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中國碳中和發展集團有限公司

China Carbon Neutral Development Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1372)

**UNAUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of China Carbon Neutral Development Group Limited (the “**Company**”) hereby announces the unaudited annual results of the Company and its subsidiaries (collectively refer to as the “**Group**”) for the year ended 31 December 2021 (the “**Year**”), together with comparative figures for the year ended 31 December 2020.

For the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the auditing process of the annual results of the Group for the year ended 31 December 2021 has not been completed and the Company is unable to publish an annual results announcement that has been agreed with the Company’s auditors by 31 March 2022 in accordance with Rule 13.49 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Audited)
REVENUE	4	468,007	478,321
Cost of sales		<u>(432,078)</u>	<u>(470,225)</u>
Gross profit		35,929	8,096
Other income and gains	4	5,588	15,059
Fair value gain on inventories	5	172,022	–
Gain on extinguishment of convertible bonds		–	293,712
(Loss)/gain on modification of promissory notes		(37,231)	294,577
Gain on disposal of subsidiaries	6	268,136	–
Research and development costs		(3,411)	–
Administrative and selling expenses		(64,622)	(45,375)
Equity-settled share-based payment expenses		(21,789)	–
Finance costs	7	(75,758)	(66,213)
Impairment of property, plant and equipment		–	(28,416)
Impairment of financial and contract assets, net		(2,029)	(152,958)
Impairment of goodwill		<u>–</u>	<u>(16,338)</u>
PROFIT BEFORE TAX	8	276,835	302,144
Income tax expense	9	<u>–</u>	<u>(115)</u>
PROFIT FOR THE YEAR		<u>276,835</u>	<u>302,029</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>1,153</u>	<u>(14,664)</u>
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>1,153</u>	<u>(14,664)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>277,988</u>	<u>287,365</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		276,922	302,029
Non-controlling interests		<u>(87)</u>	<u>—</u>
		<u>276,835</u>	<u>302,029</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		278,075	287,365
Non-controlling interests		<u>(87)</u>	<u>—</u>
		<u>277,988</u>	<u>287,365</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic (HK cents)	<i>10</i>	<u>107.0</u>	<u>151.0</u>
Diluted (HK cents)	<i>10</i>	<u>71.5</u>	<u>84.1</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Proper, plant and equipment		889	512
Intangible assets		2,378	–
Right-of-use assets		15,668	1,887
Financial assets at fair value through other comprehensive income		20,000	–
		<u>38,935</u>	<u>2,399</u>
CURRENT ASSETS			
Inventories	5	193,188	–
Contract assets		98,256	90,721
Accounts receivable	11	32,056	95,024
Prepayments, deposits and other receivables		35,586	17,928
Cash and cash equivalents		88,961	49,749
		<u>448,047</u>	<u>253,422</u>
CURRENT LIABILITIES			
Accounts payable	12	69,394	340,438
Tax payable		–	97
Other payables and accruals		65,973	86,843
Interest-bearing other borrowings		33,000	38,000
Lease liabilities		7,170	2,565
Promissory notes		–	18,564
		<u>175,537</u>	<u>486,507</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>272,510</u>	<u>(233,085)</u>
TOTAL ASSETS LESS CURRENT ASSETS/ (LIABILITIES)		<u>311,445</u>	<u>(230,686)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**As at 31 December 2021*

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Notes</i>	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Other payables and accruals	841	43,224
Interest-bearing other borrowings	6,000	6,000
Lease liabilities	9,403	108
Convertible bonds	138,286	114,189
Promissory notes	61,605	271,319
Deferred tax liabilities	54	13,403
	<hr/>	<hr/>
Total non-current liabilities	216,189	448,243
	<hr/>	<hr/>
Net assets/(liabilities)	95,256	(678,929)
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	3,020	2,000
Equity component of convertible bonds	344,649	384,037
Reserves	(252,600)	(1,064,966)
	<hr/>	<hr/>
	95,069	(678,929)
Non-controlling interest	187	–
	<hr/>	<hr/>
Equity/(deficiency in assets)	95,256	(678,929)
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NOTES TO FINANCIAL RESULTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is located at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The principal place of business of the Company is located at Room 3302, 33/F, Global Trade Square, No. 21 Wong Chuk Hang Road, Hong Kong.

During the year ended 31 December 2021, the Group was principally engaged in the following principal activities:

- Carbon credit and carbon asset development, management and investment in carbon neutral related fields and carbon consulting and carbon planning; and the carbon negative business including industrial carbon negative with a core of development of Carbon capture, utilization and storage (“CCUS”) and natural carbon negative focusing on forest and crop optimization (the “**Global Carbon Neutral Business**”)
- Civil engineering works and building construction and maintenance works (the “**Civil Engineering and Construction Business**”)

2. BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

Changes in accounting policies and disclosure

The Group has adopted the following amendments to HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 16	Covid-19-Related Rent Concession
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except for the Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 which results in additional disclosures, the application of the other amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and service and has two reportable operating segments as follows:

- Global carbon neutral business segment - (i) carbon credit and carbon asset development, management and investment in carbon neutral related fields and carbon consulting and carbon planning; and (ii) carbon negative business including the industrial carbon negative with a core of development of CCUS and natural carbon negative focusing on forest and crop optimization;
- Civil engineering and construction segment – civil engineering works and building construction and maintenance works

Management monitors the results of the Group's operating segments separately for the purpose of making decision about resources allocations and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs, gain on disposal of subsidiaries, gain on extinguishment of convertible bonds as well as head office and corporate expenses are excluded from such measurement.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December

	Global Carbon Neutral		Civil Engineering and Construction		Automotive Engines		Total	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
Segment revenue	<u>455</u>	<u>-</u>	<u>467,552</u>	<u>475,269</u>	<u>-</u>	<u>3,052</u>	<u>468,007</u>	<u>478,321</u>
Segment results	<u>149,028</u>	<u>-</u>	<u>7,237</u>	<u>2,586</u>	<u>-</u>	<u>(209,768)</u>	<u>156,265</u>	<u>(207,182)</u>
Gain on extinguishment of convertible bonds							-	293,712
Gain on modification of promissory notes							(37,231)	294,577
Gain on disposal of subsidiaries							268,136	-
Equity-settled share-based payment expenses							(21,789)	-
Corporate and unallocated income							2,534	833
Corporate and unallocated expenses							(15,546)	(13,889)
Finance costs							(75,534)	(65,907)
Profit before tax							<u>276,835</u>	<u>302,144</u>

* Segment result recorded the fair value gain on inventories of HK\$172,022,000. This figure may be adjusted based on the final assessment results of the Valuer and confirmation by the auditor of the Company.

4. REVENUE, OTHER INCOME AND GAINS

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Revenue		
Sales of goods	103	3,052
Service income	352	–
Civil engineering and construction services	<u>467,552</u>	<u>475,269</u>
	<u>468,007</u>	<u>478,321</u>
Other income and gains		
Interest income	102	3
Consultancy fee income	450	1,227
Government subsidies*	–	12,735
Sundry income	<u>5,036</u>	<u>1,094</u>
	<u>5,588</u>	<u>15,059</u>

* Being the subsidies received from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme and other subsidy schemes as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China during the period.

5. INVENTORIES, FAIR VALUE GAIN ON INVENTORIES

Inventories

Inventories include the spot and future carbon credit assets and such carbon credit assets are formed through the exploration and development of relevant business units of the Group and originated from the verified and issued International Certified Emission Reductions which is generated from various emissions reductions projects such as biomass power generation, solar pv power generation, landfill gas recovery and power generation, and coal mine methane power generation. These International Certified Emission Reductions are tradable carbon credit assets that comply with the Gold Standard (GS) and the Verified Carbon Standard (VCS) (“**Carbon Credit Assets**”).

Carbon Credit Assets are stated at fair value on valuations performed by an independent professional valuer (the “**Valuer**”). Due to the fifth wave of COVID-19 in Hong Kong since January 2022, Hong Kong government has adopted strict anti-epidemic measures, which has challenged the normal operation of the Group. The key finance staff of the Group and the valuation team member of the Valuer were infected with COVID-19, further aggravating the difficulties for assessment and audit work. The valuation on the Carbon Credit Assets at 31 December 2021 thus has not been completed. The Valuer is still in the process of preparing the valuation and yet to be reviewed by the auditor of the Company.

The Board has considered (i) the valuation performed by Crowe (HK) Global Corporate Advisory Limited (“**Crowe**”), an independent professional valuer at 30 June 2021; and (ii) the market trading data of similar carbon credit assets at 31 December 2021 for assessing the fair value of the Carbon Credit Assets at 31 December 2021. This figure may be adjusted based on the final assessment results of the Valuer and confirmation by the auditor of the Company.

Fair value gain on inventories

Carbon Credit Assets is measured at fair value and the changes in fair value are recognized in profit or loss as the fair value gain or loss.

6. GAIN ON DISPOSAL OF SUBSIDIARIES

On 27 January 2021, Future Marvel Limited (a wholly-owned subsidiary of the Company), entered into a sale and purchase agreement with Mr. Liu Chang, for a disposal of the entire issued shares in Well Surplus Enterprises Limited (“**Well Surplus**”) which was an investment holding company and in Automotive Engines Business segment prior to the disposal and the shareholder loans owned by the disposal group, at a consideration of HK\$41,500,000. The consideration was settled by the purchaser in the way of (a) HK\$500,000 by cash; and (b) the balance of HK\$41,000,000 by way of waiver of the interests of the promissory notes held by Power Expert Global Limited. The Group lost its control over Well Surplus and Well Surplus ceased to be the subsidiaries of the Group after the completion of abovementioned disposal on 29 January 2021. Following the disposal, the Group record a significant gain on disposal of HK\$268,136,000, calculated by taking into account the consideration of the disposal, the relevant expenses in relation to the disposal, the net liabilities of the Automotive Engines Business, and the relevant sale loan. The fair value of the waived promissory notes interest in amount of HK\$39,300,000 on 29 January 2021 with reference to a valuation performed by CH Global Valuation & Advisory Services Limited.

7. FINANCE COSTS

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Interest on lease liabilities	311	306
Interest on other borrowings	4,572	5,403
Interest on promissory notes	34,292	30,475
Imputed interest on convertible bonds	<u>36,583</u>	<u>30,029</u>
	<u><u>75,758</u></u>	<u><u>66,213</u></u>

8. PROFIT BEFORE TAX

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
The Group's profit before tax is arrived at after charging:		
Cost of sales		
Cost of inventories sold	294	3,084
Provision for inventories	–	6,748
Contract costs	<u>431,784</u>	<u>460,393</u>
	<u>432,078</u>	<u>470,225</u>
Research and development costs	3,411	–
Impairment of accounts receivable	1,814	152,914
Impairment of contract assets	55	44
Impairment of property, plant and equipment	–	28,416
Depreciation of property, plant and equipment	452	2,898
Depreciation of right-of-use assets	4,386	3,648
Auditor's remuneration	1,232	1,348
Employee benefit expense	43,804	68,928
Lease payments not included in the measurement of lease liabilities	<u>7,549</u>	<u>568</u>

9. INCOME TAX EXPENSE

Hong Kong profits tax was been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Underprovision in prior years – Hong Kong	–	62
Deferred	<u>–</u>	<u>53</u>
	<u>–</u>	<u>115</u>

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the parent of HK\$276,922,000 (2020: HK\$302,029,000) and the weighted average number of ordinary shares in issue during the reporting period.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to the owners of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. The computation of diluted earnings per share for the year ended 31 December 2021 (2020: no share options outstanding at 31 December 2020) did not assume the exercise of the Company's share options because the exercise prices of these share options were higher than the average market price for shares for the period from the date of grant of share options to 31 December 2021.

The calculations of basic and diluted earnings per share are based on:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Earnings		
Profit attributable to owners of the parent, used in basic profit per share calculation	276,922	302,029
Interest on convertible bonds	<u>36,583</u>	<u>30,029</u>
Profit attributable to owners of the parent before interest on convertible bonds	<u><u>313,505</u></u>	<u><u>332,058</u></u>

The calculations of basic and diluted earnings per share are based on:

	2021 (Unaudited)	2020 (Audited)
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>258,694,000</u>	<u>200,000,000</u>
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	<u>179,658,000</u>	<u>195,000,000</u>
Weighted average number of ordinary shares in issue during the year used in diluted earnings per share calculation	<u><u>438,352,000</u></u>	<u><u>395,000,000</u></u>

11. ACCOUNTS RECEIVABLE

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Accounts receivable	34,679	777,880
Impairment	<u>(2,673)</u>	<u>(682,856)</u>
	<u>32,056</u>	<u>95,024</u>

The ageing analysis of the accounts receivable as at the end of the reporting period, based on the invoice or delivery dates and net of loss allowance, is as follows:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Within 3 months	30,639	51,035
4 to 6 months	1,134	2,485
Over 6 months	<u>283</u>	<u>41,504</u>
	<u>32,056</u>	<u>95,024</u>

12. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of each reporting period, based on the invoice date, is as follows:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Within 3 months	62,445	43,205
4 to 6 months	488	213
Over 6 months	<u>6,461</u>	<u>297,020</u>
	<u>69,394</u>	<u>340,438</u>

At 31 December 2021, retention payable included in accounts payable amounted to HK\$7,976,000 (2020: HK\$7,617,000) and are normally settled on terms ranging from two to three years.

The remaining accounts payable is non-interest-bearing and is normally settled between 7 to 120 days terms.

13. CONTINGENT LIABILITIES

As of 31 December 2021, the Group had the following contingent liabilities:

- (a) The guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK\$31,731,000 (2020: HK\$18,649,000).
- (b) In the ordinary course of the Group's construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's sub-contractors in accidents arising out of and in the course of their employment. The directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL REVIEW

As carbon neutrality attracted wide attention around the world and the Chinese government launched vigorous policies to promote it, the Group has actively implemented strategic planning for the expansion in the field of carbon neutral since early 2021. While civil engineering and construction business of the Group maintained steady growth, the Group drove business transformation and upgrading and made relentless efforts to develop global carbon neutral business, aiming to create new business growth drivers, enhance its financial performance and maximize shareholders' interests. With a focus on two carbon neutral business of Carbon credit asset development, operation and management, investment, carbon consulting and carbon verification and industrial carbon negative and natural carbon negative, the Group's expand its layout for emerging carbon neutral business, achieving material and satisfactory progress in the development of emerging carbon neutral business.

For the Year, the Group was principally engaged in two business segments: (i) civil engineering works, building construction and maintenance works (the “**Civil Engineering and Construction Business**”); (ii) global carbon neutral business with a focus on carbon credit and carbon asset development, management and investment in carbon neural relative fields and carbon verification as well as with a core of industrial carbon negative and natural carbon negative (“**Global Carbon Neutral Business**”).

The Group's automotive engines business (“**Automotive Engines Business**”) had recorded segment loss since 2018 and its business and financial performance had failed to improve. As a result, the Group completed the disposal of Automotive Engines Business in January 2021. Following the disposal, the Group ceased to engage in the Automotive Engines Business.

Profit attributable to owners of the Company for the Year was approximately HK\$276.9 million (2020: approximately HK\$302.0 million), representing a decrease of 7.7% over the same period of 2020. The operating income of the Group for the Year was approximately HK\$156.3 million (2020: loss of HK\$207.2 million). The profit for the Year of the Group excluding extraordinary items (included the gain on extinguishment of convertible bonds, gain/loss on modification of promissory notes and gain on disposal of subsidiaries) was approximately HK\$45.9 million (2020: loss of approximately HK\$286.2 million).

During the Year,

- (i) due the expansion of carbon neutral business, a fair value gain on carbon credit assets of approximately HK\$172.0 million was recorded; the revenue from carbon asset sales and consulting service and others was approximately HK\$0.5 million; and the segment profits of Global Carbon Neutral Business was approximately HK\$149.0 million;
- (ii) the Group's Civil Engineering and Construction Business maintained steady growth with revenue of approximately HK\$467.6 million (2020: approximately HK\$475.3 million) and the segment profit was approximately HK\$7.2 million (2020: approximately HK\$2.6 million); and

- (iii) a gain of approximately HK\$268.1 million was recorded from the disposal of the Company's wholly owned subsidiary, representing the whole Automotive Engines Business of the Group.

The Group's capital structure significantly improved during the Year because:

- (i) the Group commenced new business – carbon neutral business and hence obtained new business growth driver which generates good financial returns;
- (ii) based on the market recognition of carbon neutral business transformation, the Group seized the business opportunities and completed two fund-raising activities in the capital market. The Company issued and allotted a total of 82,000,000 shares of the Company and raised approximately HK\$421.1 million. The Group's capital and equity thus substantially increased;
- (iii) The Group proactively improved its finance management by decreasing its liabilities, and in the process of the lowering the Company's debts, the interest payable on promissory notes of approximately HK\$99.3 million has been waived; and
- (iv) the Group ceased the Automotive Engines Business which had posted loss for three consecutive years.

Global Carbon Neutral Business

The Group commenced Global Carbon Neutral Business in early 2021. It established a unique market position for the carbon neutral related operations with a primary focus on carbon credit asset development, operation and management, investment, carbon consulting and carbon neutral planning. Through actively deploying negative carbon emissions as basic industry, the Group achieved a unique carbon-neutral collaborative development approach that combines new asset development and management with industry and created a sustainable and high-return business model.

In alignment with the development of carbon neutral business, the Group carried out strategy evaluation and formed a professional team to enhance and optimize the organizational structure and management team and establish a new organizational structure and management style adapted to its new business. Its business organizational structure is as follows:

Carbon Asset Development, Operation and Management Segment

- Carbon Asset Management Division
- Carbon Information Technology Division

Carbon Negative Business Segment

- Industry Carbon Negative Division
- Nature Carbon Negative Division

The Group attaches great importance to talents recruitment in order to fully meet the needs for its transformation and upgrading and the implementation of its niche strategy. Its carbon neutral business management team possesses extensive management experiences and a wealth of professional knowledge and practical know-how in financial, asset management, corporate management and investment fields. All of the carbon neutral business practitioners are experts with extensive hands-on experiences in carbon neutral sector. They include expert on climate change, carbon emission inspector for national environmental protection and national authority on environmental planning. This professional team helps the Company to master the accurate information on carbon market and grasp the development trend in the field of carbon neutrality. It provides comprehensive support to the Company for its expansion of carbon neutral business.

By upgrading the governance and execution system of carbon neutral business and appointing the seasoned management team, the Group built a clearer strategic roadmap for different segments of its carbon neutral business and developed a more agile organization. It can thus effectively deploy and expand carbon neutral related business and create long-term values to shareholders of the Company.

Global Carbon Neutral Business – Carbon Asset Development, Operation and Management

As for carbon asset operation and management business, this segment focuses on carbon asset development, operation and management originated from the provision of carbon consulting, auditing and development services. A leading business model which integrates carbon asset development, operation and management is thus created. As the core asset under management, the carbon asset operation and management business will be extended to other areas, including but not limited to carbon trading, carbon options and futures, carbon index, repurchase of carbon mortgage and carbon custody. During the Year, the Group made relentless efforts to expand carbon asset development, operation and management business, including:

Implementation of Carbon Asset Development Projects

- The Group entered into a strategic cooperation agreement with Sinochem Environmental Holdings Co., Ltd. (“**Sinochem Environmental**”) and jointly commenced specific projects of carbon asset development. The Company will fully utilize its resources advantages in China’s ecological environment, forestry, grassland and carbon emissions reduction technologies to provide Sinochem Environmental with professional carbon consulting and carbon asset management services and cooperate with Sinochem Environmental to develop a carbon asset development and management model recognized by the global carbon financial market, providing Sinochem Environmental with carbon asset development services.

- The Group entered into a strategic cooperation agreement with Beijing Jinmao Green Building Technology Co., Ltd. (“**Beijing Jinmao**”). The Group and Beijing Jinmao will jointly conduct research on low-carbon cities and green construction complex and formulate integrated solutions on carbon neutrality. The Group can fully utilize Beijing Jinmao’s R&D strengths in construction technology and smart energy and its industry layouts to promote the R&D and applications of carbon reduction technologies. A win-win business cooperation model will thus be created for multiple parties. In addition, by fully utilizing resources advantages in China’s ecological environment, forestry, grassland and carbon emissions reduction technologies, the Company will cooperate with Beijing Jinmao to jointly conduct research on the development of standardized systems for carbon assets management which is recognized by the global carbon financial market. Both parties will establish a promotion platform for carbon emissions reduction technology applications and start cooperation on a pilot carbon emission trading platform.
- The Group entered into strategic cooperation agreements with various strategic partners for specific emission reduction projects of development of carbon assets, including China Everbright Group Ltd., Canvest Environmental Protection Group Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, and CECEP (Hong Kong) Investment Co., Ltd., a state-owned enterprise.
- During the Year, the Group successfully developed and acquired considerable Voluntary Emission Reduction (“**VER**”). The VER complies with the Gold Standard (“**GS**”) or the Verified Carbon Standard (“**VCS**”) and is a high-quality carbon credit asset with global liquidity and wide acceptance. It covers the Certified Emission Reduction (“**CER**”) generated from various projects such as biomass power generation, photovoltaic power generation, landfill gas collection and power generation and low-concentration coal mine methane power generation. Besides, the Group successfully developed or acquired CER futures to be issued for a 12-year term starting from 2021, making it one of the largest holders of carbon credit assets in the Asia-Pacific region.

Actively expansion and commercialization of Informatization Technology

- The Group and Shenzhen Infogem Technologies Co., Ltd.*, a company listed on the ChiNext Market of the Shenzhen Stock Exchange (stock code: 300085), formed a joint venture known as China Carbon Infogem Technologies Development (Shenzhen) Co., Ltd.* (“**China Carbon Infogem**”) in China. China Carbon Infogem is principally engaged in carbon information technology, the provision of scientific and technological innovation and technical services for carbon management and carbon finance. It provides financial institutions, enterprises and governments with integrated digital carbon neutral solutions and helps them to set up informatization infrastructures.
- China’s economic structure and industrial structure have broaden rooms and opportunities of transformation and development under the background of the national “double carbon” strategies. Financial institutions will also play an important part during the course of achieving the objective of “double carbon”, and advance the deployment of financial resources under the standards of carbon neutralization on basis of achieving their own carbon neutralization. Digitalization and informatization are the core basis of achieving carbon neutralization and advance the deployment resources, and the carbon consulting business of the Group will combine the leading advantages of Infogem in digital field, provide comprehensive digital carbon neutralization solutions and set up informatization infrastructures for financial institutions and relevant enterprises and organizations.

Expansion of Carbon Consulting Business

- The Group, Nanjing Jiangdao Environmental Technology Research Institute Co., Ltd.* and Nanjing Chuangtan Environmental Protection Technology Partnership (Limited Partnership)* formed a joint venture known as China Carbon Green (Nanjing) Technology Development Co., Ltd.* (“**China Carbon Nanjing**”). China Carbon Nanjing is mainly engaged in environmental protection and carbon consulting business, focusing on carbon asset development consulting, carbon peak carbon planning consulting, carbon audit and carbon verification, providing comprehensive consulting services such as timetables, roadmaps, construction drawings, planning schemes, etc. to achieve carbon neutrality for enterprises, governments and institutions participating in emission control and voluntary emission reduction. It also provides a series of environmental consulting services such as environmental impact assessment, environmental planning, and environmental stewardship.
- The Group won the bid for a carbon neutral project in the state-level pilot free trade zone. It will provide the “assessment and consulting services for the action plan of developing the green pilot free trade zone” in the China (Heilongjiang) Pilot Free Trade Zone (“**Heilongjiang Pilot FTZ**”). The winning of this contract strengthens the Group’s strategic position as “one-stop” carbon neutral solutions provider, enabling it to gain access to over 40,000 enterprises located in 20 high-tech parks of Heilongjiang Pilot FTZ and provide them with carbon neutral services. The application scenarios of the Group’s carbon consulting, carbon planning and carbon neutral informatized products will be substantially expanded, and the scope of its carbon asset development and operation business will be augmented.

Enhancement of Infrastructure Development

While vigorously expanding carbon asset development, operation and management business, the Group completed the establishment of carbon asset-centric, multi-level infrastructures both in China and abroad during the Year. They become an integral part of implementation of global carbon asset development, trading and management:

- The Group officially registered as comprehensive user of the GS, headquartered in Switzerland) and VERRA (headquartered in the United States). In addition, the Group’s domestic wholly-owned subsidiary opened the National Voluntary Emission Reductions and Emission Trading Account. It also opened carbon trading accounts with Shenzhen Emissions Exchange, China Beijing Environment Exchange and the Shanghai Environment and Energy Exchange, respectively.
- The Group officially launched a ToC integrated trading platform and the online PC version “Climate Store”, which help promote the wider use of different “Climate Products” such as “zero carbon citizens”, “zero carbon schools” and “zero carbon communities”, facilitating individuals, institutions and social groups to offset their own carbon emissions through carbon credits, hence driving the rapid development of the Group’s knowledge-intensive carbon asset development and operation business. In order to capture the tremendous opportunities brought by digital “Climate Products”, the Group launched ToG (government application), ToC (consumer application) and

ToB (business application) platforms to satisfy the market demand, which not only delivered satisfactory commercial return to the Group, but also contributed to the fight against climate change.

Besides, the Group actively drove natural expansion of carbon asset development and operation business in the Year. Preparations were made for the establishment of a carbon asset investment fund – Global Carbon Asset Investment Management Fund, L.P., so as to reinforce the Group’s leadership in carbon asset operation. This initiative enables the Group to develop cross-border advantages and expand the ways and channels to tap into the global carbon market, thereby attracting more funds to the carbon asset market that suits its needs. The Group’s financial performance will thus be enhanced.

Global Carbon Neutral Business – Carbon Negative Business

As for carbon negative business, the Group’s industry carbon negative business segment focuses on the development and application of negative carbon technology, including “carbon capture, utilization and storage (“CCUS”) technology. The nature carbon negative business segment redefines forestry and agriculture and carries out carbon sink consulting and trading through investment in afforestation and cooperative development of forest carbon sink, resulting in sustainable green investment in the long run. With a mission to cut China’s CO₂ emissions by 2%, the Group hopes that it can achieve negative carbon emissions of 100 million metric tons each from the nature-based solutions and the technology-based solutions. The forests created from the investment in afforestation will absorb 100 million metric tons of CO₂. Meanwhile, the development of 100 CCUS projects, each of which has the capacity to capture 1 million metric tons of CO₂, will reduce 100 million metric tons of CO₂ emissions. Through these efforts, the Group can thus fulfill its corporate social responsibilities in a sustainable manner.

Civil Engineering and Construction Business

For the year ended 31 December 2021, the Civil Engineering and Construction Business managed to record a stable performance, despite of the grave challenges from the COVID-19 outbreak and the economic downslope in Hong Kong.

In the course of project contracting, the Group also attached great importance to the protection of famous and ancient trees and biodiversity, and was committed to protecting the environment and promoting sustainable development while building social development. Besides, we focused on the principle of sustainable construction and had a good record in the implementation of green building projects. Our environmental management system has obtained ISO 14001 certification. Under its strict framework, we took a systematic approach to manage our resource utilization efficiency and emission control to advance continuous upgrading. Particularly, we attached great importance to the assessment of our environmental data (such as energy and material utilisation, carbon emissions, water consumption and waste generation), and took various effective measures to continuously reduce carbon emissions.

As a main contractor of the contracts awarded to the Group, the Civil Engineering and Construction Business offers high value-added services that encompass works from the procurement of materials and equipment, selection of sub-contractors to on-site supervision, work progress monitoring and overall co-ordination of the day-to-day work of projects. All of the Civil Engineering and Construction Business' contracts undertaken for both civil and building construction business were for customers which are independent third parties including certain departments of the Government of Hong Kong, public utilities companies and private organizations in Hong Kong.

For the year ended 31 December 2021, revenue generated from the Civil Engineering and Construction Business was approximately HK\$468 million (2020: approximately HK\$475 million), represented approximately 99.9% of the total revenue of the Group (2020: approximately 99.4%). For the year ended 31 December 2021, the gross profit of the Civil Engineering and Construction Business was approximately HK\$36 million (2020: gross profit of approximately HK\$15 million), the gross profit margin increased to 7.6% (2020: 3.1%) due a project incurred gross loss in 2020, which has been completed in 2021.

As of 31 December 2021, the Group had 14 significant projects in progress. Four of them were building construction and maintenance projects while the remaining were civil engineering construction projects.

As of 31 December 2021, the total contract sum and the total outstanding values of the Group's substantial projects in progress were approximately HK\$626 million and HK\$343 million respectively (31 December 2020: approximately HK\$536.6 million and HK\$197.4 million respectively).

Despite the tough operating environment in Hong Kong, the Civil Engineering and Construction Business maintained its competitive advantages, which are to provide high-quality services of a wide scope and to maintain a cordial client relationship, and the progress in obtaining new contracts managed to record a stable performance for the year ended 31 December 2021.

The Group has been awarded 6 new substantial contracts for the year ended 31 December 2021:

- Construction of Activity Green and Associated Works at LOHAS Park
- Upgrading/improvement Works to Lands Department Slopes in the Northern Regions
- Refurbishment of The Boundary Fencing of Lamma Power Station (Phase II)
- Sewerage Works along Tung Yuen Street Proposed Residential Development at Yau Tong Inland Lot No.45
- Construction and Maintenance of Trenching/Cable Laying and Contractual Works in the Areas of Hong Kong, Ap Lei Chau, Lamma Island and Any Outlying Island
- Provision of Works for integrated Blockwiring infrastructure

PROSPECTS

For the Global Carbon Neutral Business, the Group will continue to develop carbon asset projects for business partners in the first quarter of 2022. In addition, the Group will carry out the first CCUS project for its client.

Carbon asset is a kind of equity asset with global interconnection. The Paris Agreement provides an international framework for countries to set clear goals to reach a net-zero carbon world. The Under2Coalition of 205 jurisdictions – representing 43 countries and six continents – is developing deep decarbonisation plans for 2050. As a major country to actively tackle climate change, China announced that it would aim to achieve peak CO₂ emissions before 2030 and carbon neutrality before 2060. In addition, a number of well-known enterprises in the world also announced their carbon neutrality plans and timetables. This creates diversified demand for the carbon assets. As a company listed on the The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) the Group makes use of its competitive advantage of internationalization to explore various potential business opportunities since carbon assets not only have the Chinese mainland market but also have global and regional markets, setting a very favourable macro environment for the Company’s medium and long-term development and Company is confident and optimistic about the long-term value of the Group.

As a company focusing on the development of the carbon neutral business, the Company aims to promote carbon neutral business and eco-friendly awareness to the whole society all walks of life as well as to promote the implementation of carbon neutrality and contribute to the global response to climate change. The Group has been making effective use of resources and investing in projects and enterprises that truly reduce emissions and respond well to climate change.

For the Civil Engineering and Construction Business, although the operating environment in Hong Kong is expected to remain tough in the coming years such as continuously rising wages and cost of construction materials and shortage of skilled labors, the Company is confident that the Group would be capable of securing promising business opportunities given its vast experience in handling a wide variety of construction works.

CHANGE OF COMPANY NAME, COMPANY LOGO AND STOCK SHORT NAME

The English name of the Company has been changed from “Bisu Technology Group International Limited” to “China Carbon Neutral Development Group Limited” and the Chinese name of the Company has been changed from “比速科技集團國際有限公司”, which was used for identification purpose only previously, to “中國碳中和發展集團有限公司”, with effect from 8 April 2021.

The Company has adopted a new company logo on 14 April 2021.

The stock short name of the Company for trading in the shares of the Company on the Stock Exchange has been changed from “BISU TECH” to “C CARBONNEUTRAL” in English and from “比速科技” to “中國碳中和” in Chinese with effect from 9:00 a.m. on 3 May 2021.

CAPITAL STRUCTURE, FINANCIAL RESOURCES, LIQUIDITY AND GEARING

During the Year, the Company completed the following fund-raising activities:

- (i) on 9 April 2021 and 26 May 2021, the Company has issued new ordinary shares pursuant to the subscription agreements dated 7 March 2021 and an aggregate 40,000,000 subscription shares have been issued. The net proceeds from the subscriptions were approximately HK\$192 million. Further details of the subscriptions are set out in the section headed “Subscription of new shares” below; and
- (ii) on 3 August 2021, the Company has issued and placed an aggregate 42,000,000 ordinary shares pursuant to the placing agreement dated 26 July 2021 and net proceeds from the placing were approximately HK\$229.1 million. Further details of the placing are set out in the section headed “Placing of new shares” below.

As at 31 December 2021, the current liabilities and non-current liabilities of the Group significantly decreased by 63.9% and 51.8% respectively as compared to that at 31 December 2020. As a result, the Group recorded net current assets and net assets at 31 December 2021, as compared to that the Group recorded net current liabilities and net liabilities at 31 December 2020. The debts level of the Group significantly improved during the Year due to:

- (i) on 29 January 2021, the Group completed the disposal of Well Surplus Enterprises Limited (“**Well Surplus**”), a wholly owned subsidiary of the Company, which was engaged in the Automotive Engines Business. As at 31 December 2020, the Automotive Engines Business reported a net current liabilities and net liabilities. The disposal of which has significantly improved the financial position of the Group. Further details of the disposal are out in the note 6 to the financial results and the sub-section headed “Disposal of a subsidiary” below;
- (ii) on 26 March 2021, the bondholder of the convertible bonds of the Company has completed a partial conversion of the convertible bonds to the extent of HK\$40.0 million, and 20,000,000 conversion shares has been issued and allotted. Further details of the partial conversion are set out in the section headed “Partial conversion of the convertible bonds” below;
- (iii) in the first half of 2021, the Group early settled the interest of the promissory notes of the Company with aggregate amount of HK\$50.5 million, representing the interest repayment in aggregate amount of HK\$82.0 million; and
- (iv) in the second half of 2021, the Group settled the promissory notes at HK\$210.0 million with face value of HK\$235.75 million and the interest payable of HK\$65.6 million has been waived.

The Group's financial position was significantly improved due to the above corporate actions.

Gearing ratio is calculated based on the amount of net cash and bank balances (interest-bearing borrowings, liabilities component of the convertible bonds and promissory notes less cash and cash equivalent) divided by the total equity. The gearing ratios as at 31 December 2021 was 157% (2020: not available because the Group reported a negative equity attributable to owners of the Company as at 31 December 2020).

CONVERTIBLE BONDS AND PROMISSORY NOTES

On 4 February 2016, the Company issued (i) zero coupon convertible bonds with an aggregate principal amount of HK\$390 million; and (ii) promissory notes in the aggregate principal amount of HK\$410 million to Power Expert Global Limited ("**Power Expert**") as consideration for the acquisition of 100% equity interest in Well Surplus and its subsidiaries pursuant to the sale and purchase agreement dated 12 October 2015.

On 31 December 2017, the Company executed and completed the extension of the maturity date of the promissory notes for 2 years from 4 February 2018 to 4 February 2020 and the interest rate of the promissory notes shall be adjusted downward from 10% to 8% per annum for the extension period from 5 February 2018 to 4 February 2020 and all accrued and outstanding interest under the promissory notes shall be repaid on the extended maturity date of February 2020.

On 28 March 2018, the Company executed and completed, among others, the extension of the maturity date of the convertible bonds for 2 years from 4 February 2018 to 4 February 2020.

On 8 November 2019, the Company and Power Expert entered into an amendment agreement, pursuant to which (i) the maturity date of the convertible bonds shall be extended for 5 years to 4 February 2025; and (ii) the term of the promissory notes will be changed to perpetual and the interest rate will be fixed at 5% per annum with effect from 5 February 2020, payable annually and the interest accrued on or before 4 February 2020 shall be payable on 4 February 2025. Further details of the amendment are set out in the Company's announcement dated 8 November 2019 and the Company's circular dated 19 December 2019. This proposed amendment took effect on 14 January 2020.

On 3 February 2020, the Company received (i) a duly-executed transfer notice from Power Expert notifying the Company that Power Expert has agreed to transfer the convertible bonds to LE Group Holdings Pte. Ltd. (“**LEGH**”); and (ii) an assignment notice from Power Expert notifying the Company that Power Expert has agreed to assign the promissory notes to LEGH. The Company has given its consent on the transfer and issued new certificates of the convertible bonds and the promissory notes to LEGH.

On 7 October 2020, the Company received a transfer notice from LEGH notifying the Company that LEGH has agreed to transfer the entire convertible bonds back to Power Expert. The Company has given its consent on the transfer and issued new certificates of the convertible bonds to Power Expert.

On 12 October 2020, the Company received an assignment notice from LEGH notifying the Company that LEGH has agreed to assign the entire promissory notes back to Power Expert. The Company has given its consent on the transfer and issued new certificates of the promissory notes to Power Expert.

On 29 January 2021, the Group completed the disposal of Well Surplus and the total consideration for the disposal was HK\$41.5 million, which was settled by the purchaser by way of (a) HK\$0.5 million in cash and (b) the balance of HK\$41 million by way of waiver of the interests in the amount of HK\$41 million payable by the Company to Power Expert for the period from 5 February 2020 to 4 February 2022. Further details of the disposal are set out in the sub-section headed “Disposal of a subsidiary” below.

On 23 September 2021, the Company received a transfer notice from Power Expert notifying the Company that Power Expert has agreed to transfer the entire convertible bonds to Quick Tycoon Limited (“**Quick Tycoon**”). The Company has given its consent on the transfer and issued new certificates of the convertible bonds to Quick Tycoon Limited.

On 18 October 2021, the Company received an assignment notice from Quick Tycoon notifying the Company that Quick Tycoon has agreed to transfer the convertible bonds in the principal amount of HK\$2 million and HK\$3 million to two different independent party respectively. The Company has given its consent on the transfer and issued new certificates of the convertible bonds accordingly.

As at 31 December 2021, the outstanding principal amount of the convertible bonds was HK\$350 million. The maximum number of shares of the Company that will be issued upon conversion of all the outstanding convertible bonds was 175,000,000 shares of the Company.

PARTIAL CONVERSION OF THE CONVERTIBLE BONDS

On 19 March 2021, Power Expert issued a conversion notice to the Company in respect of the exercise of the conversion rights attached to the convertible bonds to the extent of HK\$40,000,000 and accordingly requested the Company to issue 20,000,000 new shares. As all conditions for the conversion which were stipulated in the terms of the convertible bonds were fulfilled, the Company gave its consent on the conversion, and agreed to issue 20,000,000 conversion shares to Power Expert.

On 26 March 2021, the partial conversion of the convertible bonds has completed, and 20,000,000 conversion shares has been issued and allotted to Power Expert.

SUBSCRIPTION OF NEW SHARES

On 7 March 2021, the Company (as issuer) entered into two subscription agreements with two subscribers, namely Mao Yuan Capital Limited (“**Mao Yuan Capital**”) and Mr. Zhang Yaxun, in respect of the subscriptions of an aggregate of 40,000,000 subscription shares (each a “**Subscription Share**”) at the subscription price of HK\$4.80 per share (the “**Subscriptions**”).

On 9 April 2021, 16,240,000 Subscription Shares have been issued and allotted to Z&F International Trading Limited, a company controlled by Mr. Zhang Yaxun.

On 26 May 2021, 23,760,000 Subscription Shares have been issued and allotted to Mao Yuan Capital.

The net proceeds from the Subscriptions (after deducting all applicable costs and expenses of the Subscriptions) was approximately HK\$192 million.

PLACING OF NEW SHARES

On 26 July 2021, the Company (as issuer) entered into a placing agreement (the “**Placing Agreement**”) with Guotai Junan Securities (Hong Kong) Limited (as the placing agent) (“**Placing Agent**”). Pursuant to the Placing Agreement, the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 42,000,000 placing shares to not less than six placees at the placing price of HK\$5.50 per placing share (the “**Placing**”).

On 3 August 2021, an aggregate of 42,000,000 placing shares have been allotted and issued and successfully placed to not less than six placees through the Placing Agent at the placing price in accordance with the terms and conditions of the Placing Agreement. All of the placees and their ultimate beneficial owners (if applicable) are independent third parties who were not connected persons of the Company within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), and not acting in concert (as defined under the Takeovers Code) with any of them, and none of the placees had become a substantial shareholder of the Company immediately upon completion of the Placing.

The net proceeds from the Placing (after deducting the commission payable to the Placing Agent, professional fees and other related costs and expenses incurred in the Placing) was approximately HK\$229.1 million.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Disposal of a subsidiary

On 29 January 2021, Future Marvel Limited, a wholly owned subsidiary of the Company, completed a disposal of the entire issued shares in Well Surplus and the shareholder loans owned by the disposal group (Well Surplus and its subsidiaries) (the “**Disposal**”). Upon completion, Well Surplus and its subsidiaries ceased to be subsidiaries of the Group. Details of the Disposal are set out in note 6 to the financial results.

Acquisitions of listed securities

On 10 June 2021, the Company completed the subscription of an aggregate of 200,000,000 shares of China Ecotourism Group Limited (“**China Ecotourism Group**”), a company which shares are listed on the main board of the Stock Exchange, through the placing of the untaken shares under the rights issue of the China Ecotourism Group at an aggregate consideration of approximately HK\$20 million (excluding stamp duty and related expenses). The aggregate consideration of the acquisition was fully payable in cash by the Group’s internal financial resources.

The principal activities of China Ecotourism Group are (i) provision of technology and operation services for lottery systems, terminal equipment and gaming products and sales of lottery terminals and related equipment; (ii) research and development, processing, production and sales of natural and health food; and (iii) project development and operation of ecotourism.

China Ecotourism Group actively promoted ecotourism related business and has lots of potential natural resources, which providing the Group good business opportunities to develop forest carbon sinks and expand in the field of the natural carbon negative. The investments in China Ecotourism Group will facilitate strategic co-operation between the Group and China Ecotourism Group and will be beneficial to the Group's development in carbon neutral business.

As at 31 December 2021, the Group held 200,000,000 shares of China Ecotourism Group, representing approximately 6.48% of the shareholdings of China Ecotourism Group, and the fair value of which was HK\$20.0 million, representing approximately 4.1% of the Group's total assets.

Save as disclosed, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint venture for the year ended 31 December 2021.

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

Save as disclosed above, as at 31 December 2021, the Group did not have any significant investment or capital assets.

PLEDGE OF ASSETS

As at 31 December 2021, the Group did not have any pledge of assets (as at 31 December 2020: nil).

CONTINGENT LIABILITIES

Detail of the Group's contingent liabilities are set out in note 13 to the financial results.

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities are denominated in HK\$ and RMB, which are the functional currencies of the Group. Any fluctuation in the exchange rate of HK\$ against RMB may have an impact on the Group's results. The Group has not entered into any instruments to reduce the impact of the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 332 employees (as at 31 December 2020: 334) in Hong Kong and the PRC. During the Year, the total employee benefit of the Group were approximately HK\$43.8 million. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, mandatory provident fund scheme for Hong Kong employees, state-sponsored retirement plans for the PRC employees. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

The Group provides or subsidizes various training programmes and courses to its employees according to business needs, to ensure that its employees are kept updated with relevant laws and regulations, such as the Listing Rules, accounting standards, risk management knowledge, labour regulations and the employee's code of conduct.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group does not have any future plans for other material investments or capital assets in the coming year.

EVENTS AFTER THE REPORTING PERIOD

On 3 January 2022, the Company allotted and issued 3,500,000 shares upon the exercise of the conversion rights attached to the convertible bonds of the Company to the aggregate principal amount of HK\$7 million by three individuals, who were independent third party to the Company and its connected persons having the meaning under the Listing Rules.

On 4 January 2022, the principal share registrar and transfer office of the Company changed from Conyers Trust Company (Cayman) Limited to Ogier Global (Cayman) Limited located at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands and the registered office of the Company changed from Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands to the address of Ogier Global (Cayman) Limited.

Save as disclosed above, no other significant events happened after the reporting period and up to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (version up to 31 December 2021) (the “**CG Code**”) contained in Appendix 14 to the Listing Rules since 11 December 2013, the date on which dealings in its shares first commence on the Stock Exchange. For the Year, the Company has complied with the then prevailing code provisions set out in the CG Code with the following exception:

Code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 1 January to 8 February 2021, the Company has not appointed the chairman of the Board (the “**Chairman**”), and the roles and functions of the Chairman have been performed by all the executive Directors collectively. On 9 February 2021, Mr. Chen Bingyan, a former non-executive Director, was appointed as the Chairman. On 17 March 2021, Mr. Chen Bingyan resigned as the non-executive Director and the Chairman. On 18 March 2021, Dr. Gao Gunter, a former executive Director, was appointed as the Chairman. On 17 November 2021, Dr. Gao Gunter resigned as the executive Director and the Chairman. On 18 November 2021, Ms. Chan Tan Na Donna was appointed, among others, as an executive Director and the Chairman. During the period from 9 February 2021 to 31 December 2021, the roles of chairman and chief executive have been separate.

Code provision A.2.7 of the CG Code requires that the Chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the period from 9 February 2021 to 31 December 2021 (the “**Period**”), the Chairman, did not hold any meeting with the independent non-executive Directors without the presence of other Directors. However, the Chairman held meetings with the independent non-executive Directors with the presence of other Directors periodically during the Period to understand their concerns, to discuss pertinent issues and to ensure that there was access to adequate and complete information. The independent non-executive Directors could have direct contacts with the Chairman after meetings if necessary.

Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term, subject to re-election. Each of Mr. Lam Po Foon, the non-executive Director, and Mr. Yu Wai Chun, the independent non-executive Director, has not been appointed for any specific term, and each is subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Company’s articles of association.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. No independent non-executive Directors attended the extraordinary general meeting of the Company held on 8 April 2021 after considering the quarantine measures adopted by the Government of Hong Kong for the COVID-19 outbreak. Nevertheless, other members of the Board attended this meeting to ensure effective communication with the shareholders of the Company. Moreover, all independent non-executive Directors attended the annual general meeting of the Company held on 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2021.

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 listed securities for the year ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Audit Committee comprises three members including Mr. Wang Anyuan (Chairman), Dr. Guo Yike and Mr. Yu Wai Chun, all being independent non-executive Directors. The unaudited annual results contained herein have been reviewed by the Audit Committee and approved by the Board.

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to the outbreak of COVID-19 in mainland China and Hong Kong that affected the Company's ability to access and gather necessary documents and information required for the audit on a timely basis. The Company is still in the process of providing certain information for the Company's auditor to complete the necessary audit procedures requested by auditor.

The Board would like to inform that, as the valuation of certain items has not been agreed by the auditor, there are uncertainties on the following items in the unaudited annual results contained herein and may be subject to adjustments: (i) gain on fair value of inventories; (ii) gain on disposal of subsidiaries; (iii) impairment on financial and contract assets; (iv) right-of-use assets; (v) inventories; and (vi) lease liabilities.

The unaudited annual results contained herein have not been agreed with the Company's auditors. An announcement relating to the audited results will be made by the Company when the auditing process has been completed.

PUBLICATION OF THE UNAUDITED ANNUAL RESULTS ANNOUNCEMENT, FURTHER ANNOUNCEMENT(S) AND ANNUAL REPORT

This unaudited results announcement will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.carbonneutral.com.hk).

Following the completion of the auditing process, the Company is expected to issue further announcement(s) on or before 31 May 2022 in relation to, among others, (i) the audited results for the year ended 31 December 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

The annual report of the Company for 2021 is expected to be published and dispatched to the Company's shareholders on or before 31 May 2022 and will be published on the aforesaid website of the HKEXnews of the Stock Exchange as well as the website of the Company.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China Carbon Neutral Development Group Limited
Chan Tan Na Donna
Chairman

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Ms. Chan Tan Na Donna, Mr. Chen Xinwei, Dr. Cui Dingjun, Mr. Di Ling and Mr. Chen Lei; the non-executive Director is Mr. Lam Po Foon; and the independent non-executive Directors are Dr. Guo Yike, Mr. Wang Anyuan and Mr. Yu Wai Chun.

** For identification purpose only*