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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)

FURTHER ANNOUNCEMENT OF THE AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the announcement of China Carbon Neutral Development Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2022 in relation to the unaudited annual results of the Group for the year ended 31 December 2021 (the “**Year**”) (the “**Unaudited Results Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Unaudited Results Announcement.

AUDITED ANNUAL RESULTS

The Board is pleased to announce that the Group’s auditor, UniTax Prism (HK) CPA Limited (“**Prism**”), has completed its audit of the Group’s consolidated financial statements for the Year in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The audited annual results for the Year were approved by the Board on 23 May 2022, details of which are set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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	5	2,788	15,059
Fair value gain on carbon-credit assets	6	172,022	–
Research and development costs		(3,411)	–
Administrative and selling expenses		(64,602)	(45,375)
Equity-settled share option expenses		(21,789)	–
Finance costs	7	(75,758)	(66,213)
Impairment of plant and equipment		–	(28,416)
Impairment of financial and contract assets		(3,529)	(152,958)
Impairment of goodwill		<u>–</u>	<u>(16,338)</u>
Operating profit/(loss)		41,650	(286,145)
Gain on extinguishment of convertible bonds, net		–	293,712
Change in valuation of promissory notes, net		(37,231)	294,577
Gain on disposal of subsidiaries	8	<u>269,220</u>	<u>–</u>
PROFIT BEFORE TAX	9	273,639	302,144
Income tax expense	10	<u>(6,075)</u>	<u>(115)</u>
PROFIT FOR THE YEAR		<u>267,564</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>	2020 <i>HK\$'000</i>
PROFIT FOR THE YEAR		267,564	302,029
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of financial statements of foreign operations		<u>1,190</u>	<u>(14,664)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>268,754</u>	<u>287,365</u>
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		267,651	302,029
Non-controlling interests		<u>(87)</u>	<u>–</u>
		<u>267,564</u>	<u>302,029</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		268,841	287,365
Non-controlling interests		<u>(87)</u>	<u>–</u>
		<u>268,754</u>	<u>287,365</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (HK cents)	<i>11</i>	<u>103.4</u>	<u>151.0</u>
Diluted (HK cents)	<i>11</i>	<u>69.4</u>	<u>84.1</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Plant and equipment		889	512
Right-of-use assets		11,775	1,887
Goodwill		–	–
Intangible assets		2,378	–
Other receivables		2,109	–
Financial assets at fair value through other comprehensive income		20,000	–
Total non-current assets		37,151	2,399
CURRENT ASSETS			
Carbon-credit assets	<i>6</i>	193,188	–
Contract assets		98,256	90,721
Accounts receivable	<i>13</i>	32,056	95,024
Prepayments, deposits and other receivables		35,205	17,928
Restricted bank deposits		695	–
Cash and cash equivalents		88,266	49,749
Total current assets		447,666	253,422
CURRENT LIABILITIES			
Accounts payable	<i>14</i>	68,553	340,438
Tax payable		–	97
Other payables and accruals		66,769	86,843
Interest-bearing other borrowings		33,000	38,000
Lease liabilities		7,278	2,565
Promissory notes		–	18,564
Total current liabilities		175,600	486,507
NET CURRENT ASSETS/(LIABILITIES)		272,066	(233,085)
TOTAL ASSETS LESS CURRENT LIABILITIES		309,217	(230,686)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Other payables and accruals	841	43,224
Interest-bearing other borrowings	6,000	6,000
Lease liabilities	9,295	108
Convertible bonds	138,286	114,189
Promissory notes	61,605	271,319
Deferred tax liabilities	6,129	13,403
	<hr/>	<hr/>
Total non-current liabilities	222,156	448,243
	<hr/>	<hr/>
NET ASSETS/(LIABILITIES)	87,061	(678,929)
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EQUITY		
Share capital	3,020	2,000
Reserves	83,854	(680,929)
	<hr/>	<hr/>
Equity attributable to owners of the Company	86,874	(678,929)
Non-controlling interests	187	–
	<hr/>	<hr/>
TOTAL EQUITY/(DEFICIENCY IN ASSETS)	87,061	(678,929)
	<hr/> <hr/>	<hr/> <hr/>

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 and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office address of the Company was located at Cricket Square, Hutchins, Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and changed to 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands on 4 January 2022. 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 principal activities of the Group are:

- Trading of carbon-credit assets, 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, utilisation and storage (“CCUS”) and natural carbon negative focusing on forest and crop optimisation (the “**Global Carbon Neutral Business**”).
- Civil engineering works and building construction and maintenance works (the “**Civil Engineering and Construction Business**”).
- The Group was also engaged in the development, production and sale of the automotive engines (the “**Automotive Engines Business**”) which was disposed and discontinued in the current year.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for carbon credit assets, and certain financial instruments that are measured at fair values, at the end of each reporting period. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Changes in accounting policies and disclosure

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2021:

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

In addition, the Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions, beyond 30 June 2021. The application of the 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 three reportable operating segments as follows:

- Global carbon neutral segment – (i) trading of carbon-credit assets, 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 industrial carbon negative with a core of development of CCUS and natural carbon negative focusing on forest and crop optimisation;
- Civil engineering and construction segment – civil engineering works and building construction and maintenance works; and
- Automotive engines segment – development, production and sale of automotive engines, which was disposed and discontinued during the year.

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 (other than interest on lease liabilities), gain on disposal of subsidiaries, gain on extinguishment of convertible bonds, net, equity-settled share option expenses, change in valuation of promissory notes, net 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	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
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, net							-	293,712
Change in valuation of promissory notes, net							(37,231)	294,577
Gain on disposal of subsidiaries							269,220	-
Equity-settled share option expenses							(21,789)	-
Corporate and unallocated income							373	833
Corporate and unallocated expenses							(17,752)	(13,889)
Finance costs (other than interest on lease liabilities)							<u>(75,447)</u>	<u>(65,907)</u>
Profit before tax							<u>273,639</u>	<u>302,144</u>

Segment assets and liabilities

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

As at 31 December

	Global Carbon Neutral		Civil Engineering and Construction		Automotive Engines		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment assets	<u>202,011</u>	<u>-</u>	<u>232,184</u>	<u>207,962</u>	<u>-</u>	<u>45,218</u>	<u>434,195</u>	<u>253,180</u>
Corporate and other unallocated assets							<u>50,622</u>	<u>2,641</u>
Total assets							<u>484,817</u>	<u>255,821</u>
Segment liabilities	<u>62,696</u>	<u>-</u>	<u>150,947</u>	<u>97,999</u>	<u>-</u>	<u>314,738</u>	<u>213,643</u>	<u>412,737</u>
Corporate and other unallocated liabilities							<u>184,113</u>	<u>522,013</u>
Total liabilities							<u>397,756</u>	<u>934,750</u>

4. REVENUE

	2021 HK\$'000	2020 HK\$'000
Sales of goods	-	3,052
Sales of carbon-credit assets	103	-
Provision of carbon neutral advisory and carbon planning services	352	-
Construction services	154,724	124,607
Civil engineering services	<u>312,828</u>	<u>350,662</u>
	<u>468,007</u>	<u>478,321</u>

5. OTHER INCOME AND GAINS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income	102	3
Consultancy fee income	450	1,227
Government subsidies (Note a)	556	12,735
Finance income on sublease (Note b)	91	–
Management fee income	1,314	1,094
Sundry income	275	–
	<u>2,788</u>	<u>15,059</u>

Notes:

- (a) 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 year. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.
- (b) The Group subletting part of its leased premises to a related company of the Company.

6. CARBON-CREDIT ASSETS

Carbon-credit assets were 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 photovoltaic 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).

The Company only recognised the forward carbon-credit assets which are subsequently realised and transferred to spot carbon-credit assets. The Carbon-credit assets are stated at fair value on valuations performed by an independent professional valuer, Crowe (HK) Global Corporate Advisory Limited.

Fair value gain on carbon-credit assets

Carbon-credit assets is measured at fair value and the changes in fair value are recognised as fair value gain or loss.

7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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	36,583	30,029
	<u>75,758</u>	<u>66,213</u>

8. 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\$269,220,000, 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.

	<i>HK\$'000</i>
Net liabilities disposal of:	
Accounts receivable	41,445
Prepayment, deposits and other receivables	2,178
Cash and cash equivalents	1,596
Accounts payable	(291,912)
Other payables and accruals	(7,572)
Tax payable	(97)
Amount due to immediate holding company	(49,733)
Lease liabilities	(600)
Deferred tax liabilities	<u>(13,349)</u>
	(318,044)
Release of statutory surplus reserve upon disposal	(1,085)
Release exchange reserve upon disposal	<u>40,476</u>
	(278,653)
Gain on disposal of subsidiaries	269,220
Legal and professional fee	<u>(500)</u>
	<u>(9,933)</u>
Satisfied by:	
Cash consideration	500
Waiver of promissory notes interest	39,300
Assignment of shareholder's loan	<u>(49,733)</u>
	<u>9,933</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2021
	<i>HK\$'000</i>
Cash and cash equivalents disposed of	(1,596)
Cash consideration received	<u>500</u>
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u><u>(1,096)</u></u>

9. PROFIT BEFORE TAX

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
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>
Impairment of accounts receivable*	1,814	152,914
Impairment of other receivables*	1,661	–
Impairment of contract assets*	54	44
Impairment of plant and equipment	–	28,416
Depreciation of plant and equipment	452	2,898
Depreciation of right-of-use assets	3,608	3,648
Loss on lease modification	249	–
Auditor's remuneration	1,400	1,348
Employee benefit expense (excluding directors' and chief executives' remuneration)#	99,120	68,928
Equity-settled share option expense (excluding directors' and chief executives' remuneration)	17,652	–
Lease payments not included in the measurement of lease liabilities	<u>107</u>	<u>568</u>

* The impairment of accounts receivable, other receivables and contract assets for the year are included in "Impairment of financial and contract assets" in the consolidated statement profit or loss and other comprehensive income.

The employee benefit expense of HK\$66,030,000 (2020: HK\$43,237,000) for the year included in "cost of sales" provided above and the expense of HK\$1,511,000 (2020: nil) for the year included in "research and development expenses".

10. 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>	2020 <i>HK\$'000</i>
Underprovision in prior years – Hong Kong	–	62
Deferred tax	<u>6,075</u>	<u>53</u>
	<u><u>6,075</u></u>	<u><u>115</u></u>

11. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company of HK\$267,651,000 (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 Company, 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>	2020 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company, used in basic profit per share calculation	267,651	302,029
Interest on convertible bonds	<u>36,583</u>	<u>30,029</u>
Profit attributable to owners of the Company before interest on convertible bonds	<u><u>304,234</u></u>	<u><u>332,058</u></u>

	Number of shares	
	2021	2020
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	258,973,370	200,000,000
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	<u>179,603,000</u>	<u>195,000,000</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u>438,576,370</u>	<u>395,000,000</u>

12. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

13. ACCOUNTS RECEIVABLE

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable	34,679	777,880
Less: allowance for impairment of accounts receivable	<u>(2,623)</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	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	28,344	51,035
4 to 6 months	3,501	2,485
Over 6 months	<u>211</u>	<u>41,504</u>
	<u>32,056</u>	<u>95,024</u>

14. 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>	2020 <i>HK\$'000</i>
Within 3 months	62,284	43,205
4 to 6 months	488	213
Over 6 months	5,781	297,020
	68,553	340,438

15. 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\$20,694,660 (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.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Annual Results Announcement was neither audited nor agreed with the auditors of the Company as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii) (b) of the Listing Rules.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 Audited <i>HK\$'000</i>	2021 Unaudited <i>HK\$'000</i>	Difference <i>HK\$'000</i>	<i>Notes</i>
REVENUE	468,007	468,007	–	
Cost of sales	<u>(432,078)</u>	<u>(432,078)</u>	<u>–</u>	
Gross profit	35,929	35,929	–	
Other income and gains	2,788	5,588	(2,800)	<i>i, ii</i>
Fair value gain on carbon-credit assets	172,022	172,022	–	
Research and development costs	(3,411)	(3,411)	–	
Administrative and selling expenses	(64,602)	(64,622)	20	<i>i</i>
Equity-settled share option expenses	(21,789)	(21,789)	–	
Finance costs	(75,758)	(75,758)	–	
Impairment of financial and contract assets	<u>(3,529)</u>	<u>(2,029)</u>	<u>(1,500)</u>	<i>iii</i>
Operating profit	41,650	45,930	(4,280)	
Change in valuation of promissory notes, net	(37,231)	(37,231)	–	
Gain on disposal of subsidiaries	<u>269,220</u>	<u>268,136</u>	<u>1,084</u>	<i>iv</i>
PROFIT BEFORE TAX	273,639	276,835	(3,196)	
Income tax expense	<u>(6,075)</u>	<u>–</u>	<u>(6,075)</u>	<i>v</i>
PROFIT FOR THE YEAR	<u><u>267,564</u></u>	<u><u>276,835</u></u>	<u><u>(9,271)</u></u>	

	2021 Audited <i>HK\$'000</i>	2021 Unaudited <i>HK\$'000</i>	Difference <i>HK\$'000</i>	<i>Notes</i>
PROFIT FOR THE YEAR	267,564	276,835	(9,271)	
OTHER COMPREHENSIVE INCOME/ (EXPENSE)				
Item that may be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of financial statements of foreign operations	<u>1,190</u>	<u>1,153</u>	<u>37</u>	<i>vi</i>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>268,754</u></u>	<u><u>277,988</u></u>	<u><u>(9,234)</u></u>	
PROFIT FOR THE YEAR ATTRIBUTABLE TO:				
Owners of the Company	267,651	276,922	(9,271)	
Non-controlling interests	<u>(87)</u>	<u>(87)</u>	<u>–</u>	
	<u><u>267,564</u></u>	<u><u>276,835</u></u>	<u><u>(9,271)</u></u>	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
Owners of the Company	268,841	278,075	(9,234)	
Non-controlling interests	<u>(87)</u>	<u>(87)</u>	<u>–</u>	
	<u><u>268,754</u></u>	<u><u>277,988</u></u>	<u><u>(9,234)</u></u>	
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Basic (HK cents)	<u>103.4</u>	<u>107.0</u>	<u>(3.6)</u>	
Diluted (HK cents)	<u>69.4</u>	<u>71.5</u>	<u>(2.1)</u>	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	2021 Audited HK\$'000	2021 Unaudited HK\$'000	Difference HK\$'000	Notes
NON-CURRENT ASSETS				
Plant and equipment	889	889	–	
Right-of-use assets	11,775	15,668	(3,893)	<i>i</i>
Goodwill	–	–	–	
Intangible assets	2,378	2,378	–	
Other receivables	2,109	–	2,109	<i>vii</i>
Financial assets at fair value through other comprehensive income	<u>20,000</u>	<u>20,000</u>	<u>–</u>	
Total non-current assets	<u>37,151</u>	<u>38,935</u>	<u>(1,784)</u>	
CURRENT ASSETS				
Carbon-credit assets	193,188	193,188	–	
Contract assets	98,256	98,256	–	
Accounts receivable	32,056	32,056	–	
Prepayments, deposits and other receivables	35,205	35,586	(381)	<i>iii, vii, x</i>
Restricted bank deposits	695	–	695	<i>viii</i>
Cash and cash equivalents	<u>88,266</u>	<u>88,961</u>	<u>(695)</u>	<i>viii</i>
Total current assets	<u>447,666</u>	<u>448,047</u>	<u>(381)</u>	
CURRENT LIABILITIES				
Accounts payable	68,553	69,394	(841)	<i>ix</i>
Other payables and accruals	66,769	65,973	796	<i>ix, x</i>
Interest-bearing other borrowings	33,000	33,000	–	
Lease liabilities	<u>7,278</u>	<u>7,170</u>	<u>108</u>	<i>xi</i>
Total current liabilities	<u>175,600</u>	<u>175,537</u>	<u>63</u>	
NET CURRENT ASSETS	<u>272,066</u>	<u>272,510</u>	<u>(444)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>309,217</u>	<u>311,445</u>	<u>(2,228)</u>	

	2021 Audited <i>HK\$'000</i>	2021 Unaudited <i>HK\$'000</i>	Difference <i>HK\$'000</i>	<i>Notes</i>
NON-CURRENT LIABILITIES				
Other payables and accruals	841	841	–	
Interest-bearing other borrowings	6,000	6,000	–	
Lease liabilities	9,295	9,403	(108)	<i>xi</i>
Convertible bonds	138,286	138,286	–	
Promissory notes	61,605	61,605	–	
Deferred tax liabilities	<u>6,129</u>	<u>54</u>	<u>6,075</u>	<i>v</i>
Total non-current liabilities	<u>222,156</u>	<u>216,189</u>	<u>5,967</u>	
NET ASSETS	<u><u>87,061</u></u>	<u><u>95,256</u></u>	<u><u>(8,195)</u></u>	
EQUITY				
Share capital	3,020	3,020	–	
Reserves	<u>83,854</u>	<u>92,049</u>	<u>(8,195)</u>	
Equity attributable to owners of the Company	<u>86,874</u>	<u>95,069</u>	<u>(8,195)</u>	
Non-controlling interest	<u>187</u>	<u>187</u>	<u>–</u>	
TOTAL EQUITY	<u><u>87,061</u></u>	<u><u>95,256</u></u>	<u><u>(8,195)</u></u>	

Notes:

- i. Adjustment for sub-letting a leased premises under finance lease.
- ii. Adjustment for the waived shareholder's loan interest to equity.
- iii. Adjustment for the expected credit losses on other receivables.
- iv. Adjustment for exchange reserve effect on disposal of subsidiaries.
- v. Recognition of deferred tax liabilities on fair value gain on carbon-credit assets.
- vi. Adjustment for translation of financial statements from functional currency to presentation currency of foreign operations.
- vii. Reallocation of non-current portion.
- viii. Reallocation of restricted bank deposits.
- ix. Reclassification of long service payment to other payables and accruals.
- x. Reclassification from other payables to other receivables.
- xi. Reallocation of non-current portion.

Save as disclosed in this announcement and the corresponding adjustments in total, percentages, ratios and comparative figures related to the above material differences, all other information contained in the Unaudited Annual Results Announcement had no material changes.

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 expands 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 trading of carbon-credit assets, carbon credit and carbon asset development, management and investment in carbon neutral 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.

Due to the relentless efforts to develop Global Carbon Neutral Business, the Group recorded a segment profit of approximately HK\$149.0 million for the Year of this business. As a result, the Group recorded a strong turnaround in operating profit for the Year of approximately HK\$41.7 million (2020: loss of approximately HK\$286.1 million). The profit attributable to owners of the Company for the Year was approximately HK\$267.7 million (2020: approximately HK\$302.0 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\$269.2 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.

Due to the relentless efforts to develop Global Carbon Neutral Business, the Group recorded a segment profit of approximately HK\$149.0 million for the Year of this business. As a result, the Group recorded a strong turnaround in operating profit for the Year of approximately HK\$41.7 million (2020: loss of approximately HK\$286.1 million).

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 CCUS project 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\$467.6 million (2020: approximately HK\$475.3 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.

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 50.4% 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 8 to the financial results and the sub-section headed “Gain on Disposal of Subsidiaries” 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 173% (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 8 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 15 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 China. During the Year, the total employee benefit of the Group were approximately HK\$106.9 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 employees in China. 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).

THE AUDIT COMMITTEE

The Audit Committee comprises three members including Dr. Guo Yike, Mr. Wang Anyuan and Mr. Yu Wai Chun, all being independent non-executive Directors. The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group, discussed risk management, internal controls and financial reporting matters and the consolidated results of the Group for the Year.

SCOPE OF WORK OF AUDITORS

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 as set out in this announcement have been agreed by the Company's auditor, Prism, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2021. The work performed by Prism 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 Prism on this announcement.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the right to attend the forthcoming annual general meeting to be held on Wednesday, 29 June 2022, the register of members of the Company will be closed from Friday, 24 June 2022 to Wednesday, 29 June 2022 (both days inclusive). During such period, no transfer of the shares of the Company will be registered. In order to qualify for the attendance in the forthcoming annual general meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong not later than 4:30 p.m. on Thursday, 23 June 2022.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.carbonneutral.com.hk). The annual report will be dispatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 23 May 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.