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## **CCIAM Future Energy Limited**

**信能低碳有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 145)**

### **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 2022**

Reference is made to the annual report of CCIAM Future Energy Limited (the “**Company**”) for the year ended 31 December 2022 (which was published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on 28 April 2023 (the “**2022 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meaning as defined in the 2022 Annual Report.

In addition to the information provided in the 2022 Annual Report, the Board wishes to provide further details to Shareholders and potential investors of the Company in relation to the written off of finance lease receivables for the year ended 31 December 2022. This supplemental information should be read in conjunction with the 2022 Annual Report.

#### **WRITTEN OFF OF FINANCE LEASE RECEIVABLES**

The 2022 Annual Report stated that the Company recorded a written off of finance lease receivables of approximately HK\$26.2 million (the “**Written Off**”). The Written Off represents the amount reduced in the carrying value of the Suqian insurance town project as at 31 December 2022.

## **Reasons and circumstances leading to the write-off**

In 2017, Weldtech Group signed a 20 years service contract with the main contractor for the Suqian insurance town project (the “**Service Contract**”). The Suqian insurance town project situates in Jiangsu Province of the PRC; Weldtech Group was engaged to build a power station to provide an air-conditioning/heat system for buildings located in the Suqian insurance town (the “**Power Station**”). Under the Service Contract, Weldtech Group will charge service fees annually with reference to the occupied areas of the related buildings.

Weldtech Group started its contractual installation works in 2017 and completed much of it in 2018 and 2019. The Power Station was put into use in 2019.

Due to the outbreak of COVID-19 in late 2019, the central government of the PRC imposed various lockdown measures and travel restrictions over the years. These measures and restrictions affected the overall PRC economy severely. These measures, combined with different work-from-home arrangements, further decreased demand for office space in other cities in the PRC, including the Suqian insurance town. Lower than expected occupancy rate resulted in Weldtech Group receiving lower service fees than expected.

Therefore, the Company revisited the discounted cash flow model (the “**DCF model**”) with a more conservative approach to forecasting future revenue with reference to the actual service fee received and the projected occupancy rate of the office in the Squian insurance town project. Based on the revised results, the Company had written off approximately HK\$26.2 million for the Suqian insurance town project in 2022.

## **Underlying valuation methodology and key value of inputs used and assumptions adopted in the valuation**

Under the Service Contract, Weldtech Group is entitled to charge the customer a service fee every year for the services provided to the Suqian insurance town for multiple years. Considering the annual income-generating nature of this project, the Group believes it is reasonable to adopt the income approach valuation method to determine the fair value of this project. Moreover, since this project is tailor-made to the Suqian insurance town, the Group considers there are no appropriate comparables available to facilitate the Group to apply another valuation approach. As such, the Company applied the income approach to determine the estimated finance lease receivable amount for this project. Under the income approach, a DCF model was prepared to assess this project’s estimated finance lease receivable by forecasting its expected cash flows and discounting the cash flows to arrive at a current, present value. The Company prepared the DCF model based on the business forecast of the Suqian insurance town project in the coming years with inputs on discount-related factors.

Under the income approach, the following key values are considered: (1) the projected annual cash inflow; (2) the discount rate; and (3) the long-term growth rate. The projected annual cash inflow adopted in the DCF model as at 31 December 2022 was adjusted downward from the same as at 31 December 2021. The table below summarizes the key inputs adopted on the DCF models for the financial years ended 31 December 2021 and 2022, respectively:

	<b>31 December 2021</b>	<b>31 December 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
(1) Projected annual cash inflow	3,920	1,100
(2) The discount rate	8.45%	8.45%
(3) The long-term growth rate	0%	0%

*Note:*

- (1) The Company revised the projected cash inflow amount with reference to the actual service fee amount received and the projected occupancy rate of the office in the Squian insurance town project.

The projected cash inflow of RMB1,100,000 was determined with reference to:

1. the actual service fee charged for the services provided in year 2021/2022 (i.e. RMB906,500/year); and
  2. the projected occupancy rate of the office in the Squian insurance town project in coming years. (ie. Approximately 20% rebound from the year 2021/2022 level)
- (2) The Company engaged a valuer to determine a project discount rate. The Company applied the discount rate to the model with reference to the recommendation from the valuer.

The discount rate was determined with reference to the following assumptions:

1. The yield-to-maturities in continuous compounding of the Chinese Government Bonds with the respective terms of time stated in the valuation model;
  2. The credit spread of the lessees of the Group is estimated by the option-adjusted spreads (“OAS”) of comparable corporate bonds issued by companies with credit ratings similar to the lessees of the Group (the “**Comparable Bonds**”); and
  3. The median/average of the OAS of the Comparable Bonds sufficiently reflects the credit risks associated with the receivables.
- (3) The long-term growth rate was estimated with reference to an expected very conservative growth rate in the PRC’s economic recovery in the coming years.

The information contained in this supplemental announcement does not affect the other information contained in the 2022 Annual Report. Save as disclosed in this announcement, all the other information and contents in the 2022 Annual Report remain unchanged.

By Order of the Board  
**CCIAM Future Energy Limited**  
**Chong Kok Leong**  
*Executive Director*

Hong Kong, 31 August 2023

*As of the date hereof, the Board comprises Mr. Cheng Lut Tim, Mr. Chong Kok Leong, Mr. Mok Tsan San, and Mr. Zhuang Miao Zhong being the executive Directors; and Ms. Li Liming, Mr. Yeung Wai Hung, Peter, and Ms. Yuen Wai Man being the independent non-executive Directors.*