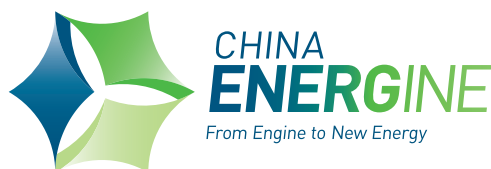


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CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際（集團）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1185)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “**Board**”) of directors (the “**Director(s)**”) of China EnerGINE International (Holdings) Limited (the “**Company**”) hereby announces the annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Revenue	3	41,218	9,100
Cost of revenue		(32,273)	(1,080)
Gross profit		8,945	8,020
Other income		2,132	620
Gain on debt restructuring	4	434,463	–
Other gains and losses	5	185,193	320,615
Financial guarantee contract liabilities		–	(399,032)
Administrative expenses		(25,025)	(11,402)
Selling expenses		(2,275)	–
Finance costs		(49)	(116)
Share of results of associates		5,216	10,268

* *For identification purpose only*

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Profit/(loss) before tax		608,600	(71,027)
Income tax expense	6	<u>(581)</u>	<u>(3,113)</u>
Profit/(loss) for the year		<u>608,019</u>	<u>(74,140)</u>
Other comprehensive income/(expense):			
<i>Item that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation to presentation currency		<u>127,740</u>	<u>(54,404)</u>
Other comprehensive income/(expense) for the year		<u>127,740</u>	<u>(54,404)</u>
Total comprehensive income/(expense) for the year		<u>735,759</u>	<u>(128,544)</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		458,373	(76,499)
Non-controlling interests		<u>149,646</u>	<u>2,359</u>
		<u>608,019</u>	<u>(74,140)</u>
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		583,779	(125,918)
Non-controlling interests		<u>151,980</u>	<u>(2,626)</u>
		<u>735,759</u>	<u>(128,544)</u>
Earnings/(loss) per share			
Basic (HK cents)	10	<u>10.49</u>	<u>(1.75)</u>
Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		45,610	65,459
Right-of-use assets		22,962	27,874
Interests in associates		191,504	212,094
Total non-current assets		260,076	305,427
Current assets			
Inventories		2,208	2,533
Trade and other receivables, deposits and prepayments	<i>11</i>	34,974	48,793
Contract assets		–	–
Amounts due from associates		6,895	4,485
Current tax receivable		–	574
Bank balances and cash		44,998	31,257
Total current assets		89,075	87,642
LIABILITIES			
Current liabilities			
Trade and other payables	<i>12</i>	54,025	706,076
Amount due to an intermediate holding company		1,317,108	1,439,008
Current tax payable		130	2,228
Lease liabilities		256	1,497
Total current liabilities		1,371,519	2,148,809
Net current liabilities		(1,282,444)	(2,061,167)
Total assets less current liabilities		(1,022,368)	(1,755,740)

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		–	256
Warranty provision		843	–
Deferred tax liabilities		6,283	7,897
		<hr/>	<hr/>
Total non-current liabilities		7,126	8,153
		<hr/>	<hr/>
NET LIABILITIES		<u>(1,029,494)</u>	<u>(1,763,893)</u>
EQUITY			
Capital and reserves			
Share capital	<i>13</i>	436,900	436,900
Reserves		(1,530,351)	(2,114,130)
		<hr/>	<hr/>
Deficiency attributable to owners of the Company		(1,093,451)	(1,677,230)
Non-controlling interests		63,957	(86,663)
		<hr/>	<hr/>
TOTAL DEFICIENCY		<u>(1,029,494)</u>	<u>(1,763,893)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

These consolidated financial statements have been prepared under the historical cost convention.

As of 31 December 2022, the Group had net current liabilities and net liabilities of HK\$1,282,444,000 and HK\$1,029,494,000, respectively. The amount due to an intermediate holding company, China Academy of Launch Vehicle Technology (“**CALT**”), amounted to approximately HK\$1,317,108,000 as at 31 December 2022, which is repayable on demand; while its cash and cash equivalents amounted to HK\$44,998,000 only as at 31 December 2022.

In view of the above circumstances, the directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group’s financial position which include, but are not limited to, the following:

- (i) The Group has been actively negotiating with CALT to obtain sufficient financial support from CALT to enable the Group to continue its operations and for not demanding the Company to fulfill its counter guarantee and guarantee obligations in respect of the amount due to CALT by the Company as at 31 December 2022 of HK\$1,317,108,000, arising from certain defaulted counter-guaranteed and guaranteed loans borrowed by Beijing Energene Industry Co., Ltd. (“**Beijing Energene**”), a former subsidiary of the Company, including interest payable from CALT and a fellow subsidiary of the Company, which is repayable on demand. On 21 May 2021, CALT issued the Company a letter undertaking not to demand repayment from the Company for the aforesaid obligations and to provide all necessary financial support to the Company. Such undertakings are effective for 18 months from the issue date of the letter. On 14 March 2022, CALT issued the Company another letter to grant extension of the undertakings for a further 24 months ending on 20 November 2024.

- (ii) On 16 September 2022, CALT provided the Company a letter of intent confirming that CALT would agree to capitalise the amount due to it from the Company of HK\$1,317,108,000 (the **“Debt-to-Equity Swap”**) if certain criteria are met. The criteria have not been formally agreed between the parties but are expected to include the following:
- (1) Beijing Energiner liquidation procedures have been fully completed and the amount to be paid from Beijing Energiner to CALT has been fixed.
 - (2) The trading of the Company’s shares has been resumed.
 - (3) Achievement by the Group of specified revenue, net profit and share price targets.
 - (4) Approval of the Debt-to-Equity Swap by China Aerospace Science and Technology Corporation and the relevant authority in the People’s Republic of China (the **“PRC”**).
- (iii) On 22 December 2022, the Group successfully entered into a debt expiation agreement with Beijing Energiner as detailed in note 4 to the consolidated financial statements, resulting in the discharge of its trade payables due to Beijing Energiner of HK\$435,877,000. The Group has ongoing communication with its other creditors, and monitored closely any settlement requests of trade and other payables. In the opinion of the directors of the Company, it is expected that the Group could further negotiate with its creditors and agree on the settlement arrangements where required.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Group’s ability to continue as a going concern depends on its ability to generate positive cashflows from operations and on the continued financial support of CALT and completion of the Debt-to-Equity Swap with CALT and successful agreement with the Group’s creditors of settlement arrangements where required.

Accordingly, a material uncertainty exists that may cast significant doubt on 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. Should the Group fail to achieve the above mentioned plans and measures, or should CALT no longer have the financial ability to provide finance to the Group, it may not be able to continue to operate as a going concern, and adjustments would have to be made to reclassify the Group’s non-current assets and non-current liabilities as current assets and current liabilities respectively, to write down the carrying amounts of the Group’s assets to their recoverable amounts and to provide for any provision for any contractual commitments that have become onerous as at the end of the reporting period. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

None of these developments have had a material effect on how the Group's results and financial position for the current on prior periods have been prepared or presented.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers by major service line and timing of revenue recognition for the year are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of electricity from operation of wind power field	25,771	–
Technical service income from new energy development operation	–	9,100
Sales of new energy systems from new energy development operation	<u>15,447</u>	<u>–</u>
	<u>41,218</u>	<u>9,100</u>
Timing of revenue recognition		
Point in time	<u>41,218</u>	<u>9,100</u>

Revenue from sales of electricity from operation of wind power field and technical service income and sales of new energy systems from new energy development operation is recognised upon the satisfaction of its sole performance obligation with its customers (when the electricity has been transmitted to the customer of sales of electricity from operation of wind power field; when the notice of approval for power plant construction project from the National Development and Reform Commission is issued to the customer of technical service income from new energy development operation or when control of new energy system has transferred to the customer of sales of new energy systems from new energy development operation). The amount recognised is based on the observable price of the goods or services in the contracts since there is no significant financing component and there is no variable consideration.

All sales contracts have an original expected duration of one year or less; or the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Information reported to the Group's Executive Directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group has the following two operating and reporting segments.

- Operation of Wind Farm – sales of electricity from operation of wind power field
- Development of New Energy – provision of technical services for new energy development operation

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment results do not include unallocated other income, unallocated gain on debt restructuring, unallocated other gains and losses, unallocated administrative expenses such as centralised corporate expenses and directors' emoluments, financial guarantee contract liabilities expense, finance costs and income tax expense. All share of results of associates are allocated to reporting segments. This is the measure reported to the CODM for purposes of resources allocation and assessment of segment performance. Segment assets do not include unallocated property, plant and equipment, unallocated trade and other receivables, deposits and prepayments, current tax receivable and unallocated bank balances and cash. Segment liabilities do not include unallocated trade and other payables, amount due to an intermediate holding company, current tax payable, lease liabilities and deferred tax liabilities.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about segment revenue and results:

	Operation of Wind Farm <i>HK\$'000</i>	Development of New Energy <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Year ended 31 December 2022			
Revenue			
Revenue from external customers	<u>25,771</u>	<u>15,447</u>	<u>41,218</u>
Results			
Segment results	<u>998</u>	<u>200</u>	1,198
Unallocated other income			362
Unallocated gain on debt restructuring			434,463
Unallocated other gains and losses			185,173
Unallocated administrative expenses			(12,547)
Finance costs			<u>(49)</u>
Profit before tax			<u><u>608,600</u></u>
Year ended 31 December 2021			
Revenue			
Revenue from external customers	<u>-</u>	<u>9,100</u>	<u>9,100</u>
Results			
Segment results	<u>19,221</u>	<u>8,020</u>	27,241
Unallocated other income			620
Unallocated other gains and losses			311,662
Unallocated administrative expenses			(11,402)
Financial guarantee contract liabilities			(399,032)
Finance costs			<u>(116)</u>
Loss before tax			<u><u>(71,027)</u></u>

Information about segment assets and liabilities:

	Operation of Wind Farm <i>HK\$'000</i>	Development of New Energy <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
At 31 December 2022			
Assets			
Segment assets	<u>328,184</u>	<u>17,773</u>	345,957
Unallocated assets			
Property, plant and equipment			2
Trade and other receivables, deposits and prepayments			823
Bank balances and cash			<u>2,369</u>
Consolidated total assets			<u><u>349,151</u></u>
Liabilities			
Segment liabilities	<u>4,344</u>	<u>8,283</u>	12,627
Unallocated liabilities			
Trade and other payables			42,241
Amount due to an intermediate holding company			1,317,108
Current tax payable			130
Lease liabilities			256
Deferred tax liabilities			<u>6,283</u>
Consolidated total liabilities			<u><u>1,378,645</u></u>

	Operation of Wind Farm <i>HK\$'000</i>	Development of New Energy <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
At 31 December 2021			
Assets			
Segment assets	<u>364,432</u>	<u>14,036</u>	378,468
Unallocated assets			
Property, plant and equipment			71
Trade and other receivables, deposits and prepayments			4,439
Current tax receivable			574
Bank balances and cash			<u>9,517</u>
Consolidated total assets			<u><u>393,069</u></u>
Liabilities			
Segment liabilities	<u>4,163</u>	<u>842</u>	5,005
Unallocated liabilities			
Trade and other payables			701,071
Amount due to an intermediate holding company			1,439,008
Current tax payable			2,228
Lease liabilities			1,753
Deferred tax liabilities			<u>7,897</u>
Consolidated total liabilities			<u><u>2,156,962</u></u>

Other segment information:

	Operation of Wind Farm <i>HK\$'000</i>	Development of New Energy <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Year ended 31 December 2022				
Amounts included in the measure of segment results:				
Interest income	67	13	7	87
Interest expense	–	–	49	49
Depreciation of property, plant and equipment	16,476	12	1	16,489
Depreciation of right-of-use assets	2,641	–	–	2,641
Gain/(loss) on disposal of property, plant and equipment	20	–	(65)	(45)
Share of results of associates	5,216	–	–	5,216
Income tax expense	<u>573</u>	<u>8</u>	<u>–</u>	<u>581</u>
At 31 December 2022				
Amounts included in the measure of segment assets:				
Additions to non-current assets	1,698	52	-	1,750
Interests in associates	<u>191,504</u>	<u>-</u>	<u>-</u>	<u>191,504</u>

	Operation of Wind Farm <i>HK\$'000</i>	Development of New Energy <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Year ended 31 December 2021				
Amounts included in the measure of segment results:				
Interest income	–	–	14	14
Interest expense	–	–	116	116
Depreciation of property, plant and equipment	–	–	296	296
Share of results of associates	10,268	–	–	10,268
Income tax expense	916	2,197	–	3,113

At 31 December 2021

Amounts included in the measure of segment assets:

Additions to non-current assets	–	–	3	3
Interests in associates	212,094	–	–	212,094

Geographical information:

No geographic information is presented as the operations of Operation of Wind Farm segment and Development of New Energy segment are all located in PRC.

Revenue from major customers:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Operation of Wind Farm segment		
Customer A	25,771	Not applicable
Development of New Energy segment		
Customer B	–	9,100
Customer C	15,447	–
	41,218	9,100

4. GAIN ON DEBT RESTRUCTURING

On 22 December 2022, the Group entered into a debt expiation agreement with Beijing Energine to transfer to Beijing Energine all its rights of trade receivables and contract assets due from a customer of the Group amounting to RMB399,870,000 or HK\$463,462,000, of which full allowances were recognised in prior years, in order to offset against the trade payables to Beijing Energine by the Group of RMB376,070,000 or HK\$435,877,000 and the trade and other receivables due from Beijing Energine to the Group of RMB1,220,000 or HK\$1,414,000. After the debt expiation, the Group generated a gain on debt restructuring of RMB374,850,000 or HK\$434,463,000.

	2022
	<i>HK\$'000</i>
Liabilities discharged:	
Trade payables	<u>435,877</u>
Assets transferred and abandoned:	
Trade and other receivables	413,299
Less: Allowance for expected credit losses (“ECL”)	<u>(411,885)</u>
	<u>1,414</u>
Contract assets	51,577
Less: Allowance for ECL	<u>(51,577)</u>
	<u>–</u>
	<u>1,414</u>
Gain on debt restructuring	<u><u>434,463</u></u>

5. OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on bargain purchase	–	20,494
Gain on deconsolidation of subsidiaries (<i>note 8</i>)	185,547	295,308
Gain on deemed disposal of an associate	–	8,953
Net loss on disposal of property, plant and equipment	(45)	–
Net exchange (loss)/gain recognised	(309)	9
Loss on claim from a former subsidiary	–	(4,149)
	<u>185,193</u>	<u>320,615</u>

6. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Provision for current year	1,727	2,601
Over-provision in prior year	(160)	–
	<u>1,567</u>	<u>2,601</u>
Deferred tax	<u>(986)</u>	<u>512</u>
	<u>581</u>	<u>3,113</u>

No provision for Hong Kong Profits Tax was made as the Group had no assessable profits arising in or derived from Hong Kong for the years ended 31 December 2022 and 2021.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2022 and 2021.

7. PROFIT/(LOSS) FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Acquisition-related costs	323	–
Auditor's remuneration		
Current	1,450	1,850
Under-provision in prior year	–	520
	<u>1,450</u>	<u>2,370</u>
Cost of inventories recognised as an expense	20,994	–
Depreciation of property, plant and equipment	16,489	296
Depreciation of right-of-use assets	2,641	–
Employee benefits expense (excluding directors' emoluments)		
Salaries, bonuses and allowances	9,107	3,970
Retirement benefit scheme contributions	1,479	181
Other benefits	2,676	111
	<u>13,262</u>	<u>4,262</u>

8. DECONSOLIDATION OF SUBSIDIARIES

On 17 August 2022, two subsidiaries of the Group were wound up by the High Court of Hong Kong by way of a creditor's compulsory winding up/shareholder voluntary winding up following the formal appointment of their liquidators on 18 August 2022. The Group, therefore, lost control over them which were then deconsolidated from the Group.

Net liabilities at the date of deconsolidation were as follows:

	2022 <i>HK\$'000</i>
Bank balances	3
Trade and other payables	(185,550)
Amount due to the Company	(317,110)
	<hr/>
Net liabilities deconsolidated	(502,657)
Release of amount due to the Company	317,110
Gain on deconsolidation of subsidiaries	185,547
	<hr/>
Total consideration	–
	<hr/> <hr/>
Net cash outflow arising on deconsolidation:	
Cash and cash equivalents, comprising bank balances, deconsolidated	(3)
	<hr/> <hr/>

On 10 November 2021, a subsidiary of the Company was wound up by the High Court of Hong Kong by way of a creditor's compulsory winding up following the formal appointment of its liquidator on the same date. The Group, therefore, lost control over it which was then deconsolidated from the Group.

Net liabilities at the date of deconsolidation were as follows:

	2021 <i>HK\$'000</i>
Bank balances and cash	99
Other payables	(295,407)
Amount due to the Company	(434,818)
	<hr/>
Net liabilities deconsolidated	(730,126)
Release of amount due to the Company	434,818
Gain on deconsolidation of a subsidiary	295,308
	<hr/>
Total consideration	–
	<hr/> <hr/>
Net cash outflow arising on deconsolidation:	
Cash and cash equivalents, comprising bank balances and cash, deconsolidated	(99)
	<hr/> <hr/>

9. DIVIDEND

No final dividend in respect of year ended 31 December 2022 and 2021 has been proposed by the directors of the Company.

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit/(loss)		
Profit/(loss) for the year attributable to owners of the Company for the purpose of calculating basic earnings/(loss) per share	<u>458,373</u>	<u>(76,499)</u>
	2022	2021
Number of shares		
Number of shares for the purpose of calculating basic earnings/(loss) per share	<u>4,368,995,668</u>	<u>4,368,995,668</u>

No diluted earnings/(loss) per share has been presented as there were no potential ordinary shares outstanding for the years ended 31 December 2022 and 2021.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 31 December 2022, total trade receivables amounted to approximately HK\$49,335,000 (2021: HK\$498,374,000), net of allowance for ECL of approximately HK\$23,336,000 (2021: HK\$460,115,000). The Group allows credit periods for not more than six months to its customers for sales of electricity, provision of technical services and sales of new energy systems. The following is an aging analysis of trade receivables, net of ECL allowance, presented based on the invoices dates at the end of the reporting period, which approximate the respective revenue recognition dates:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	8,423	3,977
31 to 90 days	4,624	2,036
91 to 180 days	3,629	1,840
181 to 365 days	2,893	7,272
Over 1 year	<u>6,430</u>	<u>23,134</u>
	<u>25,999</u>	<u>38,259</u>

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$17,576,000 (2021: HK\$34,282,000) which are past due as at the reporting date. Included in the past due balances of HK\$12,952,000 (2021: HK\$32,247,000) has been past due 90 days or more but is not considered as in default based on repayment records for those customers and continuous business with the Group. The Group does not hold any collateral over these balances.

The Group will normally recognise full allowance for all receivables overdue 365 days because historical experiences is such that receivables that are past due 365 days are generally not recoverable, except for some major customers with longer credit terms at the discretion of the executive directors.

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$50,577,000 (2021: HK\$507,338,000). The Group normally receives credit period for 30 to 90 days from its suppliers. The aging analysis of trade payables based on invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	7,377	2,311
31 to 90 days	226	–
Over 1 year	<u>42,974</u>	<u>505,027</u>
	<u><u>50,577</u></u>	<u><u>507,338</u></u>

13. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>4,368,995,668</u>	<u>436,900</u>

14. CONTINGENT LIABILITIES

On 9 December 2020, the Company received a letter from a commercial bank that there might be a situation where a former investee company indirectly held by a former associate of the Group (the “**Project Company**”) may fail to timely repay the aggregated loans of approximately RMB358,000,000 or HK\$400,775,000 and two letters dated 22 April 2016 with the chop of the Company were attached, requesting the Company to fulfill its commitment to allocate its capital to ensure the full repayment of the bank loans in the future.

The Company became aware of that the loans principal which amounted to RMB295,000,000 or HK\$330,247,000 (two loans, respectively, with a principal of RMB230,000,000 or HK\$257,481,000 and RMB65,000,000 or HK\$72,766,000) was in relation to the following proceedings.

The Company received the judgement of first instance made by the Intermediate People’s Court of Lanzhou City, Gansu Province of the PRC on 19 August 2022 regarding the breach of a loan contract amounting to RMB230,000,000 or HK\$257,481,000: (1) the Project Company, as the borrower, shall repay the loan principal and interest accrued thereon and related expenses to the commercial bank of approximately RMB208,000,000 or HK\$232,852,000; and the commercial bank has priority of claim for the cash and receivables in the charge account of the Project Company, as well as the priority of claim for the income from disposal of the assets of the wind power station pledged by the Project Company; (2) the parent company of the Project Company, as the guarantor, shall be jointly and severally liable for repayment; and (3) the Company shall be jointly and severally liable of repayment.

The Company received the judgement of first instance made by the Intermediate People’s Court of Lanzhou City, Gansu Province of the PRC on 19 December 2022 regarding the breach of a loan contract amounting to RMB65,000,000 or HK\$72,766,000: (1) the Project Company, as the borrower, shall repay the loan principal and interest accrued thereon and related expenses to the commercial bank of approximately RMB56,000,000 or HK\$62,691,000; and the commercial bank has priority of claim for the cash and receivables in the charge account of the Project Company, as well as the priority of claim for the income from disposal of the assets of the photovoltaic power station pledged by the Project Company; (2) the parent company of the Project Company, as the guarantor, shall be jointly and severally liable for repayment in the event that the above liabilities cannot be fully discharged; and (3) the Company shall assume the liability for guarantee in the event that the borrower is still unable to pay off after being enforced in accordance with the law of the PRC.

The above proceedings have not been finally adjudicated as of the approval date of these consolidated financial statements.

The Company has engaged a professional legal counsel to assist in responding to the appeal to the above judgements, which have been further analysed after being received by the Company. According to the legal opinion given by the legal counsel of the Company, the claim of joint and several liabilities against the Company is unlikely to be valid.

On 8 September 2022 and 6 February 2023, the Group made appeal to the judgements, and while the final outcome of the proceedings is uncertain, it is the directors’ opinion that the claim is not probable to succeed and the amount of ultimate liability, if any, cannot be measured with sufficient reliability and accordingly no provision in respect of the proceedings was made by the Group as at 31 December 2022.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 31 December 2022.

RESULTS SUMMARY

Over the past year, the Group has striven for business improvement in a challenging and volatile economic environment, and maintained relatively stable wind farm operations. Meanwhile, the Group has also actively sought business opportunities in the fields of new energy development and system integration of energy storage equipment, and continued to fully facilitate the implementation of certain agreements for relevant technical service project development. The annual turnover was approximately HK\$41.22 million, as compared to approximately HK\$9.1 million in 2021. The net profit in 2022 was HK\$608 million, mainly affected by the following factors: (1) the gain on debt restructuring of HK\$434.46 million; (2) the gain on deconsolidation of subsidiaries of HK\$185.55 million; and (3) operating gross profit of HK\$8.95 million, while the net loss in 2021 was approximately HK\$74.14 million.

BUSINESS REVIEW

In 2022, the Chinese and global economy were still challenged by the impact of the COVID-19 pandemic, and the Chinese government has launched a series of favorable policies for the new energy industry based on the strategy of energy transformation. The Group actively responded to the needs of the national energy transformation and consolidated the foundation for high-quality development. While striving to improve the wind farm operations, the management has made unremitting efforts to actively explore the development of new energy projects and expand into the integration of “Wind, Photovoltaic, Hydrogen, and Energy Storage”.

New Energy Development Business

The Group has actively created conditions for the implementation of the framework agreements on the development of new energy projects signed with relevant local governments. In 2022, the Group promoted the signing of investment and development agreements for several wind power and photovoltaic projects with local governments, among which the photovoltaic project in Guangdong has obtained the filing certificate and grid access approval from the county government, and the wind power project in Sichuan has commenced the application for wind resource measurement.

Wind Farm Operations

The Group controls one wind power project, namely, the Aerospace Longyuan Benxi wind farm, which provides a capacity of 24,650KW with 29 sets of 850KW wind turbines. The project has maintained overall stable operation, but because the project has been built and operated for many years, the fan models applied are small, and the economy of scale of the project needs to be further improved. This year, the state subsidies for new energy industry have greatly improved as compared with the previous year.

In addition, the Group also participated in the investment of two associated wind farms: the Jilin Longyuan Tongyu wind farm providing a capacity of 200,000KW with 236 sets of 850KW wind turbines; the Jiangsu Longyuan Rudong wind farm providing a capacity of 150,000KW with 100 sets of 1.5MW wind turbines. Compared with the previous year, the business operation of these projects has not changed significantly, the operating results are greatly affected by the regional wind resources, and the state subsidies for new energy industry this year have greatly improved as compared with the previous year.

PROSPECTS

Looking into the future of the development of China's energy industry, the task of ensuring energy safety and transforming energy into green and low-carbon has become more urgent. Clean energy development has a long way to go, and there are still some phased development difficulties to be solved.

At the Paris Climate Summit, the Chinese government announced the goal of achieving "Carbon emissions peaking" by 2030 and "Carbon neutrality" by 2060 (referred to as the "**double carbon goal**"), and vigorously developing renewable energy and electricity has become a key path to achieve the double carbon goal. Since the 18th CPC National Congress, China has put forward future energy development strategies, including a new strategy for energy safety building a clean, low-carbon, safe and efficient energy system, and further put forward an action plan for alternative renewable energy.

China has successively issued the Action Plan for Peaking Energy Carbon and Promoting Carbon Neutrality and Standardization, the 14th Five-Year Plan for Modern Energy System, the 14th Five-Year Plan for Renewable Energy Development, the Implementation Plan for Promoting High-quality Development of New Energy in the New Era, the Implementation Plan for Promoting Green Consumption, and the Opinions on Improving the Mechanisms, Policies and Measures for the Green and Low-carbon Energy Transition. China has made orderly progress in building a unified national energy market and a unified electricity market system, further improved the dual control of energy consumption, and deepened the reform of “deregulating, regulating and serving”.

In the next five to ten years, wind power, photovoltaic and other new energy sources will become the main body of new energy consumption. In addition, progress in hydrogen energy and energy storage technology will also become an emerging driving force to help achieve low-carbon goals. The whole chain of hydrogen energy “production, storage, and use” is also making steady progress, and the prospects for the coordinated development of wind power, photovoltaic, hydrogen energy and energy storage industries are becoming clearer.

Over the past year, the Group has made unremitting efforts in the market development of new energy projects on the basis of maintaining the sound operation of wind farm business. In addition, it is also actively demonstrating the feasibility of moderately expanding the operation scale of new energy projects. In 2023, the Group will further promote the main business, continuously improve the operating performance and quality of wind farms, and further implement the approval and filing conditions for the development of new energy projects. In addition, the Group will continue to explore the feasibility of the integration of “Wind, Photovoltaic, Hydrogen, and Energy Storage”.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 8 employees (2021: 10 employees) in the Hong Kong head office and 29 employees (2021: 28 employees) in the offices of the PRC. Remuneration of employee is determined according to individual employee’s performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides Mandatory Provident Fund and medical insurance to its employees. In addition, discretionary performance bonus is available at the discretion of the Directors.

FINANCIAL REVIEW

Liquidity and Financial Resources

All the borrowings of the Group are denominated in Renminbi (“RMB”) as at 31 December 2022. The amount due to an intermediate holding company as at 31 December 2022 and 31 December 2021 amounted to HK\$1,317 million and HK\$1,439 million respectively. The abovementioned borrowings were determined at market interest rate. The Group has not issued any financial instrument for hedging or other purpose.

Financial Ratio

As at 31 December 2022, the Group’s debt to asset ratio was 3.95, represented by the ratio of total liabilities to total assets (2021: 5.49).

Financial Position

The Group finances its working capital requirements through a combination of internal resources generated from operations and borrowings. The Group had cash and cash equivalents of HK\$45 million as at 31 December 2022, an increase of HK\$14 million compared to HK\$31 million as at 31 December 2021.

Distribution to Shareholders

There was no distribution to the Company’s shareholders in the year 2022 (2021: nil).

Pledge of Assets

As at 31 December 2022, no material assets have been pledged (2021: nil).

Exchange Exposures

Most of the Group’s business transactions were conducted in RMB. The Group expected that the exposure to exchange rates fluctuation was not significant and therefore has not engaged in any hedging activities.

Contingent Liabilities

Saved for the contingent liabilities as described in the note 14 to the consolidated financial statements in this announcement, the Group does not have any material contingent liabilities as at 31 December 2022.

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2022. No dividend has been declared by the Company for the year ended 31 December 2022 (2021: nil).

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent events after 31 December 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year 2022.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**2023 AGM**”) will be held on Friday, 30 June 2023. A circular containing the notice of the 2023 AGM and information regarding, inter alia, the re-election of the retiring Directors and the granting of the general mandates to the Directors to issue new Shares and to repurchase Shares (the “**Circular**”) will be published and despatched to the Shareholders in due course.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Company recognises that corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and enhance shareholder value. The Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2022.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

EXTRACT FROM RSM HONG KONG'S INDEPENDENT AUDITOR'S REPORT

The "Disclaimer of Opinion" and "Basis for Disclaimer of Opinion" and "Emphasis of Matter" are extracted from RSM Hong Kong's independent auditor's report for the year ended 31 December 2022 as follows:

Disclaimer of Opinion

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 have not been 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 of Opinion

As described in note 2 to the consolidated financial statements*, as of 31 December 2022, the Group had net current liabilities and net liabilities of approximately HK\$1,282,444,000 and approximately HK\$1,029,494,000, respectively. The Group's amount due to China Academy of Launch Vehicle Technology (“CALT”) amounted to approximately HK\$1,317,108,000 as at 31 December 2022, which is repayable on demand; while its cash and cash equivalents amounted to approximately HK\$44,998,000 only as at 31 December 2022. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, as set out in note 2 to the consolidated financial statements*. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (i) successful completion of the proposed Debt-to-Equity Swap with CALT in respect of the amount due to CALT of HK\$1,317,108,000; (ii) sufficiency of financial support from CALT to enable the Group to continue its operations; and (iii) successful agreement with the Group's creditors of settlement arrangements where required.

* Refer to note 1 to the consolidated financial statements in this announcement.

Should the Group fail to achieve the abovementioned plans and measures, or should CALT no longer have the financial ability to provide finance to the Group, it may not be able to continue to operate as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Adjustments would have to be made to reclassify the Group's non-current assets and non-current liabilities as current assets and current liabilities respectively, to write down the carrying amounts of the Group's assets to their recoverable amounts and to provide for any provision for any contractual commitments that have become onerous as at the end of the reporting period. The effects of these adjustments have not been reflected in the consolidated financial statements.

Since the execution of the above plans and measures is in progress and their successful outcome is subject to significant uncertainties and in view of the significance of the extent of the uncertainties relating to the ongoing availability of finance to the Group, we disclaim our opinion in respect of the consolidated financial statements of the Group for the year ended 31 December 2022.

Emphasis of Matter

We draw attention to note 37 to the consolidated financial statements* which describes that the Group received the judgements of first instance made by a court of the People's Republic of China regarding the breach of the loan contracts by a former investee company indirectly held by a former associate of the Group, determining that the Company shall be jointly and severally liable of repayment of the loans under the loan contracts. The Group has engaged a professional legal counsel to assist in responding to the appeal to the judgements. The directors have assessed the claim and believe that the claim of joint and several liabilities against the Company is unlikely to be valid and are satisfied with adequacy and appropriateness of the disclosure made in the consolidated financial statements. Our opinion is not modified in respect of this matter.

* Refer to note 14 to the consolidated financial statements in this announcement.

MANAGEMENT VIEW ON GOING CONCERN

The directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to, the following:

- (i) On 20 May 2021, CALT issued the Company a letter undertaking not to demand repayment from the Company for the amount due to CALT and provide the necessary financial support to the Company (“**2021 Undertaking Letter**”). Such undertakings are effective for 18 months from the issue date of the letter. On 14 March 2022, CALT extended the grace period by 24 months from the expiration date of the 2021 Undertaking Letter to 20 November 2024.
- (ii) On 16 September 2022, CALT provided the Company a letter of intent confirming that CALT would agree to capitalise the amount due to it from the Company of HK\$1,317,108,000 (the “**Debt-to-Equity Swap**”) if certain criteria are met. The criteria have not been formally agreed between the parties but are expected to include the following:
 - (1) Beijing Energine liquidation procedures have been fully completed and the amount to be paid from Beijing Energine to CALT has been fixed.
 - (2) The trading of the Company's shares has been resumed.
 - (3) Achievement by the Group of specified revenue, net profit and share price targets.
 - (4) Approval of the Debt-to-Equity Swap by China Aerospace Science and Technology Corporation, the ultimate parent of the Company, and the relevant authority in the PRC.
- (iii) On 22 December 2022, the Group successfully entered into a debt expiation agreement with Beijing Energine, resulting in the discharge of its trade payables due to Beijing Energine of HK\$435,877,000. The Group has ongoing communication with its other creditors, and monitored closely any settlement requests of trade and other payables. In the opinion of the directors of the Company, it is expected that the Group could further negotiate with its creditors and agree on the settlement arrangements where required.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Group's ability to continue as a going concern depends on its ability to generate positive cashflows from operations and on the continued financial support of CALT and completion of the Debt-to-Equity Swap with CALT and successful agreement with the Group's creditors of settlement arrangements where required.

For the avoidance of doubt, in accordance with the applicable Hong Kong Standards on Auditing, the auditor needs to obtain sufficient appropriate audit evidence and to consider, based on the audit evidence to be obtained, whether material uncertainty exists regarding the Group's ability to continue as going concern. As such, assuming the successful implementation of the action plan in time with sufficient and appropriate audit evidence can be provided, the Disclaimer of Opinion is expected to be removed in the consolidated financial statements of the Group for the year ending 31 December 2023.

The audit committee of the Company (the "**Audit Committee**") has reviewed the Disclaimer of Opinion relating to going concern, the management views on going concern and the action plan of the Group, and concurs with the Board's view.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Lau Fai Lawrence, Mr. Gordon Ng and Mr. Li Dapeng.

The Audit Committee has reviewed with management in conjunction with the Auditors of the Group's consolidated financial statements for the year ended 31 December 2022, the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal controls, and financial reporting matters of the Group for the year ended 31 December 2022.

PUBLICATION OF 2022 ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company for the year ended 31 December 2022 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.energinet.hk) respectively. The 2022 annual report of the Company will be dispatched to the shareholders of the Company and made available on the above websites in due course.

By Order of the Board
China Enginert International (Holdings) Limited
Han Qingping
Chairman and Executive Director

Hong Kong, 31 March 2023

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Han Qingping, Mr. Li Lei, Mr. Xu Jun and Mr. Shen Jian; and three independent non-executive Directors, namely Mr. Lau Fai Lawrence, Mr. Gordon Ng and Mr. Li Dapeng.

* *For identification purpose only*