中國地熱能產業發展集團有限公司
CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8128)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of the China Geothermal Industry Development Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of The Stock Exchange for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website with the domain name of www.hkgem.com on the "Latest Company Announcement" page for at least 7 days from the date of publication and on the website of China Geothermal Industry Development Group Limited at www.cgsenergy.com.hk.

FINAL RESULTS

The board of directors ("Directors") of China Geothermal Industry Development Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021 ("the Year"), together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2021

	Notes	**2021** ***HK$'000***	2020 *HK$'000*
REVENUE	*4*	**176,835**	230,862
Cost of sales		**(145,595)**	(184,728)
Gross profit		**31,240**	46,134
Other income and gains	*4*	**19,915**	78,992
Selling and distribution expenses		**(7,277)**	(6,843)
Administrative expenses		**(70,952)**	(89,639)
Impairment losses on trade and bills receivables, net		**(38,943)**	(15,388)
Impairment losses on prepayments, other receivables and other assets, net		**(2,976)**	(10,384)
Impairment losses on contract assets, net		**(20,796)**	(8,958)
Finance costs	*5*	**(6,284)**	(24,343)
Fair value changes on investment properties		**–**	(32,570)
Other expenses		**(9,566)**	(166,722)
Share of profits and losses of:			
A joint venture		**(231)**	–
Associates		**4,966**	(5,907)
Share-based payment expenses		**–**	(4,620)
LOSS BEFORE TAX	*6*	**(100,904)**	(240,248)
Income tax expense	*7*	**(1,423)**	(3,192)
LOSS FOR THE YEAR		**(102,327)**	(243,440)
Attributable to:			
Owners of the parent		**(97,329)**	(242,399)
Non-controlling interests		**(4,998)**	(1,041)
		(102,327)	(243,440)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted (expressed in HK cents)		**(2.20)**	(5.46)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2021

	2021	2020
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(102,327)**	(243,440)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**15,242**	26,842
Share of other comprehensive income of a joint venture	**26**	–
Share of other comprehensive income of associates	**1,496**	3,037
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**16,764**	29,879
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Gains/(loss) on property revaluation	**5,432**	(3,316)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**46,379**	44,590
Income tax effect	**(11,550)**	(11,588)
	34,829	33,002
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**40,261**	29,686
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**57,025**	59,565
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(45,302)**	(183,875)
Attributable to:		
Owners of the parent	**(43,258)**	(184,582)
Non-controlling interests	**(2,044)**	707
	(45,302)	(183,875)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**201,052**	213,359
Investment properties		**138,699**	134,743
Right-of-use assets		**178**	1,050
Deposits paid for acquisitions of land use rights		**–**	17,823
Other intangible assets		**–**	293
Investment in a joint venture		**1,254**	–
Investments in associates		**55,495**	49,547
Equity investments designated at fair value through other comprehensive income		**64,703**	60,577
Contract assets		**20,713**	20,213
Trade receivables	*10*	**106,155**	139,102
Total non-current assets		**588,249**	636,707
CURRENT ASSETS			
Inventories		**16,935**	24,733
Properties held for sale		**335,656**	342,652
Trade and bills receivables	*10*	**39,830**	58,743
Prepayments, other receivables and other assets		**108,868**	225,075
Contract assets		**95,455**	122,504
Amounts due from related companies		**567**	551
Equity investments designated at fair value through other comprehensive income		**289,873**	238,831
Financial assets at fair value through profit or loss		**41**	34
Restricted cash		**2,391**	7,326
Time deposits		**698**	233
Cash and cash equivalents		**87,069**	63,172
Total current assets		**977,383**	1,083,854
CURRENT LIABILITIES			
Trade and bills payables	*11*	**246,441**	279,912
Other payables and accruals		**460,166**	430,934
Contract liabilities		**46,759**	51,225
Amounts due to associates		**15,584**	17,891
Amounts due to a joint venture		**702**	–
Amounts due to related companies		**31,334**	30,341
Interest-bearing bank borrowings		**–**	100,998
Lease liabilities		**5,929**	5,889
Tax payable		**183,528**	189,263
Total current liabilities		**990,443**	1,106,453
NET CURRENT LIABILITIES		**(13,060)**	(22,599)
TOTAL ASSETS LESS CURRENT LIABILITIES		**575,189**	614,108

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 DECEMBER 2021

	2021	2020
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**575,189**	614,108
NON-CURRENT LIABILITIES		
Lease liabilities	**86,736**	89,590
Deferred income	**9,785**	9,506
Deferred tax liabilities	**50,488**	37,838
Total non-current liabilities	**147,009**	136,934
Net assets	**428,180**	477,174
EQUITY		
Equity attributable to owners of the parent		
Share capital	**353,043**	353,043
Shares held for Share Award Scheme	**(8,169)**	(7,676)
Other reserves	**57,120**	103,061
	401,994	448,428
Non-controlling interests	**26,186**	28,746
Total equity	**428,180**	477,174

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2021

1. CORPORATE AND GROUP INFORMATION

China Geothermal Industry Development Group Limited was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section in the annual report.

During the year, the Group was involved in the following principal activities:

- Provision, installation and maintenance of shallow geothermal energy utilisation systems
- Trading of air conditioning/shallow geothermal heat pump products
- Investment in properties for their potential rental income
- Trading of securities and other types of investments

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, leasehold land and buildings classified as property, plant and equipment, and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

During the year ended 31 December 2021, the Group incurred a consolidated net loss of HK$102,327,000 and had consolidated accumulated losses of HK$1,144,010,000. As at 31 December 2021, the Group had net current liabilities of HK$13,060,000.

In view of the net current liabilities position, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

2.1 BASIS OF PREPARATION (CONTINUED)

On 24 February 2022, the Company's wholly owned subsidiary, Ever Source Science & Technology Development Group Co., Ltd.*(恒有源科技發展集團有限公司) ("HYY Group") entered into the integrated bank credit facilities agreement with Ping An Bank Co., Ltd. Beijing Branch ("PAB"), whereby PAB agreed to provide loans, lending, bills acceptance and discounting, overdrafts, factoring, guarantees, loan commitments, letter of credit issuance and other credit services for the period from 9 March 2022 to 8 March 2023. The aggregate amounts of the integrated bank credit facilities are RMB200,000,000 (equivalent to HK$244,618,000).

The directors have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021. However, the Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

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

(a) Shallow geothermal energy segment – provision, installation and maintenance of shallow geothermal energy utilisation systems;

(b) Air conditioning/shallow geothermal heat pump segment – trading of air conditioning/shallow geothermal heat pump products;

(c) Property investment and development segment – investments in properties for their potential rental income; and

(d) Securities investment and trading segment – trading of securities and other types of investment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that share of profits and losses of associates and a joint venture, interest income, certain other income, certain administration costs, share-based payment expenses and non-lease-related finance costs are excluded from such measurement.

Segment assets exclude certain investments in associates and a joint venture, time deposits, restricted cash and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude certain amounts due to associates, a joint venture and related companies, interest-bearing bank borrowings, deferred tax liabilities and tax payable as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. OPERATING SEGMENT INFORMATON (CONTINUED)

Year ended 31 December 2021

	Shallow geothermal energy *HK$'000*	Air conditioning/ shallow geothermal heat pump *HK$'000*	Property investment and development *HK$'000*	Securities investment and trading *HK$'000*	Total *HK$'000*
Segment revenue ***(note 4)*****:**					
Sales to external customers	**152,828**	**15,177**	**8,830**	**–**	**176,835**
Intersegment sales	**–**	**10,432**	**–**	**–**	**10,432**
	152,828	**25,609**	**8,830**	**–**	**187,267**
Reconciliation:					
Elimination of intersegment sales					**(10,432)**
Revenue					**176,835**
Segment results	**(92,752)**	**(1,667)**	**7,445**	**7**	**(86,967)**
Reconciliation:					
Elimination of intersegment results					**(536)**
Share of profits and losses of associates					**4,966**
Share of profits and losses of a joint venture					**(231)**
Unallocated other income					**12,177**
Corporate and other unallocated expenses					**(28,282)**
Finance costs (other than interest on lease liabilities)					**(2,031)**
Loss before tax					**(100,904)**
Segment assets	**570,873**	**52,437**	**546,751**	**355,335**	**1,525,396**
Reconciliation:					
Elimination of intersegment receivables					**(109,683)**
Corporate and other unallocated assets					**149,919**
Total assets					**1,565,632**
Segment liabilities	**689,944**	**47,878**	**130,089**	**9,553**	**877,464**
Reconciliation:					
Elimination of intersegment payables					**(109,684)**
Corporate and other unallocated liabilities					**369,672**
Total liabilities					**1,137,452**

3. OPERATING SEGMENT INFORMATON (CONTINUED)

Year ended 31 December 2021

	Shallow geothermal energy HK$'000	Air conditioning/ shallow geothermal heat pump HK$'000	Property investment and development HK$'000	Securities investment and trading HK$'000	Total HK$'000
Other segment information:					
Amounts included in the measure of segment profit or loss or segment assets:					
Depreciation of property, plant and equipment	12,643	217	178	22	13,060
Depreciation of right-of-use assets	874	–	–	–	874
Amortisation of other intangible assets	12	–	–	–	12
Impairment loss recognised in respect of trade and bills receivables, net	38,271	–	672	–	38,943
Impairment loss recognised in respect of prepayments, other receivables and other assets, net	5,197	–	(2,221)	–	2,976
Impairment loss recognised in respect of contract assets, net	20,796	–	–	–	20,796
Write-down of inventories to net realisable value	7,447	–	–	–	7,447
Capital expenditure*	–	–	6	–	6
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Investments in associates	55,495	–	–	–	55,495
Investment in a joint venture	1,254	–	–	–	1,254
Share of profits and losses of associates	4,966	–	–	–	4,966
Share of profits and losses of a joint venture	(231)	–	–	–	(231)

* Capital expenditure consists of additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

	Shallow geothermal energy *HK$'000*	Air conditioning/ shallow geothermal heat pump *HK$'000*	Property investment and development *HK$'000*	Securities investment and trading *HK$'000*	Total *HK$'000*
Segment revenue *(note 4)*:					
Sales to external customers	174,832	47,897	8,133	–	230,862
Intersegment sales	–	12,993	–	–	12,993
	174,832	60,890	8,133	–	243,855
Reconciliation:					
Elimination of intersegment sales					(12,993)
Revenue					230,862
Segment results	(45,816)	(150)	(142,837)	(1,564)	(190,367)
Reconciliation:					
Elimination of intersegment results					(980)
Share of profits and losses of associates					(5,907)
Unallocated other income					6,963
Corporate and other unallocated expenses					(29,179)
Finance costs (other than interest on lease liabilities)					(20,778)
Loss before tax					(240,248)
Segment assets	788,265	52,225	588,438	300,152	1,729,080
Reconciliation:					
Elimination of intersegment receivables					(132,292)
Corporate and other unallocated assets					123,773
Total assets					1,720,561
Segment liabilities	696,418	48,345	154,936	8,760	908,459
Reconciliation:					
Elimination of intersegment payables					(132,292)
Corporate and other unallocated liabilities					467,220
Total liabilities					1,243,387

3. OPERATING SEGMENT INFORMATON (CONTINUED)

Year ended 31 December 2020

	Shallow geothermal energy *HK$'000*	Air conditioning/ shallow geothermal heat pump *HK$'000*	Property investment and development *HK$'000*	Securities investment and trading *HK$'000*	Total *HK$'000*
Other segment information:					
Amounts included in the measure of segment profit or loss or segment assets:					
Depreciation of property, plant and equipment	12,716	425	1,855	22	15,018
Depreciation of right-of-use assets	2,252	–	–	–	2,252
Amortisation of other intangible assets	6	–	–	–	6
Impairment loss recognised in respect of trade and bills receivables, net	14,667	–	721	–	15,388
Impairment loss recognised in respect of prepayments, other receivables and other assets, net	6,654	–	3,730	–	10,384
Impairment loss recognised in respect of contract assets, net	8,958	–	–	–	8,958
Impairment of properties held for sale	–	–	139,009	–	139,009
Impairment of deposits paid for acquisition of land use rights	–	–	10,567	–	10,567
Changes in fair value of investment properties	–	–	32,570	–	32,570
Capital expenditure*	942	16	1,275	–	2,233
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Investments in associates	49,547	–	–	–	49,547
Share of profits and losses of associates	5,907	–	–	–	5,907

* Capital expenditure consists of additions to property, plant and equipment, investment properties and other intangible assets.

Geographical information

The Group's operations are mainly located in Mainland China. All of the Group's revenue from external customers are based on the locations at which the services were provided or the goods were delivered and all of the Group's non-current assets are located in Mainland China.

Information about major customers

Information about revenue from major customers which individually accounted for 10.0% or more of the Group's revenue is shown in the following table:

	2021	2020
	HK$'000	*HK$'000*
Customer A	**15,186**	43,785
Customer B	**–**	23,768
Customer C	**28,492**	–
	43,678	67,553
Total revenue	**176,835**	230,862
Proportion of revenue	**24.7%**	29.3%

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers	**168,005**	222,729
Revenue from other sources		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**8,830**	8,133
	176,835	230,862

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2021

Segments	**Shallow geothermal energy** *HK$'000*	**Air conditioning/ shallow geothermal heat pump** *HK$'000*	**Total** *HK$'000*
Type of goods or services:			
Sale of industrial products	**–**	**15,177**	**15,177**
Construction services	**152,828**	**–**	**152,828**
Total revenue from contracts with customers	**152,828**	**15,177**	**168,005**
Geographical market:			
Mainland China	**152,828**	**15,177**	**168,005**
Timing of revenue recognition:			
Goods transferred at a point in time	**–**	**15,177**	**15,177**
Services transferred over time	**152,828**	**–**	**152,828**
Total revenue from contracts with customers	**152,828**	**15,177**	**168,005**

For the year ended 31 December 2020

Segments	Shallow geothermal energy *HK$'000*	Air conditioning/ shallow geothermal heat pump *HK$'000*	Total *HK$'000*
Type of goods or services:			
Sale of industrial products	–	47,897	47,897
Construction services	174,832	–	174,832
Total revenue from contracts with customers	174,832	47,897	222,729
Geographical market:			
Mainland China	174,832	47,897	222,729
Timing of revenue recognition:			
Goods transferred at a point in time	–	47,897	47,897
Services transferred over time	174,832	–	174,832
Total revenue from contracts with customers	174,832	47,897	222,729

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2021

Segments	**Shallow geothermal energy**	**Air conditioning/ shallow geothermal heat pump**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Revenue from contracts with customers:			
External customers	**152,828**	**15,177**	**168,005**
Intersegment sales	**–**	**10,432**	**10,432**
	152,828	**25,609**	**178,437**
Intersegment adjustments and eliminations	**–**	**(10,432)**	**(10,432)**
Total revenue from contracts with customers	**152,828**	**15,177**	**168,005**

For the year ended 31 December 2020

Segments	Shallow geothermal energy	Air conditioning/ shallow geothermal heat pump	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from contracts with customers:			
External customers	174,832	47,897	222,729
Intersegment sales	–	12,993	12,993
	174,832	60,890	235,722
Intersegment adjustments and eliminations	–	(12,993)	(12,993)
Total revenue from contracts with customers	174,832	47,897	222,729

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021	2020
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction services	**27,159**	25,051

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 90 days from delivery. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021	2020
	HK$'000	*HK$'000*
Amounts expected to be recoginsed as revenue:		
Within one year	**158,578**	211,219

All the amounts of transaction prices allocated to the performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2021	2020
	HK$'000	*HK$'000*
Other income		
Interest income	**5,673**	5,730
Sale of scrap materials	**416**	348
Government grants *(note)*	**1,255**	1,829
Dividend income from equity investments at fair value through other comprehensive income	**747**	3,097
Fair value change on financial assets at fair value through profit or loss	**7**	–
Income from exempted payables	**–**	3,981
Others	**5,509**	1,233
	13,607	16,218
Gains		
Gain on disposal of investment properties	**–**	42,635
Gain on deemed disposal of interest in a joint venture	**995**	–
Gain on disposal of a subsidiary	**5,313**	20,139
	6,308	62,774
	19,915	78,992

Note: Government grants have been received in respect of certain heating projects of the Group. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	HK$'000	*HK$'000*
Interest on bank loans and other loans	**1,931**	19,049
Interest on lease liabilities	**4,253**	3,565
Guarantee fee on bank and other borrowings	**100**	1,729
	6,284	24,343

6. LOSS BEFORE TAX

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

	Note	**2021** *HK$'000*	2020 *HK$'000*
Cost of inventories sold		**14,352**	45,258
Cost of services provided		**131,243**	139,470
Depreciation of property, plant and equipment		**13,060**	15,018
Depreciation of right-of-use assets		**874**	2,252
Amortisation of other intangible assets		**12**	6
Research and development costs		**4,874**	5,562
Impairment of deposits paid for acquisition of land use rights*		**–**	10,567
Impairment of properties held for sale*		**–**	139,009
Lease payments not included in the measurement of lease liabilities		**274**	1,065
Auditor's remuneration		**2,844**	3,350
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		**64,770**	73,441
Equity-settled share option expense		**–**	4,620
Pension scheme contributions		**3,044**	3,161
		67,814	81,222
Impairment loss recognised in respect of trade and bills receivables, net	*10*	**38,943**	15,388
Impairment loss recognised in respect of prepayments, other receivables and other assets, net		**2,976**	10,384
Loss on uncertainty in respect of collectability of contract assets, net		**20,796**	8,958
Write down of inventories to net realisable value*		**7,447**	–
Changes in fair value of investment properties		**–**	32,570
Fair value change on financial assets at fair value through profit or loss		**(7)**	1,564
Dividend income from equity investments at fair value through other comprehensive income		**(747)**	(3,097)
Gain on disposal of investment properties		**–**	(42,635)
Gain on disposal of a subsidiary		**(5,313)**	(20,139)
Loss on disposal of associates		**57**	–
Interest income		**(5,673)**	(5,730)
Loss on disposal of items of property, plant and equipment*		**6**	153

* Impairment losses recognised in respect of deposits paid for acquisition of land use rights, properties held for sale, loss on disposal of items of property, plant and equipment and write down of inventories to net realisable value are included in "Other expenses" in the consolidated statement of profit or loss.

7. INCOME TAX EXPENSE

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group was not subject to any income tax in the Cayman Islands and the BVI during both years.

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax during both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, except as stated below, the tax rate of all the other PRC subsidiaries is 25.0% from 1 January 2008 onwards.

Pursuant to the income tax rules and regulations of the PRC, certain subsidiaries were recognised as high and new technology enterprises and the income tax rate applicable to these subsidiaries was 15.0% for the year ended 31 December 2021 (2020: 15.0%).

	2021	2020
	HK$'000	*HK$'000*
Current – Mainland China	**1,433**	31,369
Deferred	**(10)**	(28,177)
Total tax charge for the year	**1,423**	3,192

8. DIVIDENDS

During the years ended 31 December 2021 and 2020, no final dividend was declared and paid to the shareholders of the Company.

Subsequent to the end of the reporting period, no final dividend in respect of the year ended 31 December 2021 has been proposed by the directors of the Company.

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,418,884,000 (2020: 4,439,460,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2020 in respect of a dilution as the impact of the Award Shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented. The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021.

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

	2021	2020
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**(97,329)**	(242,399)

	Number of shares	
	2021	2020
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**4,418,884**	4,439,460

10. TRADE AND BILLS RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**311,002**	321,087
Impairment	**(165,017)**	(123,465)
Trade receivables, net	**145,985**	197,622
Bills receivable	**–**	223
	145,985	197,845
Less: Non-current portion	**(106,155)**	(139,102)
Current portion	**39,830**	58,743

In 2020, the Group entered into an arrangement to sublease a leased asset to a third party while the original lease contract is in effect, the Group is an intermediate lessor, this sublease is classified as a finance lease. The Group derecognised the right-of-use asset on the head lease and recognised trade receivables at the sublease commencement date, continued to account for the original lease liability in accordance with the lessee accounting model. As at 31 December 2021, the current portion and non-current portion of the trade receivables amounted to RMB8,058,000 (2020: RMB8,022,000) (equivalent to approximately HK$9,856,000 (2020: HK$9,532,000)) and RMB63,249,000 (2020: RMB71,272,000) (equivalent to approximately HK$77,359,000 (2020:HK$84,656,000)), respectively.

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021	2020
	HK$'000	*HK$'000*
Within 90 days	**127,954**	106,295
91 to 180 days	**1,740**	3,995
181 to 365 days	**6,004**	9,625
Over 365 days	**10,287**	77,930
	145,985	197,845

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021	2020
	HK$'000	*HK$'000*
At beginning of year	**123,465**	100,740
Disposal of a subsidiary	**(1,035)**	–
Impairment losses, net *(note 6)*	**38,943**	15,388
Exchange realignment	**3,644**	7,337
At end of year	**165,017**	123,465

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on the grouping of various customer segments:

As at 31 December 2021

Group one: construction services

	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Total**
Expected credit loss rate	14.15%	52.81%	72.22%	82.09%	87.58%	100.00%	68.19%
Gross carrying amount *(HK$'000)*	49,809	6,898	11,544	8,400	14,113	74,192	164,956
Expected credit losses *(HK$'000)*	7,048	3,643	8,337	6,896	12,360	74,192	112,476

Group two: others

	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Total**
Expected credit loss rate	2.68%	31.78%	45.11%	60.93%	81.60%	100.00%	3.76%
Gross carrying amount *(HK$'000)*	95,493	343	348	215	326	433	97,158
Expected credit losses *(HK$'000)*	2,557	109	157	131	266	433	3,653

Some trade receivables were credit-impaired at the reporting date and the amounts were HK$48,888,000 (2020: HK$47,494,000). HK$48,888,000 (2020: HK$7,533,000) was recognized as an allowance for expected credit losses, expected credit loss rate was 100% in 2021 (2020: 15.86%).

As at 31 December 2020

Group one: construction services

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Expected credit loss rate	15.86%	55.36%	73.88%	80.78%	87.27%	100.00%	54.25%
Gross carrying amount *(HK$'000)*	102,893	17,458	11,561	15,624	8,269	65,950	221,755
Expected credit losses *(HK$'000)*	16,319	9,665	8,541	12,621	7,216	65,950	120,312

Group two: others

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Expected credit loss rate	2.43%	25.65%	37.54%	54.30%	78.07%	100%	3.17%
Gross carrying amount *(HK$'000)*	97,970	417	208	317	23	397	99,332
Expected credit losses *(HK$'000)*	2,381	107	78	172	18	397	3,153

11. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 *HK$'000*	2020 *HK$'000*
Within 90 days	**73,633**	121,586
91 to 180 days	**2,047**	3,509
181 to 365 days	**6,334**	7,506
Over 365 days	**164,427**	147,311
	246,441	279,912

The trade and bills payables are non-interest-bearing and are normally settled on terms of six months.

FINANCIAL HIGHLIGHTS

Income Allocation

	2021 *HK$'000*	*%*	2020 *HK$'000*	*%*
1. Shallow geothermal energy utilisation system				
Including: Planning and Design	**12**	**–**	122	–
Supply of renewable energy	**6,673**	**4**	3,741	2
Engineering construction	**114,576**	**65**	142,202	62
Operation and maintenance	**31,567**	**18**	25,963	10
Intelligent manufacturing	**–**	**–**	2,804	1
2. Air conditioning/shallow geothermal heat pump	**15,177**	**8**	47,897	21
3. Property investment and development	**8,830**	**5**	8,133	4
Total revenue	**176,835**	**100**	230,862	100

	2021 *HK$'000*	2020 *HK$'000*
Revenue	**176,835**	230,862
Gross profit	**31,240**	46,134
Loss before tax	**(100,904)**	(240,248)
Loss for the year	**(102,327)**	(243,440)
Research and development costs (included in the administrative expenses)	**4,874**	5,562
Impairment losses on trade and bills receivables, net	**38,943**	15,388
Impairment losses on prepayments, other receivables and other assets, net	**2,976**	10,384
Impairment losses on contract assets, net	**20,796**	8,958

As at 31 December 2021 & 2020

	2021 *HK$'000*	2020 *HK$'000*
Current assets	**977,383**	1,083,854
Total assets	**1,565,632**	1,720,561
Net current liabilities	**(13,060)**	(22,599)
Total equity	**428,180**	477,174

FINANCIAL REVIEW

For the year ended 31 December 2021, the loss of the Group amounted to approximately HK$102,327,000 and revenue amounted to HK$176,835,000 as compared with the loss of the Group amounted to HK$243,440,000 and revenue amounted to approximately HK$230,862,000 for the year ended 31 December 2020. For more detailed information, please refer to the consolidated financial statements for the year ended 31 December 2021 and 2020.

OPERATIONAL RESULTS

Total revenue from operations for the year ended 31 December 2021 was approximately HK$176,835,000 as compared with HK$230,862,000 for the year ended 31 December 2020, representing a decrease of approximately 23.4%. The decrease in revenue was mainly attributable to the contract signed for the engineering projects this year and the projects under construction carried over during the same period decreased causing the decrease in the revenue from alternative energy engineering projects, and on the other hand, the significant decrease in the sales of heat pump products as compared with the same period last year. During the year ended 31 December 2021, the Group recorded a net loss of approximately HK$102,327,000 (including impairment losses on trade and bills receivables of approximately HK$38,943,000 and impairment losses on contract assets amounted to approximately HK$20,796,000) as compared with a net loss of approximately HK$243,440,000 for the year ended 31 December 2020.

GROSS PROFIT MARGIN

Gross profit from the Group's operations for the year ended 31 December 2021 was approximately HK$31,240,000, represented the gross profit margin of 17.7% (2020: approximately HK$46,134,000, represented the gross profit margin of 20.0%). The Group's gross profit margin for the Year is basically in line with that of last year.

SELLING & DISTRIBUTION EXPENSES

Selling and distribution expenses for this year increased by approximately HK$434,000 or 6.3% as compared with that of the year ended 31 December 2020. The selling and distribution expenses increased mainly due to the increases of the travelling and agency services expenses resulted by the intensified market promotion activities taken by the Group during the Year.

ADMINISTRATIVE EXPENSES

Administrative expenses amounted to approximately HK$70,952,000 (decreased by approximately 20.8%) and HK$89,639,000 for the years ended 31 December 2021 and 2020 respectively. The decrease in administrative expenses was mainly due to the effective cost control taken by the Group through the implementation of budget control and the strengthening of salary management measures which greatly reduced the expenses such as salaries, business operation expenses, and property leasing expenses.

OTHER EXPENSES

Other expenses for the year ended 31 December 2021 amounted to approximately HK$9,566,000 (2020: HK$166,722,000). The substantial decrease in other expenses for the Year as compared to last year was mainly due to an impairment loss for properties held for sale of HK$139,009,000 was recorded in the last year.

SHARE-BASED PAYMENT EXPENSES

During the year ended 31 December 2021, the Group had not incurred any share-based payment expenses while in 2020 the share-based payment expenses amounted to approximately HK$4,620,000 which was the amortisation of relevant expenses arising from the granting of award shares to directors, officers, employees and business partners by the Group.

ORDER BOOK

As at 31 December 2021, the Group had contracts on hand of approximately HK$158,578,000 (2020: approximately HK$211,219,000).

SEGMENTAL INFORMATION

The Group's reportable and operating segment consists of shallow geothermal energy, air conditioning/ shallow geothermal heat pump, property investment and development and securities investment and trading segments.

Shallow geothermal energy

The Group has always been committed to promote the development of non-combustion emerging industry of integrated heating and cooling with geothermal energy. It is the only enterprise in the country that possesses the business capabilities of design qualification, design capability, construction qualification, construction capability, operation and maintenance, main engine production and contract energy management. The Company is also the only patent holder of the original single-well circulation heat exchange energy collection technology and owns the largest number of patented technologies in the industry. Leveraging on existing resources and integrating industrial chain service capabilities, the Group features various professional sectors. Currently, the Group has formed five major segments of planning and design, supply of renewable energy, intelligent manufacturing, engineering construction and operation and maintenance.

Air conditioning/shallow geothermal heat pump

The Group continued the promotion of its air conditioning/shallow geothermal heat pump business this year and there were 2,092 sets of equipment which have been promoted through the engineering projects carried out in Pingshan County of Heibei, Jinzhou, Anxin, Ningpu County (the phase II project) and other places, and 3,000 sets of equipment which have been promoted in the form of direct sales. The Group will continuously improve the product quality and control the costs as well as improving the market competitiveness corresponding to the future market needs and changes.

Properties investment and development

The Group continues to focus on its core businesses of shallow geothermal energy utilization system and continue to provide necessary funding to support the core business. During the Year, we have been continuously looking for suitable opportunities or third parties to dispose of the assets with relatively low returns in order to improve the capital efficiency and to supplement the working capital of the Group.

Securities investment and trading

The Group invested the idle fund for trading of securities and other types of investments in order to increase the Group's income. Further information regarding the Group's operating segments may be referred to note 3 "Operating Segment Information" of this announcement.

FINANCIAL RESOURCES AND LIQUIDITY

Net current liabilities of the Group as at 31 December 2021 was approximately HK$13,060,000 (2020: approximately HK$22,599,000).

As at 31 December 2021, the Group had cash and cash equivalents of approximately HK$87,069,000 (2020: approximately HK$63,172,000). Cash and cash equivalents on the consolidated statement of financial position include funds available for general corporate purposes.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing certain measures. Details of which could be referred to note 2.1 of the notes to the consolidated financial statements of this announcement.

CHARGES OF GROUP ASSETS

As at 31 December 2021, the Group had no charges on assets.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Company's reporting currency is in Hong Kong dollars and most of the trading transactions and cost incurred by the Group are principally denominated in Hong Kong dollars and Renminbi. The Group continued to adopt a conservative treasury policy by keeping most of the bank deposits in either Hong Kong dollars or Renminbi to minimise exposure to foreign exchange risks.

As at 31 December 2021, the Group had no foreign exchange contracts.

GEARING RATIO

The gearing ratio of the Group, based on total net debt (including interest-bearing bank and other borrowings, lease liabilities, trade and bills payables, financial liabilities included in other payables and accruals, less cash and cash equivalents) to the equity (representing equity attributable to owners of the parent) plus net debt of the Group, was approximately 51.2% as at 31 December 2021 (2020: 57.5%).

EMPLOYEES

As at 31 December 2021, the Group has approximately 475 employees (2020: approximately 480). The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group.

SHARE AWARD SCHEME

On 15 January 2020, the Company has adopted a share award scheme (the "Share Award Scheme") with the objective to attract, retain and incentivize key employees, executive officers, directors and consultants of the Company and its subsidiaries to retain them for the continual operations and development of the Group. Pursuant to the Scheme Rules, the Board may, from time to time, at their absolute discretion select the eligible persons to participate in the Share Award Scheme and determine the number of shares to be awarded ("Award Shares") to the selected participants. The Board shall have the power to impose any conditions on the rights of selected participants to the Award Shares when deemed appropriate. The detailed disclosures relating to the Company's Share Award Scheme are set out in note 36 to the financial statements of the Company's annual report.

CONTINGENT LIABILITIES

As at 31 December 2021, the Company did not have any contingent liabilities not provided in the financial statements (2020: Nil).

DIVIDEND

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

CAPITAL STRUCTURE

As at 31 December 2021, the authorised share capital of the Company was US$160,000,000 divided into 16,000,000,000 ordinary shares of US$0.01 each and the issued share capital was 4,526,925,163 ordinary shares of US$0.01 each.

EVENTS AFTER THE REPORTING PERIOD

In November 2021, Ever Source Investment Management Co,. Ltd. (“Ever Source Investment”), a wholly owned subsidiary of the Company, received a civil complaint from Shanghai Gangze Trading Company Limited* (上海港澤貿易有限公司) ("Shanghai Gangze”) against Ever Source Investment and Beijing Rungu Investment Co., Ltd. (北京潤古投資有限公司) (“Beijing Rungu”), requesting Beijing First Intermediate People’s Court to (i) order the cancellation of the Equity Transfer Agreement and the Supplemental Equity Transfer Agreement; (ii) order Ever Source Investment to return the equity transfer amount of RMB237,000,000 to Shanghai Gangze and compensate for the provisional interest loss of RMB8,217,995.83, totaling RMB245,217,995.83; (iii) order Beijing Rungu to bear joint and several liability for the aforementioned interest loss; and (iv) order Ever Source Investment and Beijing Rungu to bear the litigation costs, preservation fees and preservation guarantee fees for the case.

In January 2022, Ever Source Investment was notified by Beijing Life Insurance Co., Ltd. (“Beijing Life”) that they received a notice of assistance in enforcement and a civil ruling issued by the Beijing First Intermediate People’s Court. According to the civil ruling, the court ruled to implement the assets preservative measures applied by Shanghai Gangze (as the applicant) against Ever Source Investment (as the respondent) and Beijing Rungu (as the respondent) by freezing the bank deposits or seizure and impounding the assets with the equivalent sum that held by Ever Source Investment and Beijing Rungu respectively. The limits imposed on Ever Source Investment and Beijing Rungu are RMB245,217,995.83 and RMB8,217,995.83 respectively. In addition, according to the notice of assistance in enforcement, Beijing Life is required to assist in freezing the 4.99965% equity interest of Beijing Life held by Ever Source Investment, corresponding to the paid-up capital of RMB142,990,000, for 3 years commencing from 12 January 2022 to 11 January 2025. During the freezing period, transfer, sale and pledge of the above equity interests are prohibited without the permission of the court. At the reporting date, Ever Source Investment’s bank account with Beijing Rural Commercial Bank has been frozen with the amount of RMB50,288.

The Company considered that the above court ruling has no significant adverse effect on the normal operation and financial of the Group. The Company will vigorously respond to the litigation and will make further announcement(s) to keep its shareholders and investors informed of any significant development of the litigation as and when appropriate.

CAPITAL COMMITMENTS

Details of capital commitments are set out in note 42 to the financial statements of the Company's Annual Report.

FUTURE PLANS FOR SUBSTANTIAL INVESTMENTS OF CAPITAL ASSETS

The Group did not have any future plans for substantial investments of capital asset as at 31 December 2021.

MAJOR ACQUISITIONS AND DISPOSALS

On 26 March 2021, HYY Group entered into the equity transfer agreement in relation to the disposal of 100% equity interest in HYY Science and Technology Development Group Xinyi Co., Ltd*. (恒有源科技發展集團新沂有限公司), a wholly owned subsidiary of the Company, at the consideration of approximately RMB25,831,000. Details of the disposal can be referred to the announcement dated 26 March 2021 of the Company.

Save as disclosed above, there was no major acquisitions or disposal transactions during the year.

BUSINESS REVIEW AND OUTLOOK

During the period under review, the Group realized the revenue of approximately HK$176,835,000, representing a decrease of 23.4% as compared with the same period of last year. The main reasons for the decrease in revenue are as follows:

1. The revenue of alternative energy engineering projects has declined as compared with the same period of last year. The main reason for the decrease was that in order to alleviate the funding pressure,contracts for some projects that required fund advancement was not undertaken this year resulting in a decrease in the construction projects.

2. The revenue of the sale of heat pump products has decreased as compared with that of the previous year which was mainly due to the significant decrease of coal-to-electricity projects in surrounding areas, especially the coal-to-electricity projects in Hebei Province, thereby resulting in a decrease in sale of self-heating projects. In addition, the decreases of projects by one of the major customers of Hong Yuan Ground Source Heating Device Technology Co., Ltd., a subsidiary of the Group, led to a drop in the purchase of heat pump products by them during the Year, which was also one of the major factors leading to the decrease in the revenue of sale of heat pump products.

During the period under review, the Company actively responded to changes in the internal and external environment by broadening the source of income and reducing of expenditure as well as risks prevention. It has formulated the scheme of "Three Guarantees, One Promotion and Nine Determination with Full Openness"(三保一促九定全公開方案), a management system established with clear rights and responsibilities defined, and implemented comprehensive budget management and independent accounting for projects so as to avoiding the project costs exceeding budget and finally affecting profits. We also strengthened the performance assessment work in accordance with the requirements of the Board throughout the entire business operations.

In order to cope with the demand and changes of alternative energy heating, the Group has adjusted its way of thinking and strategic layout. On the one hand, we actively promote the central heating projects through various channels and different cooperation methods. On the other hand, self-heating projects are gradually extended to rural areas carrying out the coal-to-electricity transformation, such as Shanxi, Inner Mongolia and Shandong, using various business models. We actively promote the utilization of shallow geothermal energy and air source heat pumps in the industry by fanning out from point to area.

During the reporting year, the operation effect, the cooperation model and experimental results of the Group's alternative energy projects in Hunan and Chengdu were affirmed by the owners and the relevant government departments, and cooperation intentions were initially established.

In the future, the Company will strengthen its business promotion in different regions in developing the new markets, and continue to enrich and improve the core technologies that owned by the Company, such as "single well circulation" heat exchange, HYY heating device, air source heat pump, geothermal energy heat pump and the relevant industrial chain in order to provide energy supply for buildings outside the core high-density areas of the city. The Company will roll out the work by focusing on the following aspects: 1. Focusing on clean heating in northern rural areas in winter, the Company can provide clean self-heating solutions for northern rural areas in our country, particularly for the provision of heating, cooling and domestic hot water for households in buildings with an area of 50 to 2,000 square meters. 2. With the demonstration projects to further promote the marketing work along the Yangtze River. 3. Promotion of the transformation projects of traditional heating into clean heating in the Beijing-Tianjin-Hebei regions. 4. Enhancement of market efforts in the western part of China. 5. Exploring the application of heat pump technology in the industry, especially the coal mine industry (mining well), and further focusing on the cooling and heating needs of the breeding industry and special agricultural facilities (such as vinyl house), and further explore business opportunity in special industries (such as pharmaceutical plant) for its plant and workshop office with heating and cooling demand.

Based on the demonstration effect of the current demonstration projects, through the connection with China Energy Conservation and Environmental Protection Group and the local government, the Company will use an appropriate business model to collectively carry out clean energy transformation for the public construction projects (such as schools, office buildings, coal-fired boiler transformation, Five Hall One Center of Art and Recreation, etc.) for a particular region.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 15 of the GEM Listing Rules. During the Year, the Company has complied with the Code except for the deviations which are explained as follows:–

Under code provision C.1.6 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders.

Code provision F.2.2 of the Code requires that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Due to their engagement in other business, Mr. Yang Wei, Mr. Wang Michael Zhiyu and Mr. Zhang Yiying, the non-executive Directors, as well as Mr. Jia Wenzeng (being the chairman of the audit committee of the Company), Mr. Wu Desheng (being the chairman of the remuneration committee of the Company), Mr. Wu Qiang, Mr. Guo Qingui and Mr. Guan Chenghua, the independent non-executive Directors, did not attend the extraordinary general meeting held on 19 February 2021. Besides, Mr. Zhang Yiying and Ms. Liu Ening, the non-executive Directors, as well as Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Guo Qingui and Mr. Guan Chenghua, the independent non-executive Directors, did not attend the annual general meeting held on 8 June 2021.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests, with the Group.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes, risk management and internal control systems of the Group and to provide advice and comments to the Board accordingly.

The Audit Committee currently comprises five independent non-executive directors of the Company, namely Mr. Jia Wenzeng (the chairman of the Audit Committee), Mr. Wu Desheng, Mr. Wu Qiang, Mr. Guo Qingui and Mr. Guan Chenghua.

The Audit Committee has reviewed the Group's consolidated results for the year ended 31 December 2021 and has provided advice and comments thereon. The Audit Committee held five meetings during the Year.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Ernst & Young 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 Ernst & Young on the preliminary announcement.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has not adopted its own code of conduct regarding securities transactions by directors, but having made specific enquiry of all directors, the Company reported that during the Year, the directors have complied with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and its code of conduct regarding securities transactions by directors.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the rules of the Share Award Scheme, purchased on the open market a total of 46,808,000 shares of the Company, representing approximately 1.03% of the issued share capital of the Company, at a consideration of approximately HK$3,791,000 during the year ended 31 December 2021.

By Order of the Board of
China Geothermal Industry Development Group Limited
Xu Shengheng
Chairman

Hong Kong, 29 March 2022

As at the date of this announcement, the Board comprises Mr. Xu Shengheng, Mr. Xue Jiangyun, Mr. Pan Ya, Ms. Wang Yan, Ms. Chan Wai Kay, Katherine, Mr. Wang Manquan and Mr. Dai Qi as executive Directors, Mr. Yang Wei, Mr. Zhang Yiying and Ms. Liu Ening as non-executive Directors, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Jia Wenzeng, Mr. Guo Qingui and Mr. Guan Chenghua as independent non-executive Directors.

* *For identification purpose only*