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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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

The Board of Directors (the “Board”) of China Smarter Energy Group Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (together hereinafter referred to as the “Group”) for the year ended 31 December 2025 together with comparative figures for the previous year as follows:

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2025

	<i>Notes</i>	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue	4	77,450	74,250
Cost of sales		<u>(39,183)</u>	<u>(40,412)</u>
Gross profit		38,267	33,838
Other income		2,231	9,363
Other gains and losses, net		188	(317,961)
Reversal of impairment/(impairment losses) on trade receivables		28,210	(17,663)
Impairment losses on deposits and other receivables		(4,761)	(2,067)
Provisions for litigations and claims		(306)	(342)
Administrative and operating expenses		<u>(20,009)</u>	<u>(22,197)</u>
Profit/(loss) from operations		43,820	(317,029)
Finance costs		<u>(209,692)</u>	<u>(212,966)</u>
Loss before tax		(165,872)	(529,995)
Income tax expense	6	<u>(5,030)</u>	<u>(6,134)</u>
Loss for the year	7	<u>(170,902)</u>	<u>(536,129)</u>
Other comprehensive (expense)/income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(23,249)	26,291
Release of reserves upon disposal of a subsidiary		<u>–</u>	<u>(4,830)</u>
Other comprehensive (expense)/income for the year, net of tax		<u>(23,249)</u>	<u>21,461</u>
Total comprehensive expense for the year		<u>(194,151)</u>	<u>(514,668)</u>

	2025	2024
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to:		
Owners of the Company	(170,904)	(536,128)
Non-controlling interests	2	(1)
	<u>(170,902)</u>	<u>(536,129)</u>
Total comprehensive expense		
for the year attributable to:		
Owners of the Company	(194,153)	(514,667)
Non-controlling interests	2	(1)
	<u>(194,151)</u>	<u>(514,668)</u>
Loss per share		
Basic (<i>HK cents per share</i>)	9 (1.82)	(5.72)
Diluted (<i>HK cents per share</i>)	9 (1.82)	(5.72)
	<u>9 (1.82)</u>	<u>(5.72)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment		312,068	332,535
Right-of-use assets		10,362	10,629
Intangible assets		–	–
Club membership debenture		130	130
		<u>322,560</u>	<u>343,294</u>
Current assets			
Trade and bill receivables	<i>10</i>	129,333	107,752
Prepayments, deposits and other receivables		5,972	24,665
Financial assets at FVTPL		43	41
Bank and cash balances		48,102	26,316
		<u>183,450</u>	<u>158,774</u>
Current liabilities			
Accruals and other payables		1,048,589	831,540
Other borrowings	<i>11</i>	676,746	696,967
Lease liabilities		8,008	4,231
Provisions for litigations and claims	<i>12</i>	10,670	10,105
		<u>1,744,013</u>	<u>1,542,843</u>
Net current liabilities		<u>(1,560,563)</u>	<u>(1,384,069)</u>
Total assets less current liabilities		<u>(1,238,003)</u>	<u>(1,040,775)</u>

	2025	2024
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	7,710	10,387
Deferred tax liabilities	5,489	5,889
	<u>13,199</u>	<u>16,276</u>
NET LIABILITIES	<u>(1,251,202)</u>	<u>(1,057,051)</u>
Equity		
Share capital	23,436	23,436
Reserves	(1,274,618)	(1,080,465)
	<u>(1,251,182)</u>	<u>(1,057,029)</u>
Equity attributable to owners of the Company	(1,251,182)	(1,057,029)
Non-controlling interests	(20)	(22)
	<u>(1,251,202)</u>	<u>(1,057,051)</u>
TOTAL EQUITY	<u>(1,251,202)</u>	<u>(1,057,051)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

1. GENERAL

China Smarter Energy Group Holdings Limited (the “Company”) was incorporated in Bermuda under the Companies Act (as amended) of Bermuda as an exempted company with limited liabilities on 8 August 1997. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Room 2109, 21/F, Wayson Commercial Building, 28 Connaught Road West, Sheung Wan, Hong Kong.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$170,902,000 for the year ended 31 December 2025 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$1,560,563,000 and the Group had net liabilities of approximately HK\$1,251,202,000. As at that date, the Group’s total borrowings amounted to approximately HK\$676,746,000, while its cash and cash equivalents amounted to approximately HK\$48,102,000 only.

In view of these circumstances, the directors have estimated the Group’s cash requirements by preparing a Group cashflow forecast for the 12 months ending 31 December 2026 and have, during the year and up to the date of the approval of these consolidated financial statements, instituted the financing plans and measures to mitigate the liquidity pressure on the Group, to restructure its financial obligations and to improve its financial position. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the successful outcome of these measures, which are subject to multiple uncertainties including:

- (a) the timely settlement of trade receivables; and
- (b) the continuing forbearance by creditors in not demanding repayment within the next 12 months from the end of the reporting period; and
- (c) continued deferred of rental payments and successfully settle the ongoing litigation cases.

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

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), that are relevant to its operations and effective for its accounting year beginning on 1 January 2025. HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRS Accounting Standards did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRS Accounting Standards that have been issued but are not yet effective. The application of these new HKFRS Accounting Standards will not have material impact on the consolidated financial statements of the Group.

4. REVENUE

	2025 <i>HK\$’000</i>	2024 <i>HK\$’000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
– Sale of electricity	<u>77,450</u>	<u>74,250</u>

Disaggregation of revenue from contracts with customers:

Sale of electricity included HK\$48,225,000 (year ended 31 December 2024: HK\$44,818,000) tariff subsidy received and receivable from the state grid companies in the PRC based on the prevailing nationwide government policies on renewable energy for solar plants and distributed power stations.

5. SEGMENT INFORMATION

The Group is principally engagement in the clean energy of sales of electricity to customers in Mainland China.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

The Group operated within one geographical area because the majority of the Group’s revenue was generated in Mainland China and all of its non-current assets/capital expenditure were located/incurred in Mainland China. Therefore, no geographical information is presented.

6. INCOME TAX EXPENSE

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Current tax – Mainland China provision for the year	5,571	6,677
Deferred tax	(541)	(543)
	<u>5,030</u>	<u>6,134</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2025 (2024: Nil).

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

7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Auditor's remuneration		
– audit services	1,500	1,200
– other services	–	–
	1,500	1,200
Depreciation of property, plant and equipment	27,460	28,544
Depreciation of right-of-use assets	799	1,221
(Reversal of impairment)/impairment losses on trade receivables	(28,210)	17,663
Impairment losses on deposits and other receivables	4,761	2,067
Expenses relating to short-term lease	270	181
	<u>27,460</u>	<u>28,544</u>

Cost of sales includes depreciation and operating lease charges of approximately HK\$27,448,000 (2024: HK\$28,537,000).

8. DIVIDENDS

No dividends have been paid or proposed during the year ended 31 December 2025, nor has any dividend been proposed since the end of the reporting period (year ended 31 December 2024: Nil).

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss (2024: loss) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$170,904,000 (2024: loss attributable to owners of the Company of approximately HK\$536,128,000) and the weighted average number of ordinary shares of 9,374,351,000 (2024: 9,374,351,000) in issue during the year.

Diluted loss per share

Diluted loss per share is the same as the basic loss per share as the Company did not have any dilutive potential shares for the financial years ended 31 December 2025 and 2024.

10. TRADE AND BILL RECEIVABLES

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Trade receivables	173,840	178,157
Allowance for doubtful debts	<u>(44,507)</u>	<u>(70,405)</u>
	<u>129,333</u>	<u>107,752</u>

Included in the Group's trade receivables are tariff subsidy receivables amounting to HK\$109,835,000 (2024: HK\$130,695,000) recognised based on the prevailing nationwide government policies on renewable energy for solar plants and distributed power stations, which are subject to the settlement by the state grid companies upon finalisation of the allocation of funds by the relevant authorities to the state grid companies. The directors expect all of the tariff subsidy will be recovered after twelve months from the end of the reporting period.

An ageing analysis of trade receivables at the end of the reporting period based on the transaction date, and net of allowance, is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Within 1 year	52,739	46,620
1 to 2 years	49,147	44,339
2 to 3 years	<u>27,447</u>	<u>16,793</u>
	<u>129,333</u>	<u>107,752</u>

11. OTHER BORROWINGS

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Current		
Other loans – secured (<i>note (i), (iii), (v)</i>)	529,194	516,192
Other loans – secured (<i>note (ii), (iii), (v)</i>)	143,259	180,775
Other loans – unsecured (<i>note (iv)</i>)	<u>4,293</u>	<u>–</u>
	<u>676,746</u>	<u>696,967</u>

Notes:

- (i) At 31 December 2024, the Group's other loans of HK\$516,192,000 was interest-bearing at 7.90% per annum, and was guaranteed by an independent company and Shanghai Gorgeous. According to the repayment terms, the other loan was repayable in June 2020. The Group was in default of repayment of this loan and the default has not been remedied at the date these consolidated financial statements were authorised for issue. As at 31 December 2024, the loan is overdue and a penalty interest fee is incurred. The penalty interest rate is the loan interest rate multiplied by 150%.

- (ii) At 31 December 2024, the Group's other loans of HK\$180,775,000 were interest-bearing at 7.00% per annum, and were guaranteed by a subsidiary of the Group. According to the repayment terms, the other loans were due for repayment in June 2021 and the default has not been remedied at the date these consolidated financial statements were authorised for issue. As at 31 December 2024, the loan is overdue and a penalty interest fee is incurred. The penalty interest rate is the loan interest rate multiplied by 150%.
- (iii) On 31 July 2025, the Company entered into the bilateral loan restructuring agreements (the "RA") with independent third parties lenders in the PRC that the outstanding indebtedness, amounting to approximately HK\$1,617,171,000, will be repaid by 70% of Surplus Operating Cash Flow for the next 5 years from 1 August 2025. As defined in the RA, "Surplus Operating Cash Flow" denotes the net cash generated from operations (being revenues less operation and maintenance costs, taxes and other necessary expenses) after deduction of maintenance capital expenditures, which represents the amount available for debt servicing. The aggregate amount of the outstanding indebtedness was included in the other borrowings, amounting to approximately HK\$672,453,000 and loan interest payables, amounting to approximately HK\$921,470,000 as at 31 December 2025.

Key terms of the RA are set out as follows:

- (1) Interest waiver: All contractual, overdue, and penalty interest waived from 1 August 2025 onwards.
- (2) Repayment schedule: 70% of Surplus Operating Cash Flow to be applied semi-annually (each 30 June and 31 December) to reduce outstanding principal.
- (3) Term: Five years from 1 August 2025. If debt remains thereafter, conversion into equity of the Company at the prevailing market price, subject to necessary consent and approval from shareholders and regulatory authorities, within 12 months. If conversion proves impracticable, an alternative settlement will be agreed within an additional one-year extension.
- (iv) At 31 December 2025, the Group's other loans due to Zengreen Innovations Ltd. of HK\$4,293,000 were interest-bearing at 8% per annum and repayable on demand.
- (v) The carrying amounts of the borrowings are all denominated in RMB.

12. LEGAL PROCEEDINGS

On 20 November 2019, the Group has initiated a lawsuit against Hongxiang New Materials Company Limited (宏祥新材料股份有限公司) ("Hongxiang") for the recovery of, inter alia, electricity charges and late payment fee pursuant to a rooftop rental agreement dated 28 August 2015 and its supplemental agreement dated 6 June 2017 entered into between Hongxiang and Dezhou Miaoli, an indirect wholly-owned subsidiary of the Company. On 11 December 2020, Hongxiang initiated a lawsuit counterclaiming against Dezhou Miaoli for recovery of, inter alia, electricity and late payment fee. With reference to advice of the Group's legal advisor, the directors estimated the Group will likely to be liable to pay a total of approximately RMB9,638,000 (equivalent to HK\$10,670,000). The aggregate amount was included in the provisions for litigations and claims as at 31 December 2025 and 2024 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

13. CONTINGENT LIABILITIES

At 31 December 2025, the Group did not have any significant contingent liabilities (31 December 2024: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by Business Segments

The Group is principally engaged in the clean energy of sales of electricity to customers in Mainland China. The Group's revenue of increased by approximately HK\$3,200,000 or approximately 4.3% from approximately HK\$74,250,000 for the year ended 31 December 2024 ("Comparative Year") to approximately HK\$77,450,000 for the year ended 31 December 2025 ("Current Year").

Revenue by Geographical Region

The Group operated within one geographical area because the majority of the Group's revenue was generated in Mainland China and all of its non-current assets/capital expenditure were located/incurred in Mainland China. Therefore, no geographical information is presented.

BUSINESS REVIEW

Clean Energy

Clean-energy power generation business is the principal business of the Group. As at 31 December 2025, the Group's installed capacity is approximately 74.8 megawatt(s) ("MW") (Comparative Year: 72MW), all of which are photovoltaic power generation projects locating in three provinces, Anhui, Jiangxi and Shandong.

During the Current Year, sale of electricity of the on-grid was approximately 74,832,000 kilowatt hour(s) ("KWh") (Comparative Year: approximately 71,684,000KWh) and generated revenue of approximately HK\$77,450,000 as compared to revenue of approximately HK\$74,250,000 in the Comparative Year.

Gross profit of approximately HK\$38,267,000 was recorded during the Current Year as compared to a profit of approximately HK\$33,838,000 in the Comparative Year.

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

Guanyang 8.25MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was approximately 7,664,000KWh, representing an increase of 4.1% as compared with Comparative Year's sale of electricity of approximately 7,359,000KWh. Sales revenue was approximately HK\$7,164,000, representing an increase of 5.0% as compared with Comparative Year's revenue of approximately HK\$6,822,000.

Hongxiang 8MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was approximately 7,571,000KWh, representing an increase of 0.1% as compared with Comparative Year's sale of electricity of approximately 7,561,000KWh. Sales revenue was approximately HK\$7,501,000, representing an increase of 7.4% as compared with Comparative Year's revenue of approximately HK\$6,984,000.

Jinde 5MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was approximately 5,365,000KWh, representing a decrease of 2.4% as compared with Comparative Year's sale of electricity of approximately 5,498,000KWh. Sales revenue was approximately HK\$4,971,000, representing an increase of 5.7% as compared with Comparative Year's revenue of approximately HK\$4,704,000.

Jiayang 10MW Project in Dezhou, Shandong: During the Current Year, sale of electricity was approximately 9,947,000KWh (Comparative Year: approximately 9,869,000KWh), representing an increase of 0.8%. Sales revenue was approximately HK\$8,030,000 (Comparative Year: approximately HK\$9,303,000), representing a decrease of 13.7%.

Hongyang 20MW Project in Changfeng, Anhui: During the Current Year, sale of electricity was approximately 21,918,000KWh (Comparative Year: approximately 21,099,000KWh), representing an increase of 3.9%. Sales revenue was approximately HK\$24,836,000 (Comparative Year: approximately HK\$23,876,000), representing an increase of 4.0%.

Jinjian 20MW Project in Gaoan, Jiangxi: During the Current Year, sale of electricity was approximately 22,366,000KWh (Comparative Year: approximately 20,298,000KWh), representing an increase of 10.2%. Sales revenue was approximately HK\$24,948,000 (Comparative Year: approximately HK\$22,560,000), representing an increase of 10.6%.

The electricity volume generated during the Current Year was stable and the average utilisation hour of our solar power plants was approximately 1,330.

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

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

PROSPECTS

China officially made its commitment to the world that green development and carbon neutrality are the key macro themes in its long-term development. It aims to achieve “carbon neutrality” before 2060 and have carbon dioxide emissions reaching its peak before 2030. The proportion of non-fossil energy to total energy consumption will increase from 15.9% in 2020 to 20% in 2025 and further to 25% in 2030, achieving carbon neutrality by 2060.

The energy consumption and carbon dioxide emissions per unit of GDP will reduce by 13.5% and 18%, respectively during the 14th Five-year Plan period. The government plans to implement systems focusing on carbon intensity control and supported by the control on total carbon emissions. It implies that the economic structure will transform towards energy concentration and the efficiency of energy utilization is expected to improve and the energy structure will transform towards low carbon intensity. China’s 14th Five-year Plan requires to vigorously expand the size of wind power and photovoltaic power generation. According to China’s 2024 power industry statistics released by the National Energy Administration, the country’s cumulative installed power generation capacity was 3.35 billion kilowatts (kW), a year-on-year increase of 14.6%. By the end of 2024, the total installed capacity of solar PV reached 886 million kW, a year-on-year increase of 45.5%. During the period, China will “reasonably control” the construction size and development pace of coal-fired power generation projects. At the same time, China will advance the green transformation of iron & steel, petrochemical, construction materials and other traditional industries that have high energy consumption. It will also adopt other measures such as the implementation of the market-based trading of energy usage quota and carbon emission quota.

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

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

RESULTS OF THE GROUP

During the Current Year, the Group recorded a revenue of approximately HK\$77,450,000 as compared to revenue of approximately HK\$74,250,000 in Comparative Year. The increase in revenue was mainly due to a steady increase in sale of electricity in most of the electricity plants.

The net loss of the Group for the Current Year amounted to approximately HK\$170,902,000 (Comparative Year: approximately HK\$536,129,000), representing a decrease in loss of 68.1%. The decrease in loss was due to no further impairment need to provide in Current Year, whereas the provision made in the Comparative Year are one-off events.

COST OF SALES

For the Current Year, the amount of cost of sales was approximately HK\$39,183,000 (Comparative Year: approximately HK\$40,412,000), representing a decrease of 3.0%. The decrease was mainly due to slightly decrease in depreciation and operating lease charges during the Current Year.

OPERATING AND ADMINISTRATIVE EXPENSES

For the Current Year, the amount of operating and administrative expenses was approximately HK\$20,009,000 (Comparative Year: approximately HK\$22,197,000), representing a decrease of 9.9%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally derives cash for operation from internal cash flow and from banks and financial institutions in Hong Kong and the PRC. As at 31 December 2025, the Group had cash and bank balances of approximately HK\$48,102,000 (as at 31 December 2024: approximately HK\$26,316,000). As at 31 December 2025, the Group's total borrowings amounted to approximately HK\$676,746,000 (as at 31 December 2024: approximately HK\$696,967,000). Total deficiency attributable to owners of the Company amounted to approximately HK\$1,251,182,000 (as at 31 December 2024: approximately HK\$1,057,029,000).

As at 31 December 2025, the Group had net current liabilities of approximately HK\$1,560,563,000 (as at 31 December 2024: approximately HK\$1,384,069,000) and current ratio (being current assets over current liabilities) of 10.5% (as at 31 December 2024: 10.3%).

CAPITAL STRUCTURE

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

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

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Other borrowings	676,746	696,967
Less: cash and bank balances	(48,102)	(26,316)
Net debt	628,644	670,651
Total deficiency attribute to owners of the Company	(1,251,182)	(1,057,029)
Gearing ratio	N/A	N/A

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

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

- (i) At 31 December 2024, the Group's other loans of HK\$516,192,000 was interest-bearing at 7.90% per annum, and was guaranteed by an independent company and Shanghai Gorgeous. According to the repayment terms, the other loan was repayable in June 2020. The Group was in default of repayment of this loan and the default has not been remedied at the date these consolidated financial statements were authorised for issue. As at 31 December 2024, the loan is overdue and a penalty interest fee is incurred. The penalty interest rate is the loan interest rate multiplied by 150%.
- (ii) At 31 December 2024, the Group's other loans of HK\$180,775,000 were interest-bearing at 7.00% per annum, and were guaranteed by a subsidiary of the Group. According to the repayment terms, the other loans were due for repayment in June 2021 and the default has not been remedied at the date these consolidated financial statements were authorised for issue. As at 31 December 2024, the loan is overdue and a penalty interest fee is incurred. The penalty interest rate is the loan interest rate multiplied by 150%.

- (iii) On 31 July 2025, the Company entered into the bilateral loan restructuring agreements (the “RA”) with independent third parties lenders in the PRC that the outstanding indebtedness, amounting to approximately HK\$1,617,171,000, will be repaid by 70% of Surplus Operating Cash Flow for the next 5 years from 1 August 2025. As defined in the RA, “Surplus Operating Cash Flow” denotes the net cash generated from operations (being revenues less operation and maintenance costs, taxes and other necessary expenses) after deduction of maintenance capital expenditures, which represents the amount available for debt servicing. The aggregate amount of the outstanding indebtedness was included in the other borrowings, amounting to approximately HK\$672,453,000 and loan interest payables, amounting to approximately HK\$921,470,000 as at 31 December 2025.

Key terms of the RA are set out as follows:

- (1) Interest waiver: All contractual, overdue, and penalty interest waived from 1 August 2025 onwards.
 - (2) Repayment schedule: 70% of Surplus Operating Cash Flow to be applied semi-annually (each 30 June and 31 December) to reduce outstanding principal.
 - (3) Term: Five years from 1 August 2025. If debt remains thereafter, conversion into equity of the Company at the prevailing market price, subject to necessary consent and approval from shareholders and regulatory authorities, within 12 months. If conversion proves impracticable, an alternative settlement will be agreed within an additional one-year extension.
- (iv) At 31 December 2025, the Group’s other loans due to Zengreen Innovations Ltd. of HK\$4,293,000 were interest-bearing at 8% per annum and repayable on demand.
- (v) The carrying amounts of the borrowings are all denominated in RMB.

FOREIGN EXCHANGE EXPOSURE

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group did not carry out any material acquisition and disposal during the Current Year.

EMPLOYEES

As at 31 December 2025, the Group employed around 16 employees in Hong Kong and the PRC (31 December 2024: 17). The Group's remuneration policies are based primarily on the prevailing market rate and the performance of individual employees. Fringe benefits, including Mandatory Provident Fund, medical benefits and training are provided. The Group has also established a discretionary bonus scheme for its management and staff with awards determined annually based upon the performance of the Group and individual employees.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2025 (31 December 2024: Nil).

FINAL DIVIDEND

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

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code"), which was amended and effective since 1 January 2022, as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices. During the Current Year, the Company was in compliance with all code provisions set out in the CG Code except for the following deviation.

Under the CG Code provision C.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. There is no separation between the roles of the chairman of the Board (the "Chairman") and the chief executive officer of the Company ("CEO"). Although the responsibilities of the Chairman and CEO are vested in one person, all major decisions are made in consultation with the Board members and the senior management of the Company. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

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

The Directors will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making process are regulated in a proper and prudent manner.

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 C3 to the Listing Rules as the code of conduct regarding securities transaction by the Directors.

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's consolidated financial statements and review of the relationship with the auditors of the Company. The Audit Committee comprises three independent non-executive Directors of the Company as at 31 December 2025.

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

EXTRACTS OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2025:

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Smarter Energy Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out in the 2025 annual report, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, and consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer Opinion

Scope limitation relating to the assessment on the appropriateness of the going concern basis of preparing the Consolidated Financial Statements

We draw attention to the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK\$170,902,000 for the year ended 31 December 2025 and, as of that date, the Group had net current liability approximately HK\$1,560,563,000 and net liabilities of approximately HK\$1,251,202,000, while its cash and cash equivalents amounted to approximately HK\$48,102,000 only. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In light of the above, the directors of the Company have been undertaking measures to improve the Group's liquidity and financial position. To assess the appropriateness of the going concern basis, the management of the Group prepared a cash flow forecast ("Cash Flow Forecast"), which takes into account the effects of the success in implementing and completing the aforesaid plans and measures as scheduled, notwithstanding the inherent uncertainties associated with the outcome of these plans and measures. In particular, the positive outcome of the Cash Flow Forecast is dependent upon the following key assumptions: (a) the timely settlement of trade receivables; (b) the continuing forbearance by creditors in not demanding repayment within the next 12 months from the end of the reporting period; (c) continued deferred of rental payments and successfully settle the ongoing litigation cases. Based on the result of the Cash Flow Forecast, the Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the foreseeable future and therefore, the Group has the ability to continue as a going concern and will continue its operations for at least 12 months from 31 December 2025. Accordingly, the Directors are of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis.

In respect of the forecasted timely settlement of trade receivables, we were unable to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the assumptions underlying the forecasted cash settlement exposed to the uncertainty regarding national photovoltaic subsidy policies.

In respect of the continued forbearance by creditors, we were advised by management that the Group is actively negotiating with its creditors to seek extensions of repayment terms and entered into the bilateral loan restructuring agreements with certain lenders during the year. However, we were unable to obtain sufficient appropriate audit evidence to conclude that creditors will continue to forbear from demanding repayment within the next 12 months from the end of the reporting period.

In respect of the continued deferred of rental payments and successfully settle the ongoing litigation cases, we were unable to obtain sufficient appropriate audit evidence to conclude that the Group will be able to successfully defend, dismiss or settle the ongoing litigation cases, or successfully negotiate deferrals of payments due to the inherent uncertainties associated with the outcome of litigation.

In view of the above scope limitation, there were no other alternative procedures that we could perform to satisfy ourselves that the Group would be able to implement its plans and measures, as a result, we were unable to obtain sufficient appropriate evidence we considered necessary to conclude whether the use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

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, and 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 effect of these adjustments has not been reflected in the consolidated financial statements.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Current Year.

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

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

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

The Company's 2025 annual report containing all the information required under the Listing Rules will be dispatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

DIRECTORS OF THE COMPANY

Mr. Chen Xiakuan, Mr. Bo Dateng and Ms. Yue Lu are the executive directors of the Company; Mr. Pun Hau Man, Mr. Lo Ka Ki and Mr. Choi Pun Lap are the independent non-executive directors of the Company.

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

Hong Kong, 30 March 2026