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## **CHINA SMARTER ENERGY GROUP HOLDINGS LIMITED**

**中國智慧能源集團控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1004)**

### **RESUMPTION OF TRADING**

This announcement is made by China Smarter Energy Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.10 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 31 March 2021, 26 April 2021, 3 June 2021 and 15 June 2021, in relation to, among other things, the delay in publication of the 2020 Annual Results and the suspension of trading in the shares of the Company on the Stock Exchange from 9:00 a.m. on 1 April 2021, and the announcements of the Company dated 24 June 2021, 30 June 2021, 30 September 2021, 30 December 2021, 30 March 2022, 19 April 2022, 30 June 2022, 30 September 2022 and 30 December 2022, in relation to, among other things, the Resumption Guidance issued to the Company by the Stock Exchange (collectively, the “**Announcements**”). Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

### **BACKGROUND**

Under Rules 13.49(1) and 13.46(2)(a) of the Listing Rules, the Company is required to publish the announcement in relation to the 2020 Annual Results on a date not later than three months after the end of the financial year of the Company, i.e. on or before 31 March 2021, and despatch the 2020 Annual Report to the Shareholders not more than four months after the end of the financial year of the Company, i.e. on or before 30 April 2021. Yet, as of 30 April 2021, RSM, the then auditors of the Company, had not completed their audit procedures in respect of the Company’s financial statements for the FY2020. As such the Company was unable to publish the 2020 Annual Results and the 2020 Annual Report within the prescribed time in accordance with the Listing Rules.

As a result of the delay in publication of the 2020 Annual Results and pursuant to the requirements of Rule 13.50 of the Listing Rules, the Company applied for the suspension of trading in its shares on the Stock Exchange with effect from 9:00 a.m. on 1 April 2021, pending the publication of the 2020 Annual Results.

## RESUMPTION GUIDANCE

Subsequent to the Suspension, the Company received letters from the Stock Exchange dated 23 June 2021 and 14 April 2022, setting out the following Resumption Guidance:–

- (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (ii) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules;
- (iii) announce all material information for the Company’s shareholders and investors to appraise the Company’s position; and
- (iv) have the winding up petition (or winding up order, if made) against the Company filed by Nine United on 3 September 2021 withdrawn or dismissed.

## FULFILLMENT OF THE RESUMPTION GUIDANCE

Since the Suspension, the Board has been continuously making effort in taking steps to fulfil the Resumption Guidance. As of the date of this announcement, the Company considers that the Resumption Guidance has been fulfilled. The Company sets out below its analysis on its progress of fulfilling the Resumption Guidance.

### Resumption Guidance (i)

Initially, the Suspension was caused by the delay in publication of the 2020 Annual Results, which was subsequently published on 30 June 2021. Since the Suspension, the Company has published the following financial results and financial reports on the following dates:–

<b>Financial period</b>	<b>Date of publication</b>	
	<b>Results announcement</b>	<b>Financial report</b>
Year ended 31 December 2020	30 June 2021	9 July 2021
Six months ended 30 June 2021	31 August 2021	28 September 2021
Year ended 31 December 2021	(Unaudited) 31 March 2022 (Audited) 10 October 2022	2 November 2022
Six months ended 30 June 2022	10 October 2022	2 November 2022

As of the date of this announcement, the Company has released all of its financial results announcement and financial reports as required under the Listing Rules. As to addressing the audit modifications, detailed discussion is set out in section headed “Audit Qualifications” of this announcement. Based on the above, the Company is of the view that Resumption Guidance (i) has been fulfilled.

### **Resumption Guidance (ii)**

The Company's business and financial information are discussed in the Company's financial reports. As at 30 June 2022, the Group's power generation capacity is approximately 172 megawatt(s), all of which are photovoltaic power generation projects locating in four provinces, namely Gansu, Anhui, Jiangxi and Shandong, and the sale of electricity of the on-grid of the Group was approximately 108,251,000 kilowatt hour(s), and operated seven (7) solar electricity plants in the PRC. Further, as reported in the 2022 Interim Report, the revenue from clean energy was approximately HK\$102,523,000, the total operating assets including cash and bank balances was HK\$2,082 million including HK\$2,041 million under the clean energy segment. The Group generated positive operating cash flow of HK\$6.3 million for the period from 1 January 2022 to 30 June 2022.

The Company believes that the Group's current scale of operation and financial performance disclosed in the Company's financial reports are more than capable of fulfilling the requirements of Rule 13.24 of the Listing Rules. As such, the Company is of the view that Resumption Guidance (ii) has been fulfilled.

### **Resumption Guidance (iii)**

Since the Suspension, the Company has updated the Shareholders on a regular basis and announced all material information on a timely basis. The Company issued seven (7) quarterly update announcements informing the market of its latest development of the Group as required under Rule 13.24A of the Listing Rules. Also, the Company from time to time issued over ninety (90) separate announcements when there were any significant developments in the resumption process and/or the winding-up proceedings. Further, as detailed in the section headed "Fulfilment of the Resumption Guidance – Resumption Guidance (i)" of this announcement, the Company has released all of its financial results announcement and financial reports as required under the Listing Rules. In view of the above, the Company is of the view that Resumption Guidance (iii) has been fulfilled, and will continue to fulfil its disclosure obligations in accordance with the Listing Rules so that the Shareholders and investors can apprise of the Company's position in a timely manner.

### **Resumption Guidance (iv)**

As disclosed in the Company's announcements dated 10 June 2022, the Company entered into a settlement agreement with Nine United in respect of the Nine United Petition on 10 June 2022. Further, pursuant to the said settlement agreement, Nine United has executed with the Company and filed a consent summons to the High Court for withdrawal of the Nine United Petition, and the High Court has on 14 June 2022 ordered that (among other things) the Nine United Petition be withdrawn. The Board confirms that, as far as they are aware, there are no outstanding winding-up petitions or statutory demands against the Company as of the date of this announcement.

In view of the above, the Company is of the view that Resumption Guidance (iv) has been fulfilled.

## **AUDIT MODIFICATIONS**

As disclosed in the 2021 Annual Report, Zhonghui ANDA, the current auditors of the Company, did not express an opinion on the Company's consolidated financial statements for the FY2021. Zhonghui ANDA summarised their basis for disclaiming their audit opinion as the following four issues:–

1. Going concern
2. Scope limitation on the valuation of financial assets at FVTOCI
3. Scope limitation on the estimation of expected credit losses on refundable deposits
4. Scope limitation on the disposal of Jinchang Disheng

Details of the above audit modifications have been set out in pages 64 to 65 of the 2021 Annual Report under the section headed "Independent Auditor's Report". The Company set out below its remedial actions taken to resolve the issues.

During the Company's communication with the Auditor, the Company understands and the Auditor confirmed that only the going concern (issue 1 as stated above) itself constitute a material and pervasive impact to the consolidated financial statements for the FY2021 as a whole which forms the basis for disclaimer of opinion, had the Auditor not disclaimed their opinion on the Company's multiple uncertainties to operate as going concern (issue 1 as stated above), but simply describing to audit matters that would give rise to modifications concerning issues 2 to 4 as stated above, the Auditor would have issued a qualified opinion (i.e. "Except for") due to the fact that the possible effects arising from issues 2 to 4 as stated above to the consolidation financial statements as a whole are material but not pervasive.

### **Audit modification (1) – Going concern**

#### ***Background***

The Auditor noted that (i) the Group incurred a net loss of HK\$647.5 million for the FY2021; (ii) the Group recorded net current liabilities of HK\$1,401.7 million and net liabilities of HK\$156.6 million as of 31 December 2021; and (iii) the Group's total borrowings amounted to HK\$1,458.7 million, while its cash and cash equivalents amounted to HK\$84.1 million only. Further, the Auditor considered the Group's cash flow forecast was subject to uncertainties.

In view of these, the Auditor considered that they were unable to obtain sufficient audit evidence whether it is appropriate to present the Company's financial statements on a going concern basis.

## ***Company's response***

While the Group did incur net loss of HK\$647.5 million for the FY2021, the Group at the same time generated positive operating cash flow of HK\$156.5 million for the FY2021. The Group incurred a loss of HK\$48.4 million for the period 1 January 2022 to 30 June 2022 and the Group generated a positive operating cash flow of HK\$6.3 million. Such disparity between accounting loss and positive operating cash flow is no coincidence; the Company submits that it is inherent to the Group's business cycle, and that the non-cash expenses, such as depreciation, amortisation and impairment, albeit are accounting items that help measure the reporting entity's profitability in the long run, do not directly impact the Group's day-to-day operations. In this regard, the Company submits that these items should carry less weight in the assessment of the Group's ability of operating with going concern when compared with the actual cash flow.

While the Group does not object to the Auditor's concern over the Group's net current liabilities position and the Group's borrowing level, the Group, after considering the observations set out below, is of the view that the Group is able to operate as an ongoing business:-

### *(i) The Group has proven capability in paying down its debt level*

During the three years ended 31 December 2021, the Group gradually repaid HK\$643.4 million to its lenders, and its debt level dropped by 29.4%, from HK\$2,066.6 million to HK\$1,458.7 million. In view of this, the Group expects its finance costs, being one of the major expenses of the Group, will gradually decrease and thus the Group's overall profitability will improve over time.

### *(ii) The Group has been in negotiation with its lenders on debt settlement*

As of 31 December 2021, the Group's bank and other borrowings amounted to HK\$1,458.7 million. The Group's major creditors are in discussion with the Group on entering settlement agreement in respect of the outstanding borrowings. The Group will inform the Shareholders and the public any progress and achievement in this regard as and when appropriate.

### *(iii) Future improvement plan*

The Group is currently evaluating various fund-raising activities to be conducted after the Resumption, including but not limited to rights issue, open offer, placing of new shares and issuance of convertible securities. The Company believes that the abovementioned fund-raising activities will certainly improve the Group's financial position.

## **Audit modification (2) – Scope limitation on the valuation of financial assets at FVTOCI**

### ***Background***

The Group invested in certain equity securities and accounted for these investments as financial assets at FVTOCI with total fair value of HK\$1.2 million as of 31 December 2021. In this regard, the Auditor were of the view that they were not provided with the relevant documents or information, including the financial information of the investee entities, in measuring their fair value during the course of audit. Accordingly, the Auditor were of the view that they were unable

to obtain sufficient appropriate audit evidence about the fair values of these investments, and they were unable to determine whether any adjustments might have been found necessary in respect of the carrying amounts of financial assets at FVTOCI as of 31 December 2021 and fair value changes recorded in other comprehensive income for the year then ended.

### ***Company's remedial actions taken***

In respect of the aforementioned equity investment, the Company endeavoured in communicating with, and seeking cooperation from, the investees but with no success. After considering the possible legal avenue available to the Group as a minority shareholder of these investees, the Group decided to dispose of these equity investments.

As to the disposal of these investments, the Company appointed an external adviser to assist in soliciting buyer through tendering. Eventually, the Company entered into a sale and purchase agreement with the successful bidder, under which the aforementioned equity investment was disposed of. As of the date of this announcement, the disposal of the aforementioned equity investment has been completed.

In view of the circumstance described above, the Company, after discussing with the Company's Auditor, this audit modification will be removed as the Group in the Company's consolidated financial statements for the year ended 31 December 2022 no longer held the equity investment concerned. It is expected that there will not be enduring effect to the Company's consolidated financial statements in this regard, save as a qualified opinion on the comparability of the corresponding figures for the Company's consolidated financial statements for the year ending 31 December 2023.

### **Audit modification (3) – Scope limitation on the estimation of expected credit losses on refundable deposits**

#### ***Background***

In December 2015, the Group entered into potential acquisitions, under which the Group agreed to acquire solar power plants. As stipulated under the terms of the said acquisitions, the Group paid two deposits which amounted to HK\$300.0 million and RMB30.0 million respectively. Details of which were disclosed in the Company's announcements dated 11 December 2015 and 13 March 2018 respectively. Subsequently, the said acquisitions were lapsed and terminated. Since then, the Group sought to recover the deposits paid but with no success.

### ***Company's remedial actions taken***

As part of its financial reporting procedures, the Company engaged a valuer to assess the valuation of the said refundable deposits. Based on the report produced by the said valuer, the valuation of the refundable deposits amounted to some HK\$99 million as of 31 December 2021. Accordingly the Group wrote down the carrying value of the refundable deposits in its accounts.

In response to the vendor's inability to timely repay the said deposits, negotiations took place between the Group and the vendor since the termination of the said potential acquisitions. As progress has been lacking, the Group also initiated legal actions to recover the said deposits.

The Company considers that on the completion of the legal action, the Group will either recover the amount from the vendor or, failing which by the end of 2023, will consider to write off the remaining carrying value of the deposit and conclude this matter.

The Company had taken various actions to recover the said deposits from the vendor. The Company has appointed a PRC legal adviser in Shanghai to help to recover the amount and to update the status of the recoverability to the Company.

For the accounting treatment, the Company will engage a valuer to value the carrying amount of the refundable deposits for the year ended 2022 and will adjust the carrying value based on the valuation report. If the Group cannot recover the amount from the vendor by the end of 2023 after trying their best to recover the amount, the Group will consider to fully write off the remaining carrying value.

Having consulted with the Auditor, based on the actions taken by the Company and the report from the professionals, the Auditor expects to express a qualification opinion in respect of this matter for the FY2022 and FY2023 but not a disclaimer opinion if the going concern issue is resolved and the qualification on the opening for the FY2024 and then such qualification will be moved for the FY2025.

#### **Audit modification (4) – Scope limitation on the disposal of Jinchang Disheng**

##### ***Background***

On 27 January 2021 (after trading hours), Qingdao Guxin (as the seller) and Gansu Jintai entered into the Disheng Sale and Purchase Agreement, pursuant to which Qingdao Guxin conditionally agreed to sell and Gansu Jintai conditionally agreed to acquire (i) the entire issued share capital in Jinchang Disheng and (ii) the Sale Loan at the consideration of RMB350.0 million. Qingdao Guxin was an indirect wholly-owned subsidiary of the Company as of the date of the Disheng Sale and Purchase Agreement.

Details of the Disheng Sale and Purchase Agreement have been disclosed in the Company's announcement dated 27 January 2021.

Under the terms of the Disheng Sale and Purchase Agreement, operation should be handed over to Gansu Jintai before the first instalment of the consideration, being RMB300 million, is paid. The Operation Handover in Jinchang Disheng was completed on 27 January 2021.

It was not the intention of the then management of the Company under the Disheng Sale and Purchase Agreement to transfer the ownership of Jinchang Disheng under the Operation Handover. As provided in the Disheng Sale and Purchase Agreement, Qingdao Guxin shall retain the voting rights in shareholders' meeting before completion and the change of ownership and change of directors, supervisor and senior management of Jinchang Disheng shall only be taken place at the completion after the fulfillment of all the conditions precedent, including, among others, the approval from the Shareholders in the SGM.

Shortly after the Operation Handover, Gansu Jintai effected the change of the registered owner of Jinchang Disheng with relevant authorities from Qingdao Guxin to Gansu Jintai without the consent of Qingdao Guxin. Such change was in contravention of the terms of the Disheng Sale and Purchase Agreement.

### ***Company's remedial actions taken***

Upon seeking advice from the Group's legal advisor, Qingdao Guxin commenced a series of actions including an arbitration proceeding against Gansu Jintai in respect of, among other things, to request for the transfer of registered ownership of Jinchang Disheng back to Qingdao Guxin. On 9 June 2022, an arbitral award decision was granted against Qingdao Guxin.

Despite Gansu Jintai acted in contravention to the terms of the Disheng Sale and Purchase Agreement, the Group continued to act in accordance with it as the agreement was not terminated. As of the date of this announcement, the Group has obtained shareholders' approval in respect of the Disheng Disposal as required under the Listing Rules.

For financial reporting purpose, the Company accounted for the Disheng Disposal as a deemed disposal of Jinchang Disheng and waiver of the Sale Loan in the Company's financial statements for the FY2021. The Company considers that following the receipt of arbitration result, the Disheng Disposal has come to a conclusion and will not have enduring effects to the Group's financial results.

Reference is made to the circular of the Company dated 26 October 2022 in relation to, among other things, major transaction – disposal of a subsidiary and the announcement of the Company dated 11 November 2022 in relation to the poll results of the special general meeting held on 11 November 2022. By the said special general meeting, the Shareholders have approved the disposal of Jinchang Disheng.

In view of the circumstance described above, the Company, after discussing with the Company's Auditor, this audit modification will be removed in the Company's consolidated financial statements for the year ended 31 December 2022 as all of the uncertainties in relation to the Disheng Disposal has been removed following the grant of shareholders' approval in the Company's SGM held on 11 November 2022. There will not be enduring effect to the Company's consolidated financial statements in this regard, save for a qualified opinion on the comparability of the corresponding figures for the Company's consolidated financial statements for the year ending 31 December 2023.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 1 April 2021. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 27 February 2023.



## DEFINITIONS

*In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:–*

“2020 Annual Report”	the Company’s annual report for the FY2020
“2020 Annual Results”	the Company’s financial results for the FY2020
“2021 Annual Report”	the Company’s annual report for the FY2021
“Auditor”	Auditors of the Company, being Zhonghui ANDA
“Board”	the board of Directors of the Company
“Company”	China Smarter Energy Group Holdings Limited
“Disheng Disposal”	the disposal of the entire issued share capital in Jinchang Disheng and the Sale Loan
“Disheng Sale and Purchase Agreement”	the sale and purchase agreement entered into between Qingdao Guxin and Gansu Jintai on 27 January 2021 in respect of the Disheng Disposal
“FVTOCI”	Fair value through other comprehensive income
“FY2020”	the financial year ended 31 December 2020
“FY2021”	the financial year ended 31 December 2021
“FY2022”	the financial year ended 31 December 2022
“FY2023”	the financial year ended 31 December 2023
“FY2024”	the financial year ended 31 December 2024
“FY2025”	the financial year ended 31 December 2025
“Gansu Jintai”	Gansu Jintai Electricity Company Limited* (甘肅錦泰電力有限責任公司)
“Group”	the Company and its subsidiaries
“High Court”	the High Court of Hong Kong SAR

“Jinchang Disheng”	Jinchang Disheng Solar Energy Company Limited* (金昌迪生太陽能發電有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the Main Board of the Stock Exchange
“Nine United”	Nine United International Limited
“Nine United Petition”	the winding up petition against the Company filed by Nine United on 3 September 2021
“Operation Handover”	the handover of operation in Jinchang Disheng pursuant to the terms of the Disheng Sale and Purchase Agreement
“PRC”	the People’s Republic of China and, unless the context otherwise requires, excluding, for the purpose of this announcement, Hong Kong and Macau
“Qingdao Guxin”	Qingdao Guxin Electricity Investment Company Limited* (青島谷欣電力投資有限公司)
“Resumption”	resumption of trading in the Shares
“Resumption Guidance”	resumption guidance as set out in the letters dated 23 June 2021 and 14 April 2022 from the Stock Exchange to the Company
“RSM”	RSM Hong Kong
“Sale Loan”	the outstanding shareholder’s loan of approximately RMB138.48 million due from Jinchang Disheng to 上海國之杰智慧能源有限公司 (Shanghai Gorgeous Smarter Energy Company Limited*)
“SGM”	special general meeting of the Company
“Shareholders”	holder(s) of the Shares
“Shares”	ordinary shares in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suspension”	suspension of trading in the Shares

“Zhonghui ANDA”	ZHONGHUI ANDA CPA LIMITED
“RMB”	Renminbi, the lawful currency of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 24 February 2023

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

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.*

\* *For identification purposes only*