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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)

QUARTERLY PROGRESS UPDATE ON ACTION PLANS AND MEASURES IN RESOLVING THE DISCLAIMER OF OPINION

This announcement is made by China Smarter Energy Group Holdings Limited (the "**Company**" together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on (the "**Listing Rules**") 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, Laws of Hong Kong).

Reference is made to (i) the fulfilment of resumption guidance and resumption of trading announcement published on 14 November 2025 (the "**Resumption Announcement**"), (ii) the annual results announcement of the Company for the year ended 31 December 2025 published on 30 March 2026 (the "**2025 Results Announcement**"), (iii) the 2025 annual report for the annual results of the Company for the year ended 31 December 2025 published on 30 April 2026 (the "**2025 Annual Report**") and (iv) the interim results announcement for the Company of the six months ended 30 June 2026 published on 28 August 2026 (the "**Interim Results Announcement**", collectively the "**Announcements**"). Unless otherwise defined, capitalized terms used in this announcement shall have the same meaning as those used in the Announcements.

DISCLAIMER OF OPINION

The Company's auditors expressed a disclaimer of opinion ("**2025 Disclaimer**") on the Company's consolidated financial statements for the year ended 31 December 2025, as the auditors were unable to obtain sufficient and appropriate audit evidence to conclude that the Company's consolidated financial statements could be prepared on a going concern basis, and were unable to obtain sufficient and appropriate audit evidence to conclude on (i) the appropriateness of the assumptions underlying the cash flow forecast exposed to the uncertainty regarding national photovoltaic subsidy policies ("**PV Policy**"), (ii) creditors will continue to forbear from demanding repayment within the next 12 months from the end of the reporting period, and (iii) 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 (collectively the "**2025 Going Concern Uncertainties**").

The Company wishes to provide shareholders and potential investors of the Company with the information relating to (i) clarification on the auditors' view on the 2024 Going Concern Uncertainties and the 2025 Going Concern Uncertainties; and (ii) updates on the actions plans and measures in resolving the 2025 Going Concern Uncertainties.

1. Auditors' Views on the 2024 Going Concern Uncertainties and the 2025 Going Concern Uncertainties

(a) Basis of auditors' opinion that the 2024 Going Concern Uncertainties have been resolved

The auditors issued a disclaimer opinion for the Company's 2024 annual report, among others, including the material uncertainty relating to the going concern of the Group (the "**2024 Going Concern Uncertainties**"), being (i) successful negotiation with lenders for extension of maturity date of debts, (ii) successful obtaining of other possible financings; and (iii) the successful disposal of further solar power plants of the Group.

Based on the communications between the board of directors of the Company (the "**Board**") and the auditors when the Company applied for resumption of trading by the end of September 2025, the auditors were satisfied that the Bilateral Loan Restructuring resolved the 2024 Going Concern Uncertainties, which had led to the FY2023–2024 audit modification. Before forming their view, the auditors assessed the Group's ability to continue as a going concern as a whole with the information available to them at that time. At that moment in time, the Group had taken the following measures:–

i. following court approval of the reorganization plan for Jinchang Jintai and the winding up of Shanghai Dianyang, and as a result of such, approximately HK$537 million of the Group's on-balance-sheet borrowings were deconsolidated; and

ii. entered into the Bilateral Loan Restructuring by the end of July 2025 (i.e. within 60 days from the date when the auditors formed their view), and as a result of such, the repayment of borrowings of HK$1,617 million was deferred to latter days.

Considering the fact that the Group's total liabilities as of 31 December 2024 amounted to HK$1,701 million, the auditors were of the view that the abovementioned measures had practically dealt with most of the Group's existing debts, and substantially alleviated the Group's immediate cash flow pressure which was the root cause of the 2024 Going Concern Uncertainties. The auditors also assessed the offshore loan owed to Nine United (the "**Offshore Loan**") in parallel and Nine United had exercised forbearance and refrained from demanding repayment. Consequently, assuming that such forbearance continues and alongside the implementation of the Bilateral Loan Restructuring, the auditors were of the view that the 2024 Going Concern Uncertainties had been resolved.

(b) Events leading the auditors' opinion in FY2025 annual report and the basis of 2025 Going Concern Uncertainties

Prior to the commencement of the audit for the year ended 31 December 2025, the management enquired with the auditors as to whether a disclaimer of opinion on the Group's ability to continue as a going concern was anticipated. In considering this issue, the auditors based on the Group's unaudited financial figures assessed the Group's overall financial position following the implementation of the Bilateral Loan Restructuring. The auditors indicated that, notwithstanding the successful restructuring of the onshore PRC loans, the Offshore Loan would still remain a significant factor in the going concern assessment. As Nine United had confirmed not to demand repayment of the Offshore Loan and had continued to exercise forbearance in respect thereof, and based on the information available at the time and assuming such forbearance continues, the auditors indicated that they did not anticipate a recurring disclaimer of opinion in relation to the Group's ability to continue as a going concern for the year ended 31 December 2025. However, the auditors' assessment would ultimately depend on the results of the audit procedures to be performed and the facts and circumstances prevailing at the relevant time.

Subsequently, the auditors commenced the audit work of the Group's financial statements for the year ended 31 December 2025 in late 2025. The auditors, after consulted PRC lawyers, were of the view that the Bilateral Loan Restructuring in respect of PRC loans had been fully implemented and had effectively alleviated the onshore financial pressure of the Group. Meanwhile, the Company and the auditors were informed that the Offshore Loan previously owed to its creditor, Nine United, had been assigned to Zengreen on 3 July 2025 (the "**Assignment**").

The management met with Zengreen's representatives to actively negotiate for settlement plan for the Offshore Loan with Zengreen, but there was no binding settlement or confirmation with Zengreen has been entered into prior to the publication of the 2025 Results Announcement, notwithstanding the fact that Zengreen had not demanded immediate repayment of the Offshore Loan in full after the Assignment.

As the auditors' assessment on whether it is appropriate for the Group to adopt going concern assumption in the preparation of its financial statements depends on the Group's future cash flow position as a whole, the auditors considered that uncertainty existed as to whether Zengreen would continue to withhold demands for repayment over the next 12 months. Coupled with the fact that the Offshore Loan owed to Zengreen amounts to approximately HK$58 million, considering the bank and cash balances of the HK$48.1 million as of 31 December 2025, the Group might, in the event Zengreen and other creditors demanded repayment within the 12 months from the end of the reporting period, not been able to timely service all of the demand.

In addition, such uncertainty and financial pressure of the Offshore Loan also affected the preparation of the Group's cash flow forecast. The auditors were of the view that the amount should be assumed to be repaid within the year ended 31 December 2026 for the purpose of preparing the cash flow forecast of the Group (which was not the case when the Group prepared its cash flow forecast for the audit the year before and for the Company's resumption application).

Such change in assumption made the Group's cash flow forecast more sensitive to other parameters and assumptions, including those affecting the Group's cash inflow (i.e. timely settlement of trade receivables relating to the recoverability of the PRC government subsidies), and those affecting the Group's cash outflow (i.e. continued deferring of rental payments and successfully settle the ongoing litigation cases and other cash expenses). While these parameters and assumptions had also existed in prior years, they were not considered as sensitive because the Group's outstanding loan obligations to the lenders were substantially higher before the Bilateral Loan Restructuring and therefore remained the dominant factor in the cash flow forecast. Following the Bilateral Loan Restructuring, these assumptions became comparatively more significant to the Group's liquidity position and cash flow projections. Hence, the auditors highlighted these parameters as material uncertainties relating to 2025 Going Concern Uncertainties, as they are affecting the Group's projected cash flow significantly.

Having making enquiry with the auditors, the Company was informed that the auditors exercised their materiality assessment in evaluating the Group's ability to continue as a going concern every year and they focus on the cash flow position of the Group as a whole and is of the view that despite the successful implementation of the Bilateral Loan Restructuring, the Offshore Loan owed to Zengreen caused financial pressure and adversely affected the cash flow parameters, therefore Zengreen was the principal driver of the 2025 Disclaimer, and the borrowings under the Bilateral Loan Restructuring did not form part of the basis of 2025 Disclaimer.

(c) Classification of borrowings under the Bilateral Loan Restructuring

The auditors reviewed the profit and loss accounts and other financial information of the Group during resumption

In respect of the classification of the borrowings under the Bilateral Loan Restructuring, the auditors reviewed the profits and losses accounts and other financial information of the Group during the resumption process, but the auditors were not engaged to perform the required works as set out in the Hong Kong Standards of Auditing (i.e. audit, review or agreed-upon procedures) on the information contained in the Company's resumption application. Based on discussions with the auditors, the Board understands that, irrespective of the accounting classification adopted, the presentation of the relevant borrowings under the Bilateral Loan Restructuring as either current or non-current liabilities is not, in itself, determinative of the auditors' assessment of the Group's ability to continue as a going concern. Therefore, any discussion of the going concern issue solely for the purpose of demonstrating the commercial or cash flow impact of the Bilateral Loan Restructuring on the Group, or explaining the presentation of the PRC loans during the resumption process, would not be material to the auditors' evaluation or conclusion on the going concern assessment.

The auditors closely examined the disclosure of the relevant borrowings (the valuation and classification in particular) only when they performed their work during the audit of the Group's financial statements for the year ended 31 December 2025. As a result of such examination, the auditors formed their view that the borrowings should be classified as current liabilities in full due to the lack of definitive repayment schedule that clearly set definitive repayment dates with definitive dollar and cents to be repaid to the creditors.

It is the auditors' view that the classification of borrowings under the Bilateral Loan Arrangement conforms with the prevailing Hong Kong financial reporting standards, specifically HK Interpretation 5 (Revised) *"Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"* ("**HK-Int 5**"), interpreting the classification rules in HKFRS 18 *"Presentation and Disclosure in Financial Statements"* (paragraph 101). Under Core Principle of HKFRS 18.101, a liability is classified as current if the entity lacks an unconditional right at the reporting date to defer settlement of a liability for at least twelve months after the reporting period. In the present case, the amount payable under the Bilateral Loan Restructuring is determined with the Group's operating cash flow in accordance with the terms of the agreement. As the repayment obligation under the Bilateral Loan Arrangement is variable and tied to future operating cash flows, the exact amount due within twelve months cannot be definitively fixed at the reporting date and must be estimated based on available information. Accordingly, uncertainty exists regarding the amount that may become payable within the next twelve months, which is a relevant consideration in assessing the classification of the liability.

In accordance with paragraph 11 of HK-Int 5, amounts repayable under such an agreement must be classified as current in the borrower's statement of financial position. The probability that the lender will actually exercise the demand right is irrelevant – classification is based solely on the existence of the borrower's right at the reporting date. In addition, liabilities would be classified as current if due to be settled within 12 months, or if the entity does not have the right to defer settlement for at least 12 months (HKFRS 18.101).

Having consulted with the auditors, notwithstanding the above accounting classification, whether the relevant borrowings under the Bilateral Loan Restructuring are presented as current or non-current liabilities is not, in itself, a determining factor in the auditors' assessment of the Group's ability to continue as a going concern. More importantly, the auditors' going concern assessment focuses on the underlying facts and circumstances that may affect the Group's cash flows and liquidity position. In this regard, the Bilateral Loan Restructuring had effectively reduced the Group's immediate repayment obligations and easing its short-term funding pressure, regardless of the accounting classification adopted. The material uncertainties relating to going concern identified by the auditors for FY 2025 mainly arising from the Offshore Loan owned to Zengreen and other factors affecting the Group's future cash inflows and cash outflows, rather than by the presentation of the borrowings as current or non-current liabilities in the statement of financial position.

2. Audit Evidence requested by auditors

In accordance with the Resumption Announcement, although PRC has scheme guiding officials to expedite the payment of any amounts due to private-owned enterprises and the Group's PV projects are enrolled in a government acceleration scheme to expedite such payments, it is the Group's experience over the past decade that the tariff subsidies may defer for a prolonged period of time. Although the Group did receive government subsidy that were due in December 2016 in 2025, based on the factual experience the Group had over the years, the Group was unable to provide reliable estimation on the timing of payment of tariff subsidies as audit evidence, and the Group had not received official policies, guidance or documentation issued by government authorities in relation to the PV Policy.

Although the Group had previously obtained legal opinion in relation to the PV Policy at the time of resumption and the said legal opinion explains that the Group has legal rights to receive tariff subsidies, the auditors required to obtain sufficient appropriate audit evidence in relation to the timing to receive the tariff subsidies, which is subject to the state-owned grid.

During the course of preparation of the FY2025 audit report, the auditors had requested confirmations from the lenders under the Bilateral Loan Restructuring, for, inter alia, continued support to the terms of the Bilateral Loan Restructuring and based on the Group's unaudited financial statements for the year ended 31 December 2025, an indicative estimate of the amount the Group will be required to pay to the lenders in 2026 under the Bilateral Loan Restructuring, but had failed to obtain such confirmations (the "**Confirmations**"). The auditors had also failed to obtain confirmation from Zengreen for continued forbearance for defer repayment and not to demand repayment within the 12 months from the end of the reporting period.

3. The Progress of Prior Year Action Plan

The Group had focused primarily on onshore debt resolution through the Bilateral Loan Restructuring and had effectively alleviated the onshore financial pressure of the Group. For the offshore debts, the Group has been actively negotiated with lenders to extend debt maturities and secure alternative financing, but there was no binding agreement with lenders has been entered into prior to the end of FY2025.

4. Measures and Action Plans taken to address the 2025 Disclaimer

(a) Successful negotiation with its creditors to seek extensions of repayment term

The Group entered into a Deed of Settlement with Zengreen regarding the Offshore Loan on 10 April 2026. Under the terms of settlement, the settlement amount in the sum of HK$58,994,137.18 (inclusive of principal and interests) shall be paid in three tranches, with the first tranche in the amount of HK$10,000,000.00 shall be paid on or before 30 June 2026 (which is conditional upon the successful equity financing), the second tranche in the amount of HK$10,000,000.00 shall be paid on or before 10 April 2027, with the third tranche (being the final tranche with the remaining principal and interest) shall be paid on or before 10 April 2028. Subject to the Group's ongoing compliance with the terms of the Deed of Settlement, Zengreen had also undertaken not to demand repayment or enforce its claims against the Company (including not to file any petition for the winding up of the Company). At this date of this Announcement, the first tranche in the amount of HK$10,000,000.00, which fell due on 30 June 2026, remains unpaid by the Group and the parties are in the process of agreeing further revisions to the repayment arrangement.

(b) Successful obtaining of other possible financings

Since the implementation of the Company's fund-raising exercise did not proceed as scheduled, the management further negotiate with Zengreen not to demand repayment of or enforce its claim under the Offshore Loan at the present time and obtained a letter of support with Zengreen on 7 August 2026. According to the term of the letter of support, a credit facility of up to RMB40 million is provided to support the Group's ongoing operations and working capital requirements. The repayment arrangements will be agreed and confirmed by both parties in due course.

(c) The successful negotiation on the continued deferred of rental payments and successfully settle the ongoing litigation

Subsequent to the end of the reporting period and after the publication of the 2025 Results Announcement, the Group had entered into a settlement agreement with Hongxiang New Materials Company Limited (the "**Hongxiang Litigation**") and all claims and counterclaims in relation to the Hongxiang Litigation have been fully and finally resolved, and the parties have agreed that no further claims or disputes shall subsist.

Notwithstanding the fact that it has been an inherent uncertainty on the timely settlement of the trade receivables as the Group was only been able to receive tariff subsidy years after the Group provided electricity to power grid, based on management's long-term monitoring and understanding of PV Policy in prioritizing renewable energy and carbon neutrality, as well as the actual disbursement progress and collection of subsidy funds in recent years, the Board is of the view that the likelihood of recovering the related receivables are high. Taking into account the PV Policy continuity and the Group has been included in the Subsidy List (可再生能源電價附加補助目錄), there is expectation that the outstanding subsidy amounts will continue to be collected in future, providing stable support to the Company's cash flow and its ability to continue as a going concern for the next twelve months.

Taking into account the successful implementation of the Bilateral Loan Restructuring and the abovementioned measures and action plans taken to address the 2025 Disclaimer, the auditors have indicated that, barring unforeseen circumstances and despite (i) the inherent uncertainty regarding the timely settlement of trade receivables and recoverability of the government subsidy and (ii) the inability of the lenders under the Bilateral Loan Restructuring to provide Confirmations regarding continued support and estimated payment obligations, the disclaimer of opinion is not expected to recur in respect of the financial statements of the Group for the financial year ending 31 December 2026.

In addition, the Group is actively contemplating fundraising channels, encompassing both external debt and equity financing. In light of the implementation of the measures outlined above, and maintaining stable trade receivables collection, the Board is of the view that the Group will be able to fully address the auditors' concerns and eliminate the recurrence of the disclaimer of opinion for FY2026.

Following the completion of the Bilateral Loan Restructuring, the Group had substantially addressed the majority of its existing indebtedness and significantly alleviated its immediate liquidity pressures, which had been the primary cause of the material uncertainty identified in the previous financial year that cast significant doubt on the Group's ability to continue as a going concern. During the Company's application for resumption of trading and the preparation of the Resumption Announcement, the offshore creditor prior to the Assignment had not demanded repayment of outstanding loans; in these circumstances, the Board is of the view that the Company's disclosures in the Resumption Announcement are accurate and not misleading.

The Company will publish announcement(s) for the updates regarding the 2025 Disclaimer and action plans as and when appropriate in accordance with the Listing Rules and/or as required by the Stock Exchange. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 21 September 2026

As at the date of this announcement, Mr. Chen Xiaxuan, Mr. Bo Dateng and Ms. Han Yuxuan are the executive directors of the Company; and Mr. Pun Hau Man, Mr. Lo Ka Ki and Mr. Choi Pun Lap are the independent non-executive directors of the Company.

* *For identification purposes only*