (2021: RMB121,604,000), representing a decrease of approximately 37% as compared to the year of 2021. This was mainly due to that penalty interest of RMB60,000,000 was claimed and recognised upon the default of other borrowing in 2021.

Net Loss

During the Year, the Group recorded a net loss of approximately RMB93,302,000, while the net loss was approximately RMB722,559,000 for the year of 2021. The loss was mainly attributable to no impairment loss on loan and other receivable in the Year as compared to 2021.

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 the first, second and third instalment of loan principal repayments relating to loan borrowed from the trust scheme with carrying amount of RMB600 million during the Year, which the trustee requested 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, full provision of lifetime expected credit losses has been provided in 2021. However, the Group will continue to claim with the Gas Operator.

Property

As at 31 December 2022, the details of the investment properties, properties held for sale and land under development into properties for sale of the Group are as follows:

(a) Investment Properties and completed Properties held for Sale

For commercial and office units in the composite building located at Laoshan District, Qingdao City, the PRC, the Company entered into lease agreements with independent third-party tenants with terms from 8 June 2021 to 7 June 2041. 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 at 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:

	<i>(in sq.m.)</i>
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

FUTURE OUTLOOK

As a result of the ongoing conflict between Russia and Ukraine, the international natural gas energy industry has been impacted, and the future is full of uncertainties, making the industry risks relatively high. The Group will stop its layout of clean energy.

The Huihai Road Project is located in the planned business district around Hongdao Railway Station, however, as a result of the delay in the use of the Hongdao Railway Station resulted from the unqualified acceptance of parts of construction, and as affected by the downturn in the real estate sector following the impact of the outbreak of the Corona Virus Disease 2019 (“**COVID-19**”), which resulted in stagnation in the sales of many local properties. The Board is of the view that it is necessary to proactively seek the help of a cooperative partner in order to carry out the project development.

With the end of the COVID-19 pandemic, China promotes consumption from various aspects including industrial structure and fiscal policy. According to policy guidance, the focus of future economic construction will shift to the modern service industry. A large number of service industries are emerging, including tourism and catering, expanding the consumption of catering services. The Chinese government advocates healthy catering consumption and opposes food waste, supports local food festivals, create special food streets, and carry out food and beverage consumption promotion activities. All localities optimize the relevant regulations on the extension of business hours of catering establishments according to local conditions. The Chinese government enriches cultural and tourism consumption, fully implements the paid vacation system, and encourages off-peak vacations and flexible work schedule to promote holiday consumption; strengthens the integration of regional tourism brands and services, and actively organizes cultural and tourism consumption promotion activities. This trend is expected to continue to intensify in the coming years.

The Group’s commercial properties have started to generate stable and growing rental income and have become the Group’s main source of income. According to the national policy orientation and industrial structure adjustment, the management of the Company agrees to focus on the development of commercial properties. The Group comprehensively develops the use and development management of third-party commercial properties, and positions and builds the brand of urban business circles through property management, operation management, construction consulting, tenant recruitment and property value-added services.

With the end of the COVID-19 pandemic, China has once again demonstrated the resilience of the economy, the continuity of policies, and the resilience and potential of the economy, and we believe that the future economic growth will remain unchanged.

DEBTS

As at 31 December 2022, the Group had secured bank and other borrowings of approximately RMB677,482,000 (2021: RMB687,482,000). 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 2022, the Group had cash and bank balances of approximately RMB8,658,000 (2021: RMB9,032,000) 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 116% (2021: 140%).

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 2022, the investment properties and properties held for sale totalling approximately RMB99,420,000 (2021: RMB162,260,000) and land under development into properties for sale of approximately RMB303,766,000 (2021: RMB149,806,000) 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 2022 (2021: Nil).

COMMITMENTS

Commitments outstanding at 31 December 2022 and 2021 are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contracted but not provided for:		
– Land under development for sale	23,743	23,743
– Properties held for sale	11,433	11,433
	<u>35,176</u>	<u>35,176</u>

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 7 employees (2021: 27 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 RMB3,746,000 (2021: RMB4,565,000).

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 (2021: 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.

CORPORATE GOVERNANCE

The corporate governance practices of the Group are based on the principles and the code provisions as set out in the Corporate Governance Code (the “**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 Code as set out in Appendix 14 to the Listing Rules, except the following deviations:

Rules 3.21, 3.25 and 3.27A of the Listing Rules

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.

Rule 3.27A of the Listing Rules stipulates that an issuer must establish a nomination committee chaired by the chairman of the board or an independent non-executive director and comprising a majority of independent nonexecutive 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 since then until 13 June 2022. As such, the Company was not complied with Rules 3.21, 3.25 and 3.27A of the Listing Rules. Such rules were re-complied following the changes of the Board committees on 13 June 2022.

Rule 3.28 of the Listing Rules

Rule 3.28 of the Listing Rules stipulates that the issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Following the resignation of Mr. Tai Man Hin, Tony as the company secretary of the Company with effect from 1 December 2022, the Company had no company secretary. The Company has temporarily not been able to meet the requirements under Rule 3.28 of the Listing Rules during the period from 1 December 2022 to 5 December 2022. Such rule was re-complied following the appointment of Ms. Li Yuen Shan as the company secretary of the Company on 6 December 2022. For details, please refer to the announcement of the Company dated 6 December 2022.

Code Provision C.2.1

Code provision C.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Since Mr. Chen Jun was removed on 25 November 2021, the Company did not have a Chairman or Chief Executive. 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. A new chairman and chief executive officer will not be appointed until suitable candidates have been identified.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the 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 2022 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.