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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)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board (the “**Board**”) of directors (the “**Directors**”) of China Carbon Neutral Development Group Limited (the “**Company**”) is pleased to announce that the Group’s auditor, Prism Hong Kong and Shanghai Limited (formerly known as Unitax Prism (HK) CPA Limited)(“**Prism**”), has completed its audit of the consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (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 30 March 2023, together with comparative figures for the year ended 31 December 2021.

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2022 HK\$’000	Year ended 31 December 2021 HK\$’000
Revenue		
– Global carbon neutral business	209,178	455
– Civil engineering and construction business	500,128	467,552
	709,306	468,007
Gross Profit	42,506	35,929
(Loss)/profit attributable to owners of the Company	(197,471)	267,651
(Loss)/profit for the year, excluding one-off non-operating items*	(124,471)	35,575

* In order to facilitate the investors’ and management’s understanding of the financial information of the Company, an adjusted net (loss)/profit is presented in this annual result announcement. The (loss)/profit for the year, excluding one-off non-operating items, is derived from extracting loss on partial early repayment of promissory note and loss on disposal of subsidiaries (2021: the change in valuation of promissory notes, net, and gain on disposal of subsidiaries) from (loss)/profit for the year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
REVENUE	4	709,306	468,007
Cost of sales		<u>(666,800)</u>	<u>(432,078)</u>
Gross profit		42,506	35,929
Other income and gains	5	9,211	2,788
Fair value gain on carbon-credit assets	6	2,980	172,022
Research and development costs		(4,018)	(3,411)
Administrative and selling expenses		(86,014)	(64,602)
Equity-settled share option expenses		(34,974)	(21,789)
Finance costs	7	(59,420)	(75,758)
Reversal of impairment/(impairment) of accounts receivable, other receivables and contract assets, net		<u>62</u>	<u>(3,529)</u>
Operating (loss)/profit		(129,667)	41,650
Change in valuation of promissory notes, net		–	(37,231)
Loss on partial early repayment of promissory note		(74,562)	–
Share of loss of a joint venture		(82)	–
(Loss)/gain on disposal of subsidiaries	8	<u>(5)</u>	<u>269,220</u>
(Loss)/profit before tax	9	(204,316)	273,639
Income tax credit/(expense)	10	<u>5,278</u>	<u>(6,075)</u>
(Loss)/profit for the year		<u>(199,038)</u>	<u>267,564</u>
(Loss)/profit for the year, excluding loss on partial early repayment of promissory note, change in valuation of promissory notes, net and (loss)/gain on disposal of subsidiaries (“one-off non-operating items”)		<u>(124,471)</u>	<u>35,575</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(197,471)	267,651
Non-controlling interests		<u>(1,567)</u>	<u>(87)</u>
		<u>(199,038)</u>	<u>267,564</u>
(Loss)/profit for the year, excluding one-off non-operating items, attributable to:			
Owners of the Company		(122,904)	35,662
Non-controlling interests		<u>(1,567)</u>	<u>(87)</u>
		<u>(124,471)</u>	<u>35,575</u>

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

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit for the year	(199,038)	267,564
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss in subsequent years:		
Fair value loss on a financial asset at fair value through other comprehensive income	(11,800)	–
Items that may be reclassified to profit or loss in subsequent years:		
Exchange differences arising on translation of financial statements of foreign operations	(21)	1,190
Total other comprehensive (expenses)/income for the year	(11,821)	1,190
Total comprehensive (expense)/income for the year	(210,859)	268,754
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	(209,288)	268,841
Non-controlling interests	(1,571)	(87)
	(210,859)	268,754
Total comprehensive (expense)/income for the year, excluding one-off non-operating items, attributable to:		
Owners of the Company	(134,721)	36,852
Non-controlling interests	(1,571)	(87)
	(136,292)	36,765

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

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(LOSS)/EARNINGS PER SHARE			
Basic (HK cents)	<i>11</i>	<u>(63.0)</u>	<u>103.4</u>
Diluted (HK cents)	<i>11</i>	<u>(63.0)</u>	<u>69.4</u>
(LOSS)/EARNINGS PER SHARE, EXCLUDING ONE-OFF NON-OPERATING ITEMS			
Basic (HK cents)	<i>11</i>	<u>(39.2)</u>	<u>13.8</u>
Diluted (HK cents)	<i>11</i>	<u>(39.2)</u>	<u>16.5</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 December 2022*

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Plant and equipment		3,689	889
Right-of-use assets		17,216	11,775
Intangible assets		2,378	2,378
Deposits and other receivables		1,885	2,109
Investment in a joint venture		146	–
Financial asset at fair value through other comprehensive income		8,200	20,000
Total non-current assets		33,514	37,151
CURRENT ASSETS			
Carbon-credit assets	6	8,877	193,188
Contract assets		123,086	98,256
Accounts receivable	13	40,429	32,056
Prepayments, deposits and other receivables		31,020	35,205
Restricted bank deposits		1,495	695
Cash and cash equivalents		76,117	88,266
Total current assets		281,024	447,666
CURRENT LIABILITIES			
Accounts payable	14	72,816	68,553
Other payables and accruals		69,560	66,769
Interest-bearing other borrowings		7,500	33,000
Lease liabilities		7,032	7,278
Total current liabilities		156,908	175,600
NET CURRENT ASSETS		124,116	272,066
TOTAL ASSETS LESS CURRENT LIABILITIES		157,630	309,217

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2022*

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Other payables and accruals	2,042	841
Interest-bearing other borrowings	–	6,000
Lease liabilities	10,863	9,295
Convertible bonds	177,544	138,286
Promissory note	16,099	61,605
Deferred tax liabilities	851	6,129
	<hr/>	<hr/>
Total non-current liabilities	207,399	222,156
	<hr/>	<hr/>
NET (LIABILITIES)/ASSETS	(49,769)	87,061
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Share capital	3,205	3,020
Reserves	(52,351)	83,854
	<hr/>	<hr/>
(Deficit in equity)/equity attributable to owners of the Company	(49,146)	86,874
Non-controlling interests	(623)	187
	<hr/>	<hr/>
(DEFICIT IN EQUITY)/TOTAL EQUITY	(49,769)	87,061
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NOTES

For the year ended 31 December 2022

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. In the opinion of the directors of the Company, the immediate holding company is Quick Tycoon Limited and the ultimate holding company is Sound Gem Limited, which were incorporated in Hong Kong and the British Virgin Islands respectively. The registered office address of the Company was located at Cricket Square, Hutchins Drive, P.O. 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 relocated at Unit 1808,18/F, Landmark South, 39 Yip Kan Street, Wong Chuk Hang, Hong Kong on 1 November 2022.

During the year ended 31 December 2022, the Group was principally engaged in the following principal activities:

- 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**”); and
- Civil engineering works and building construction and maintenance works (the “**Civil Engineering and Construction Business**”).

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 financial asset at fair value through other comprehensive income that are measured at fair value and carbon-credit assets that are measured at fair value less cost to sell 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.

Going concern assessment

During the year ended 31 December 2022, the consolidated revenue of the Group increased to approximately HK\$709,306,000 (2021: HK\$468,007,000). The Group also had a positive cash flows generated from operations of approximately HK\$133,261,000 (2021: cash used in operations of HK\$88,199,000). During the year, the Group also took the initiatives to reduce the leverage of the Group through repaying other borrowings and promissory note.

Meanwhile, the Group incurred a net loss of approximately HK\$199,038,000 for the year ended 31 December 2022 and had net liabilities of approximately HK\$49,769,000 as at that date. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

- during the year ended 31 December 2022, the Global Carbon Neutral Business has been expanding rapidly. During the year, the consolidated revenue of the Group increased to approximately HK\$709,306,000 (2021: approximately HK\$468,007,000), representing an increase of approximately 51.6%, or HK\$241,299,000. The Group will continue to grasp the opportunity in the field of carbon neutrality and earn considerable financial returns in the future;
- other than continuing to develop carbon credit assets from existing carbon projects, the Group will continue to identify and seize more new carbon projects to secure supply of carbon credit assets and enrich the carbon credit assets portfolio of the Group;
- during the year ended 31 December 2022, the Group has taken initiatives to improve the gearing of the Group, including the repayment of other borrowings and promissory note, which will reduce the long-term finance costs to the Group;
- the Group will carefully monitor and control administrative costs and future capital expenditures;
- The immediate holding company has agreed to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due for the foreseeable future and not call for any repayment of convertible bonds amounting approximately HK\$329,000,000, until the Group is in a financial position to do so; and
- the directors of the Company have carried out a detail review of the working capital forecast of the Group for not less than twelve months from the year end date, which took into account the projected future working capital of the Group.

In view of the above, the directors of the Company are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the directors of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

Amendments to HKFRSs that are mandatory effective for the year

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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle

The application of the amendments to HKFRSs in the current year has had no material effect 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 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; and
- 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 (other than interest on lease liabilities), (loss)/gain on disposal of subsidiaries, equity-settled share option expenses, change in valuation of promissory notes, net, loss on partial early repayment of promissory note as well as head office and corporate unallocated income and 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		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue	<u>209,178</u>	<u>455</u>	<u>500,128</u>	<u>467,552</u>	<u>709,306</u>	<u>468,007</u>
Segment results	<u>(30,789)</u>	<u>149,028</u>	<u>4,223</u>	<u>7,237</u>	<u>(26,566)</u>	156,265
Change in valuation of promissory notes, net					-	(37,231)
Loss on partial early repayment of promissory note					(74,562)	-
(Loss)/gain on disposal of subsidiaries					(5)	269,220
Equity-settled share option expenses					(34,974)	(21,789)
Corporate and unallocated income					3,727	373
Corporate and unallocated expenses					(13,479)	(17,752)
Finance costs (other than interest on lease liabilities)					<u>(58,457)</u>	<u>(75,447)</u>
(Loss)/profit before tax					<u>(204,316)</u>	<u>273,639</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		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment assets	<u>35,197</u>	<u>202,011</u>	<u>260,495</u>	<u>232,184</u>	<u>295,692</u>	434,195
Corporate and other unallocated assets					<u>18,846</u>	<u>50,622</u>
Total assets					<u>314,538</u>	<u>484,817</u>
Segment liabilities	<u>21,873</u>	<u>62,696</u>	<u>139,073</u>	<u>150,947</u>	<u>160,946</u>	213,643
Corporate and other unallocated liabilities					<u>203,361</u>	<u>184,113</u>
Total liabilities					<u>364,307</u>	<u>397,756</u>

4. REVENUE

	2022 HK\$'000	2021 HK\$'000
Sales of carbon-credit assets	207,834	103
Provision of carbon neutral advisory and carbon planning services	1,344	352
Construction services	172,899	154,724
Civil engineering services	<u>327,229</u>	<u>312,828</u>
	<u>709,306</u>	<u>468,007</u>
Timing of revenue recognition		
At a point in time	207,834	103
Over time	<u>501,472</u>	<u>467,904</u>
Total revenue from contracts with customers	<u>709,306</u>	<u>468,007</u>

5. OTHER INCOME AND GAINS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income	13	102
Gain on settlement of other borrowings	3,389	–
Consultancy fee income	360	450
Government subsidies (<i>Note a</i>)	3,014	556
Income on sublease (<i>Note b</i>)	118	91
Gain on lease modification	923	–
Management fee income	1,394	1,314
Sundry income	–	275
	<u>9,211</u>	<u>2,788</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 sublet 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).

Fair value gain on carbon-credit assets

Carbon-credit assets are measured at fair value less cost to sell and the changes in fair value are recognised as fair value gain or loss on carbon-credit assets in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	963	311
Interest on other borrowings	2,511	4,572
Interest on promissory notes	9,394	34,292
Imputed interest on convertible bonds	<u>46,552</u>	<u>36,583</u>
	<u><u>59,420</u></u>	<u><u>75,758</u></u>

8. (LOSS)/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 recorded 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.

On 19 October 2022, a sale and purchase agreement for a disposal of the entire issued shares in Global Harvest Inc. and Victorious Securities Limited (together “**Target Group**”), which were wholly owned subsidiaries of the Group, was entered into at a consideration of HK\$100. The consideration was settled by the purchaser by cash. The Group lost its control over Target Group and Target Group ceased to be the subsidiaries of the Group after the completion of abovementioned disposal on 19 October 2022. Following the disposal, the Group recorded a loss on disposal of HK\$5,000, calculated by taking into account the consideration of the disposal and the net assets of the Target Group, comprising prepayment, deposits and other receivables of approximately HK\$5,000.

9. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after (crediting)/charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of sales		
Cost of inventories sold	192,103	294
Cost of service income	610	–
Contract costs	474,087	431,784
	<u>666,800</u>	<u>432,078</u>
Employee benefit expense (excluding directors' and chief executives' remuneration) [#]		
Wages and salaries	81,770	96,460
Equity-settled share option expenses	11,665	17,652
Pension scheme contributions	3,126	2,660
	<u>96,561</u>	<u>116,772</u>
(Reversal of impairment)/impairment of accounts receivable*	(1,185)	1,814
Impairment of other receivables*	–	1,661
Impairment of contract assets*	1,123	54
Depreciation of plant and equipment	549	452
Depreciation of right-of-use assets	7,772	3,608
(Gain)/loss on lease modification	(923)	249
Auditor's remuneration	1,400	1,400
Lease payments not included in the measurement of lease liabilities	188	107

* The (reversal of impairment)/impairment of accounts receivable, other receivables and contract assets for the year are included in "Reversal of impairment/(impairment) of accounts receivable, other receivables and contract assets, net" in the consolidated statement of profit or loss and other comprehensive income.

The employee benefit expense of HK\$44,019,000(2021: HK\$66,030,000) for the year included in "cost of sales" provided above and the expense of HK\$4,018,000 (2021: HK\$1,511,000) for the year included in "research and development expenses".

10. INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax was provided at the rate of 16.5% (2021: 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax	–	–
Deferred tax credit/(expenses)	<u>5,278</u>	<u>(6,075)</u>
	<u><u>5,278</u></u>	<u><u>(6,075)</u></u>

11. (LOSS)/EARNINGS PER SHARE

The calculations of the basic (loss)/earnings per share and basic (loss)/ earnings per share, excluding one-off non-operating items, for the year are based on the loss for the year attributable to owners of the Company of HK\$197,471,000 and loss for the year, excluding one-off non-operating items, attributable to owners of the Company of HK\$122,904,000 respectively (2021: profit of HK\$267,651,000 and HK\$35,662,000 respectively) and the weighted average number of 313,303,000 (2021: 258,973,000) ordinary shares in issue during the year.

For the year ended 31 December 2021, the calculation of the diluted earnings per share and diluted earnings per share, excluding one-off non-operating items, are based on the profit for the year attributable to the owners of the Company and profit for the year, excluding one-off non-operating items, attributable to owners of the Company, respectively, 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 ended 31 December 2021, 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 for the year ended 31 December 2021.

For the year ended 31 December 2022, the computation of diluted loss per share and diluted loss per share, excluding one-off non-operating items, did not assume the conversion of the convertible bonds and the exercise of the share options since the assumed conversion and exercise would be anti-dilutive which result in a decrease in loss per share.

The calculations of basic and diluted (loss)/earnings per share and basic and diluted (loss)/earnings per share, excluding one-off non-operating items are based on:

	2022	2021
	HK\$'000	HK\$'000
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company	(197,471)	267,651
Interest on convertible bonds	<u>–</u>	<u>36,583</u>
(Loss)/profit attributable to owners of the Company, used in diluted (loss)/earnings per share calculation	<u>(197,471)</u>	<u>304,234</u>
(Loss)/earnings, excluding one-off non-operating items		
(Loss)/profit attributable to owners of the Company, excluding one-off non-operating items	(122,904)	35,662
Interest on convertible bonds	<u>–</u>	<u>36,583</u>
(Loss)/profit attributable to owners of the Company, used in diluted (loss)/earnings per share calculation, excluding one-off non-operating items	<u>(122,904)</u>	<u>72,245</u>
	Number of shares	
	2022	2021
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	313,302,740	258,973,370
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	<u>–</u>	<u>179,603,000</u>
Weighted average number of ordinary shares in issue during the year used in the diluted (loss)/earnings per share calculation	<u>313,302,740</u>	<u>438,576,370</u>

12. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

13. ACCOUNTS RECEIVABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accounts receivable	41,867	34,679
Less: allowance for impairment loss	<u>(1,438)</u>	<u>(2,623)</u>
	<u><u>40,429</u></u>	<u><u>32,056</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	38,270	28,344
4 to 6 months	1,782	3,501
Over 6 months	<u>377</u>	<u>211</u>
	<u><u>40,429</u></u>	<u><u>32,056</u></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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	67,462	62,284
4 to 6 months	2,011	488
Over 6 months	<u>3,343</u>	<u>5,781</u>
	<u><u>72,816</u></u>	<u><u>68,553</u></u>

15. CONTINGENT LIABILITIES

As of 31 December 2022, the Group had the following contingent liabilities:

- (a) At 31 December 2022, the guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK\$31,791,000 (2021: HK\$20,694,000).
- (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 subcontractors in accidents arising out of and in the course of their employment. The directors of the Company 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.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT

The following is an extract of the independent auditor’s report on the Company’s consolidated financial statements for the year ended 31 December 2022:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 3 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group experienced a loss of approximately HK\$199,038,000 for the year ended 31 December 2022 and had net liabilities of approximately HK\$49,769,000 as at that date. These conditions, along with other matters as set forth in note 3 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. The directors of the Company, having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL REVIEW

The Group is principally engaged in (i) 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 related fields and carbon consulting and planning, as well as 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 optimisation (“**Global Carbon Neutral Business**”); and (ii) civil engineering works, building construction and maintenance works (the “**Civil Engineering and Construction Business**”).

For the year ended 31 December 2022 (the “**Year**”), the Group recorded a consolidated revenue of approximately HK\$709.3 million (2021: approximately HK\$468.0 million), representing an increase of approximately 51.6%, or HK\$241.3 million, driven by the explosive growth in the Global Carbon Neutral Business and significant increase in sale of carbon credit assets during the Year.

As a result of the increase in the revenue during the Year, the gross profit of the Group for the Year was approximately HK\$42.5 million (2021: approximately HK\$35.9 million), representing an increase of approximately HK\$6.6 million or 18.4% as compared to 2021.

The administrative and selling expenses of the Group for the Year was approximately HK\$86.0 million (2021: approximately HK\$64.6 million), representing an increase of approximately HK\$21.4 million or 33.1% as compared to 2021. This is attributable to the continuing expansion of the Global Carbon Neutral Business.

The finance costs of the Group for the Year was approximately HK\$59.4 million (2021: approximately HK\$75.8 million), representing a decrease of approximately HK\$16.4 million or 21.6% as compared to 2021. During the Year, the Group has taken initiatives to reduce the gearing of the Group, including the repayment of other borrowings and promissory note, which led to decrease in overall finance costs.

The Group recorded a loss on partial early repayment of promissory note of approximately HK\$74.6 million (2021: HK\$ nil) during the Year. The Group considers that the repayment of the promissory note allows the Group to reduce its debt level, as well as to reduce the long-term finance costs to the Group.

The Group recorded a loss attributable to owners of the Company of approximately HK\$197.5 million (2021: profit attributable to owners of the Company of approximately HK\$267.7 million), representing a decrease in profit attributable to owners of the Company of approximately HK\$465.2 million, or 173.8% as compared to 2021. This was mainly attributable to the following reasons:

- (i) a one-off net gain from the disposal of the entire interest of a then wholly-owned subsidiary of the Group of approximately HK\$269.2 million was recognised for the year ended 31 December 2021 but a loss on disposal of subsidiaries of approximately HK\$5,000 was recognised for the Year; and

- (ii) a fair value gain on the carbon credit assets of approximately HK\$3.0 million was recorded for the Year, representing a decrease of approximately HK\$169.0 million, or 98.3% as compared to 2021. The addition of carbon credit assets inventory during the Year and the carbon credit assets holdings as at 31 December 2022 was lower than that of 2021. As a result, less revaluation gain was recorded on the consolidated financial statements for the year ended 31 December 2022.

The basic and diluted loss per share for the Year were HK\$63.0 cents and HK\$63.0 cents respectively (2021: the basic and diluted earnings per shares of HK\$103.4 cents and HK\$69.4 cents respectively).

In order to facilitate the investors' and management's understanding of the financial information of the Company, an adjusted net (loss)/profit is presented in this annual result announcement. The (loss)/profit for the Year, excluding one-off non-operating items, is derived from extracting loss on partial early repayment of promissory note and loss on disposal of subsidiaries (2021: the change in valuation of promissory notes, net, and gain on disposal of subsidiaries) from (loss)/profit for the Year.

The loss attributable to owners of the Company, excluding one-off non-operating items was amounted to approximately HK\$122.9 million (2021: the profit attributable to owners of the Company, excluding one-off non-operating items: HK\$35.7 million).

Basic and diluted loss per share, excluding one-off non-operating items for the Year were HK\$39.2 cents and HK\$39.2 cents respectively (2021: the basic and diluted earnings per share, excluding one-off non-operating items: HK\$13.8 cents and HK\$16.5 cents respectively).

The Group continues to improve its capital structure during the Year through the following activities:

- (i) based on the market recognition of carbon neutral business transformation, the Group seized the business opportunities and completed a fund-raising activity in the capital market during the first half of 2022. The Company issued and allotted a total of 10,000,000 ordinary shares of HK\$0.01 each of the Company (“**Shares**”) and raised approximately HK\$31.0 million. The Group's capital and equity thus increased; and
- (ii) the Company completed a partial conversion of the convertible bonds to the extent of HK\$17,000,000, and 8,500,000 conversion Shares has been issued and allotted during the Year.

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 recent years, the world has accelerated its efforts to curb carbon emission. With the gradual rollout of low-carbon transition implementation program in key industries, total conviction of green and low-carbon development has become the key for successful evolution of the economy and society from the traditional growth model to the green and sustainable development model. To align with China's commitment to achieve carbon neutrality before 2060, the government of Hong Kong would strive to achieve carbon neutrality before 2050 and has set up an inter-departmental "Steering Committee on Climate Change and Carbon Neutrality" to formulate the overall strategy and oversee the coordination of various actions. By grasping this opportunity with its strong brand advantage and solid operation capability, the Group will continue to focus on its 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, expanding its layout for emerging carbon neutral business.

For the Year, the revenue of the Global Carbon Neutral Business was approximately HK\$209.2 million (2021: approximately HK\$0.5 million). The significant increase in the revenue from the Global Carbon Neutral Business was mainly attributable to the sale of 2 million tons of quality carbon credit assets in Singapore during the Year. This transaction marked a milestone for the Group's development in carbon neutral business. The segment loss was approximately HK\$30.8 million (2021: profit of approximately HK\$149.0 million).

In alignment with the development of carbon neutral business, the Group formed a professional team with expertise in 2021 and 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's carbon neutral business management team possesses extensive management experiences and a wealth of professional knowledge and practical knowhow 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 world-renowned experts on climate change, inspectors for national environmental protection and national authority on environmental planning and expert in the field of international computing. 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 and 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's carbon asset development and business operation continues to make progress. The Group has obtained a considerable number of development projects and is implementing relevant projects. The co-developers of the project are further diversified and cover more industries. Some projects have completed the relevant public comments process, and the relevant carbon credit assets are expected to be issued soon. The carbon credit asset to be issued will be more diverse, including projects of biomass power generation, animal manure treatment, waste power generation, etc., which has enhanced the overall value of the Group's carbon credit asset portfolio. The carbon credit assets held by the Group were high-quality carbon credit assets in global circulation, all of which are related carbon credit assets generated by the Verra mechanism in the United States and the Gold Standard mechanism in Switzerland, mainly Verified Carbon Standard ("VCS"). With the continuous increase of the carbon credit assets held by the Group, the related transaction sales and asset management business have been carried out smoothly.

Successful completion of 2 million tons carbon credits assets transaction

During the Year, the Group completed the sale and delivery of 2 million tons of high-quality carbon credit assets in Singapore, all of which are VCS standard carbon emission reductions. The transaction is one of the largest carbon emission reduction transactions in Asia. This was meaningful for promoting the development of the voluntary emission reduction market in Asia. In addition, the transaction contributed a considerable financial income to the Group. With increasing demand and the rapid development of the trading of carbon credits, there will be greater opportunities for the Group's carbon asset development and operation business, creating more financial returns for the Group.

Business expansion in Asian region

In the second quarter of the Year, the Group has formally established “China Carbon Neutral Development Group ASEAN Strategic Committee” (the “**ASEAN Strategic Committee**”) to fully implementing the Group’s layout and development in the ASEAN region and further expanding its business in the Asian region.

In addition, the Group signed a memorandum of understanding with SMRT Experience Pte Ltd (“**SMRT Experience**”, a company under SMRT Corporation which is one of the two major public transport operators in Singapore), to jointly develop carbon neutral business in the ASEAN region. With Singapore’s largest and most connected media and retail networks, SMRT Experience reaches millions of customers daily with impactful advertisements and retail products. The cooperation between the Group and SMRT Experience mainly includes:

- (i) Origination and management of carbon assets: Centering on SMRT Corporation, provide carbon consulting and carbon neutrality planning, and conduct carbon verification and originate carbon credit assets for related enterprises;
- (ii) Carbon information technology: Support SMRT Corporation to create an enterprise carbon emission information database, create a carbon emission counting and monitoring system, and conduct counting and processing of carbon emission data in SMRT Corporation’s ecosystem to achieve carbon informatization;
- (iii) Low-carbon smart transportation ecosystem: With the integration of the new generation of information technology and green urban development, establish a SMRT Corporation ecosystem;
- (iv) Establishment of “Zero-Carbon Community”: By fully exploring the enterprises and individuals covered by SMRT Corporation’s ecosystem, assist SMRT Experience in establishing a “Zero-Carbon Community” across Singapore;
- (v) Carbon trade and service platform: Build up a trading platform for climate products – Climate Store, develop a voluntary carbon emission reduction asset trading platform; and
- (vi) International business: Following SMRT Corporation’s development strategy in the ASEAN region, promote the implementation of carbon-neutrality related digitization, energy saving, environmental protection and clean energy technologies in the Southeast Asian market.

The cooperation with SMRT Corporation reflects a strong capability of the Group to develop international business. Relying on SMRT Corporation’s core position in Singapore and its network in the ASEAN region, the Group has gained a good entry point and strong support for its business in the ASEAN region, which will greatly promote a more balanced development of the Group’s business.

Being inaugural and active trading participant of Core Climate of HKEX

In October of 2022, Hong Kong Exchanges and Clearing Limited (“**HKEX**”) launched Core Climate, a new international carbon marketplace that seeks to connect capital with climate-related products and opportunities in Hong Kong, Mainland China, Asia and beyond. Core Climate will facilitate effective and transparent trading of carbon credits and instruments to support the global transition to Net Zero and its participants will be able to source, hold, trade, settle and retire voluntary carbon credits through the Core Climate platform. All projects available on Core Climate, including carbon avoidance, reduction and removal projects, are verified against the VCS by Verra. In addition, Core Climate is currently the only carbon marketplace that offers Hong Kong Dollar (“**HKD**”) and Renminbi (“**RMB**”) settlement for the trading of international voluntary carbon credits. As the first batch of selective market participants, the Company has been actively participating in the carbon credit trading from the launch of Core Climate. Given the Group’s leading edge in carbon credit development and origination, it has become an active and capable market participant of Core Climate. The Company has not only sold but also bought high quality carbon credits through both market orders and over-the-counter orders. Furthermore, the Company successfully completed transactions settled in both HKD and RMB. The Company will further develop its edge in cross-border carbon credit development and management to grasp the global carbon market opportunities in Hong Kong and other markets.

Establishment of Digital Technology Committee and business expansion in carbon neutral digitalization

The Group has formally established the “Digital Technology Committee” in accordance with the latest business progress, and appointed Dr. Chen Bangdao who is an expert in the field of international computing as its chairman to fully implement the Group’s layout and development in the area of carbon neutral digitalization. Digital technology is integral to all industries during the economic and social development. The realization of the dual carbon goals cannot be separated from the application of digital technology. Digital technology has given play in enabling thousands of industries to achieve “carbon neutrality” and will play a more important role in the next few decades. Digital technology enhances the development of carbon trading and carbon finance. The establishment of the Digital Technology Committee is an important step in the technological layout of the Group’s carbon neutral business, which will effectively facilitate the Group to seize the business opportunities arising from climate change through digital technology, thereby further strengthening the Group’s leading edge in related fields and generating positive financial returns.

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 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.

Development of negative carbon business in Greater Bay Area

Negative carbon business is an essential part of the Group's carbon neutral business that integrates industry and finance and interacts with the carbon asset development and management business. The Greater Bay Area is a critical area for the Group to promote the business strategy of negative carbon business. The printing and dyeing industry that highly related to export and domestic demand is an important industrial area for the Group to implement negative carbon business. In the first quarter of 2022, the Group commenced providing consultancy services for the first CCUS project in the domestic printing and dyeing industry in the Greater Bay Area, which enable the Group to gradually form advantage in the negative carbon emission business with CCUS as the core, and will gain favorable business opportunities for future involvement in this business in various forms.

Being an enterprise focusing on the carbon neutral business, the Group, while developing its business, also promoting carbon neutrality and environmental protection awareness to the whole society, as well as promoting the implementation of carbon neutrality and contribute to the global response to climate change.

Civil Engineering and Construction Business

For the year ended 31 December 2022, 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 utilization, 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 2022, revenue generated from the Civil Engineering and Construction Business was approximately HK\$500.1 million (2021: approximately HK\$467.6 million), represented approximately 70.5% of the total revenue of the Group (2021: approximately 99.9%). For the year ended 31 December 2022, the gross profit of the Civil Engineering and Construction Business was approximately HK\$26.0 million (2021: gross profit of approximately HK\$36.0 million), the gross profit margin decreased to approximately 5.2% (2021: approximately 7.6%) due to increase in wages and costs of construction.

As of 31 December 2022, the Group had 11 significant projects in progress. 2 of them were building construction and maintenance projects while the remaining were civil engineering construction projects.

As of 31 December 2022, the total contract sum and the total outstanding values of the Group's substantial projects in progress were approximately HK\$373.0 million and HK\$199.0 million respectively (31 December 2021: approximately HK\$626.0 million and HK\$343.0 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 2022.

The Group has been awarded 5 new substantial contracts for the year ended 31 December 2022:

- Civil Engineering Improvement Works at Kwai Fong Estate
- Roads and Drainage Works for Public Housing Development at Tuen Mun Area 29 West
- Provision of External Construction Works and Outside Plant Maintenance Services
- Civil and Building Works for North Point 132-kV GIS Improvement (Phase 3 – Stage 2)
- District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Kowloon West and Sai Kung (1) 2023/2025

PROSPECTS

For the Carbon Neutral Business, with the deepening of global environmental and resource issues, promoting green development has become a global consensus. Carbon neutrality not only brings environmental benefits and mitigates the direct threat of climate changes, but also creates abundant opportunities for the “zero carbon and low carbon” derived from the carbon neutrality journey, promoting the coordinated development of social pollution reduction and carbon reduction and enhancing the rapid growth of corporate demand for voluntary carbon credits. In addition, with the launch of carbon trading markets in pilot provinces and cities in China and the national carbon trading market, the development of carbon trading market is expected to be accelerated and become more active. Therefore, the Group believes that there are broad prospects for the development of Carbon Neutral Business.

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

As at 31 December 2022, the net current assets and net liabilities of the Group were amounted to approximately HK\$124.1 million and HK\$49.8 million respectively (2021: net current assets and net assets of approximately HK\$272.1 million and HK\$87.1 million respectively), representing a decrease by approximately 54.4% and 157.2% respectively as compared to the net current assets and net assets as at 31 December 2021.

As at 31 December 2021, the Group’s assets mainly comprised the carbon-credit assets inventory. Due to the growth of the Global Carbon Neutral business, the Group had sold substantial portion of its carbon credit assets inventory during the Year. As a result, the balance of the carbon-credit assets inventory decreased from approximately HK\$193.2 million in 2021 to approximately HK\$8.9 million in 2022, representing a decrease of approximately HK\$184.3 million or 95.4%.

The Group had taken the following corporate actions to improve the Group's financial position:

- (i) the Group completed a fund-raising activity in the capital market during the first half of 2022. The Company issued and allotted a total of 10,000,000 Shares and raised approximately HK\$31.0 million; and
- (ii) the Company completed a partial conversion of the convertible bonds to the extent of HK\$17,000,000, and 8,500,000 conversion Shares has been issued and allotted during the Year.

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 equivalents) divided by the total equity. As at 31 December 2022, no gearing ratio was available as the Group was in a net deficit in equity as at 31 December 2022 (the gearing ratio as at 31 December 2021: 173.0%).

CONVERTIBLE BONDS

On 4 February 2016, the Company issued zero coupon convertible bonds with an aggregate principal amount of HK\$390 million ("**Convertible Bonds**") as part of the consideration for the acquisition of 100% equity interest in Well Surplus Enterprises Limited ("**Well Surplus**") and its subsidiaries. The maturity date of the Convertible Bonds was on the second anniversary of the date of issuance (i.e. 4 February 2018). The Convertible Bonds bear no interest on the principal amount. No security or guarantee is granted in respect of the Convertible Bonds. The Convertible Bonds can be converted into 195,000,000 Shares at the initial conversion price of HK\$2.00 per conversion Share (subject to adjustment pursuant to the terms of the Convertible Bonds). The Company may redeem the Convertible Bonds at 100% of the principal amount. Any amount of the Convertible Bonds which is redeemed by the Company will forthwith be cancelled.

On 28 March 2018, the maturity date of the Convertible Bonds extended for 2 years from 4 February 2018 to 4 February 2020.

On 14 January 2020, the maturity date of the Convertible Bonds extended for 5 years to 4 February 2025.

On 26 March 2021, the then holder of the Convertible Bonds exercised the conversion rights of principal amount of HK\$40,000,000 of the Convertible Bonds and 20,000,000 Shares has been issued and allotted.

On 3 January 2022, the then holders of the Convertible Bonds exercised the conversion rights of principal amount of HK\$7,000,000 of the Convertible Bonds and 3,500,000 Shares has been issued and allotted.

On 14 June 2022, the then holder of the Convertible Bonds exercised the conversion rights of principal amount of HK\$10,000,000 of the Convertible Bonds and 5,000,000 Shares has been issued and allotted.

As at 31 December 2022, the outstanding principal amount of the Convertible Bonds was HK\$333.0 million. The maximum number of Shares that will be issued upon conversion of all the outstanding Convertible Bonds was 166,500,000 Shares.

PROMISSORY NOTES

On 4 February 2016, the Company issued two promissory notes (the “**Promissory Notes**”) with face values of HK\$174,250,000 (the “**First Note**”) and HK\$235,750,000 (the “**Second Note**”) as part of the consideration for the acquisition of 100% equity interest in Well Surplus and its subsidiaries. The Promissory Notes carry interest at a rate of 10% per annum. The outstanding principal amounts plus any accrued interest will be repayable on the maturity date falling on the second anniversary of the date of the First Note and Second Note, i.e. 4 February 2018.

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 14 January 2020, the term of the Promissory Notes 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.

On 29 January 2021, part of the consideration for the disposal of 100% issued share capital of Well Surplus was settled by way of waiver of the interest of HK\$41,000,000 payable by the Company to the then holder of the Promissory Notes from 5 February 2020 to 4 February 2022.

During the year ended 31 December 2021, the Second Note has been fully repaid.

During the year ended 31 December 2022, the Company had partial early redeemed the principal amount of the promissory note of HK\$129,462,000 and a further principal amount of HK\$6,473,000 was waived by the note holder. As a result of the redemption of the promissory note, a loss on partial early repayment of the promissory note of HK\$74,562,000 was recognised in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2022, the carrying amount of the promissory note of HK\$16,099,000 (2021: HK\$61,605,000) was recognised as non-current liabilities on the consolidated statement of financial position.

SUBSCRIPTION OF NEW SHARES

On 10 June 2022, the Company entered into six separate subscription agreements with six subscribers (the “**Subscriber(s)**”), each Subscriber is an independent third party of and not connected with the Company (as defined in the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (“**Listing Rules**”)), in respect of the subscription of an aggregate of 10,000,000 new Shares, at the subscription price of HK\$3.10 per Share pursuant to the terms and conditions of the subscription agreements (the “**Subscriptions**”). The closing price per Share was HK\$3.05 as quoted on the Stock Exchange on the date of the subscription agreements.

On 30 June 2022, all conditions precedent to the Subscriptions as set forth in the subscription agreements have been fulfilled. Accordingly, completion of the Subscriptions took place on 30 June 2022. The Company issued and allotted 10,000,000 Shares under the Subscriptions. The aggregate nominal value of the subscription Shares is HK\$100,000.

The gross proceeds of the Subscriptions was HK\$31,000,000. The net proceeds from the Subscriptions (after deducting all applicable costs and expenses of the Subscriptions) was approximately HK\$31,000,000 (the “**Net Proceeds**”) and the net price per subscription Share was HK\$3.10.

The Group intended to use and has already applied the Net Proceeds of (i) approximately HK\$9.6 million for investment in basic industries (carbon capture and forest carbon sinks) and carbon assets; (ii) approximately HK\$9.6 million for repayment of the debts of the Group and improving the financial position of the Group; and (iii) approximately HK\$11.8 million for general working capital. As at 31 December 2022, the Company has fully applied the net proceeds in accordance with the intended use as stated in the announcement of the Company dated 10 June 2022.

The Group is actively developing its global carbon neutral business. Such business expansion requires the Company to increase its fund size, with an aim to improve the profit-making abilities and developing abilities of the Group. The Board considered that the Subscriptions would improve the financial position of the Company, such as increasing the liquidity, lowering the gearing ratio and enhancing the risk resistance capacity in a whole.

Details of the Subscriptions were set out in the announcements of the Company dated 10 June 2022 and 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2022, the Group did not have any significant investment or capital assets.

PLEDGE OF ASSETS

As at 31 December 2022, the Group did not have any pledge of assets (as at 31 December 2021: nil).

CONTINGENT LIABILITIES

Detail of the Group’s contingent liabilities are set out in Note 15.

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities are denominated in HKD and RMB, which are the functional currencies of the Group. Any fluctuation in the exchange rate of HKD 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 2022, the Group had approximately 329 employees (as at 31 December 2021: 332) in Hong Kong and Mainland China. During the Year, the total employee benefit of the Group were approximately HK\$124.9 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 Mainland China. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

The Group provides or subsidizes various training programs 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

In March 2023, the Group has completed the acquisition of 73% equity interest in Shenzhen Jianxin Zhuhe Technology Company Limited ("**Jianxin Zhuhe**"). Jianxin Zhuhe, is a national high-tech enterprise. It has more than 30 soft writings and patents in artificial intelligence, blockchain, big data, etc. With the core of artificial intelligence, blockchain, and cloud computing technologies, Jianxin Zhuhe combines the world's leading digital identity, key security, and privacy computing technologies to provide green and trustworthy blockchain technologies, green credit rating standards, rules and mechanisms for the industry through digital technologies to facilitate more blockchain-based independent and controllable data, establish green digital credit, and link green digital finance.

Save as disclosed above, the Group did not have any significant event after the Year 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 2022 (2021: Nil).

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest developments.

For the year ended 31 December 2022, the Company has complied with the code provisions set out in Part 2 of the CG Code with the following exceptions:

Code provision C.2.7 of Part 2 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 Year, 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.

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 2022.

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 2022.

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.

AUDIT COMMITTEE

The Audit Committee comprises three members including Dr. Guo Yike, Mr. Wang Anyuan and Dr. Li Qun, 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 2022. 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

The forthcoming annual general meeting (the "AGM") will be held at 10:00 a.m. on Wednesday, 28 June 2023. The notice of the AGM will be posted on the respective websites of the Company and The Stock Exchange of Hong Kong Limited and dispatched to the Shareholders in due course.

For the purpose of determining the right to attend the AGM, the register of members of the Company will be closed from Friday, 23 June 2023 to Wednesday, 28 June 2023 (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, 22 June 2023.

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
Sha Tao
Chairman

Hong Kong, 30 March 2023

As at the date of this announcement, the executive Directors are Mr. Sha Tao, Mr. Chen Xinwei, 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 Dr. Li Qun.