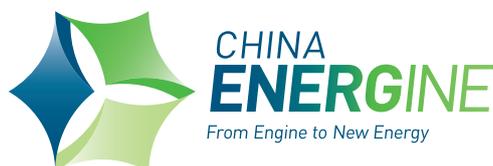


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CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際（集團）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1185)

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

The board (the “**Board**”) of directors (the “**Director(s)**”) of China EnerGINE International (Holdings) Limited (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

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

For the year ended 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations			
Revenue	3	9,100	26,151
Cost of revenue		<u>(1,080)</u>	<u>(21,706)</u>
Gross profit		8,020	4,445
Other income		620	2,420
Other gains and losses	4	320,615	(2,259)
Financial guarantee contract liabilities		(399,032)	–
Impairment losses, net of reversal, on financial assets and contract assets	5	–	(333,022)
Administrative expenses		(11,402)	(25,268)
Finance costs		(116)	(420)
Share of results of associates		<u>10,268</u>	<u>7,299</u>

* *For identification purpose only*

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Loss before tax		(71,027)	(346,805)
Income tax expense	6	<u>(3,113)</u>	<u>(1,616)</u>
Loss for the year from continuing operations	7	<u>(74,140)</u>	<u>(348,421)</u>
Discontinued operations			
Loss for the year from discontinued operations	8	<u>–</u>	<u>(875,044)</u>
Loss for the year		<u>(74,140)</u>	<u>(1,223,465)</u>
Other comprehensive expense:			
<i>Item that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation to presentation currency		<u>(54,404)</u>	<u>(104,475)</u>
Other comprehensive expense for the year		<u>(54,404)</u>	<u>(104,475)</u>
Total comprehensive expense for the year		<u>(128,544)</u>	<u>(1,327,940)</u>
Loss for the year attributable to owners of the Company			
From continuing operations		(76,499)	(186,315)
From discontinued operations		<u>–</u>	<u>(875,044)</u>
		<u>(76,499)</u>	<u>(1,061,359)</u>
Profit/(loss) for the year attributable to non-controlling interests			
From continuing operations		<u>2,359</u>	<u>(162,106)</u>
Loss for the year		<u>(74,140)</u>	<u>(1,223,465)</u>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(125,918)	(1,159,334)
Non-controlling interests		(2,626)	(168,606)
		<u>(128,544)</u>	<u>(1,327,940)</u>
Loss per share			
	<i>11</i>		
From continuing and discontinued operations			
Basic (<i>HK cents</i>)		<u>(1.75)</u>	<u>(24.29)</u>
Diluted (<i>HK cents</i>)		<u>N/A</u>	<u>N/A</u>
From continuing operations			
Basic (<i>HK cents</i>)		<u>(1.75)</u>	<u>(4.26)</u>
Diluted (<i>HK cents</i>)		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		65,459	362
Right-of-use assets		27,874	–
Interests in associates		212,094	224,655
		<u>305,427</u>	<u>225,017</u>
Total non-current assets			
Current assets			
Inventories		2,533	–
Trade and other receivables, deposits and prepayments	12	48,793	5,184
Amounts due from associates		4,485	4,450
Current tax receivable		574	–
Bank balances and cash		31,257	19,956
		<u>87,642</u>	<u>29,590</u>
Total current assets			
LIABILITIES			
Current liabilities			
Trade and other payables	13	706,076	967,990
Amount due to an intermediate holding company		1,439,008	508,564
Financial guarantee contract liabilities		–	496,479
Current tax payable		2,228	–
Lease liabilities		1,497	1,430
		<u>2,148,809</u>	<u>1,974,463</u>
Total current liabilities			

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net current liabilities		<u>(2,061,167)</u>	<u>(1,944,873)</u>
Total assets less current liabilities		<u>(1,755,740)</u>	<u>(1,719,856)</u>
Non-current liabilities			
Lease liabilities		256	1,753
Deferred tax liabilities		<u>7,897</u>	<u>399</u>
Total non-current liabilities		<u>8,153</u>	<u>2,152</u>
NET LIABILITIES		<u>(1,763,893)</u>	<u>(1,722,008)</u>
EQUITY			
Capital and reserves			
Share capital	14	436,900	436,900
Reserves		<u>(2,114,130)</u>	<u>(1,988,212)</u>
Deficiency attributable to owners of the Company		(1,677,230)	(1,551,312)
Non-controlling interests		<u>(86,663)</u>	<u>(170,696)</u>
TOTAL DEFICIENCY		<u>(1,763,893)</u>	<u>(1,722,008)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. BASIS OF PREPARATION

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

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

The Group incurred a net loss from continuing operations of approximately HK\$74,140,000 during the year ended 31 December 2021 and, as of 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK\$2,061,167,000 and approximately HK\$1,763,893,000, respectively. The amount due to an intermediate holding company, China Academy of Launch Vehicle Technology (“**CALT**”), amounted to approximately HK\$1,439,008,000, as at 31 December 2021, which is repayable on demand; while its cash and cash equivalents amounted to approximately HK\$31,257,000 only as at 31 December 2021.

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

- (i) The Group has been actively negotiating with CALT to obtain sufficient financial support from CALT to enable the Group to continue its operations and for not demanding the Company to fulfill its counter guarantee and guarantee obligations in respect of the amount due to CALT by the Company as at 31 December 2021 of approximately HK\$1,439,008,000 arising from certain defaulted counter-guaranteed and guaranteed loans borrowed by a former subsidiary of the Company including interest payable from CALT and Aerospace Science and Technology Finance Co., Ltd., a fellow subsidiary of the Company, which is repayable on demand. On 20 May 2021, CALT issued the Company a letter undertaking not to demand repayment from the Company for the aforesaid guarantee obligations and to provide all necessary financial support to the Company. Such undertakings are effective for 18 months from the issue date of the letter. On 14 March 2022, CALT issued the Company another letter to grant extension of the undertakings for further 24 months ending on 19 November 2024.

- (ii) The Group has been arranging for settlement of part of the balances outstanding to its creditors. The Group has ongoing communication with its creditors, and monitored closely any settlement requests of trade and other payables. In the opinion of the directors of the Company, it is expected that the Group could further negotiate with its creditors and agree on the settlement arrangements where required.

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

Notwithstanding the above, since the execution of the above plans and measures are in progress, significant uncertainties exist as to whether management of the Group 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 and the successful agreement with the Group's creditors of settlement arrangements where required.

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

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform – Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR Reform**”).

The amendments do not have an impact on these consolidated financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR Reform.

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers by major products line for the year from continuing operations is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of electricity from operation of wind power field	–	26,151
Technical service income from new energy development operation	<u>9,100</u>	<u>–</u>
	<u>9,100</u>	<u>26,151</u>

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

All sales contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

During the year ended 31 December 2021, the Group has the following two operating and reporting segments.

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

In prior year, there was only one operating and reportable segment, being Operation of Wind Farm segment. Accordingly, no comparative segment information is presented.

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

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

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

Information about segment revenue and results:

	Operation of Wind Farm <i>HK\$'000</i>	Development of New Energy <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Year ended 31 December 2021			
Continuing operations			
Revenue			
Revenue from external customers	<u>–</u>	<u>9,100</u>	<u>9,100</u>
Results			
Segment results	<u>19,221</u>	<u>8,020</u>	27,241
Unallocated other income			620
Unallocated other gains and losses			311,662
Unallocated administrative expenses			(11,402)
Financial guarantee contract liabilities			(399,032)
Finance costs			<u>(116)</u>
Loss before tax			<u><u>(71,027)</u></u>

Information about segment assets and liabilities:

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

Other segment information:

	Operation of Wind Farm <i>HK\$'000</i>	Development of New Energy <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Year ended 31 December 2021				
Continuing operations				
Amounts included in the measure of segment results:				
Interest income	–	–	14	14
Depreciation of property, plant and equipment	–	–	296	296
At 31 December 2021				
Amounts included in the measure of segment assets:				
Additions to non-current assets	–	–	3	3
Interests in associates	212,094	–	–	212,094

Geographical information:

No geographic information is presented as the operations of Operation of Wind Farm segment and Development of New Energy segment are all located in the People's Republic of China ("PRC").

Revenue from major customers:

	2021 HK\$'000
Operation of Wind Farm segment	Not applicable
Development of New Energy segment Customer A	9,100

4. OTHER GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000
Continuing operations		
Gain on bargain purchase	20,494	–
Gain on deconsolidation of a subsidiary	295,308	–
Gain on deemed disposal of an associate	8,953	–
Net exchange gain recognised	9	1,253
Loss on claim from a former subsidiary	(4,149)	–
Impairment losses recognised in respect of property, plant and equipment	–	(668)
Impairment losses recognised in respect of right-of-use assets	–	(2,844)
	320,615	(2,259)

5. IMPAIRMENT LOSSES, NET OF REVERSAL, ON FINANCIAL ASSETS AND CONTRACT ASSETS

	2021	2020
	HK\$'000	HK\$'000
Continuing operations		
Impairment losses, net of reversal, recognised in respect of trade balances arising from contracts with customers	–	(332,852)
Impairment loss recognised in respect of amount due from an associate which is non-trade nature	–	(170)
	<u>–</u>	<u>(333,022)</u>

6. INCOME TAX EXPENSE

	2021	2020
	HK\$'000	HK\$'000
Continuing operations		
Current tax		
Provision for current year	2,601	1,083
Over-provision in prior years	–	(219)
	<u>2,601</u>	<u>864</u>
Deferred tax	<u>512</u>	<u>752</u>
	<u>3,113</u>	<u>1,616</u>

No provision for Hong Kong Profits Tax was made as the Group had no assessable profits arising in or derived from Hong Kong for the years ended 31 December 2021 and 2020.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2021 and 2020.

7. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration		
Current	1,850	2,580
Under-provision in prior year	<u>520</u>	<u>350</u>
	<u>2,370</u>	<u>2,930</u>
Cost of inventories recognised as an expense	–	21,188
Depreciation of property, plant and equipment	296	12,864
Depreciation of right-of-use assets	–	2,484
Directors' emoluments	1,849	6,246
Employee benefits expense (excluding directors' emoluments)		
Salaries, bonuses and allowances	3,970	8,467
Retirement benefit scheme contributions	181	899
Other benefits	<u>111</u>	<u>1,649</u>
	<u>4,262</u>	<u>11,015</u>

8. DISCONTINUED OPERATIONS

During the year ended 31 December 2020, the Group ceased its Wind Energy Related Products operations (i.e. manufacture and sales of wind energy related products) due to the bankruptcy liquidation of a then subsidiary effective on 29 December 2020.

The loss for the year from the discontinued Wind Energy Related Products operations is set out below.

	2020 <i>HK\$'000</i>
Revenue	1,632
Cost of revenue	<u>(1,370)</u>
Gross profit	262
Other income	17,817
Other gains and losses	(67,565)
Impairment losses, net of reversal, on financial assets and contract assets	(928,937)
Selling and distribution expenses	(23,355)
Administrative expenses	(78,638)
Finance costs	(89,123)
Share of results of associates	(7,010)
Share of results of joint ventures	<u>63,511</u>
Loss before tax	(1,113,038)
Gain on deconsolidation of subsidiaries	237,728
Income tax credit	<u>266</u>
Loss for the year from discontinued operations attributable to the owners of the Company	<u><u>(875,044)</u></u>

Loss for the year from discontinued operations includes the following:

	2020 <i>HK\$'000</i>
Cost of inventories recognised as an expense	2,335
Depreciation of property, plant and equipment	8,805
Depreciation of right-of-use assets	3,665
Impairment losses recognised in respect of property, plant and equipment	11,144
Research and development expenses	6,473
Write-down of purchase deposits	15,463
Write-down of inventories	42,777
Employee benefits expense	
Salaries, bonuses and allowances	36,473
Retirement benefit scheme contributions	593
Other benefits	10,497
Retirement benefits	2,045
Termination benefits	15,830
	<u>65,438</u>
 Cash flows from discontinued operations:	
Net cash outflows from operating activities	(89,891)
Net cash inflows from investing activities	95,107
Net cash inflows from financing activities	24,829
	<u>30,045</u>

9. BUSINESS COMBINATION

In December 2021, the Group entered into an acting in concert agreement with a non-controlling interest of Aerospace Long Yuan (Benxi) Wind Power Co., Ltd. (“**Longyuan Benxi**”) which gives the Group the right to direct the vote of that non-controlling interest at directors’ and equity holders’ meetings of Longyuan Benxi. Therefore, Longyuan Benxi is accounted for as a subsidiary of the Group.

The Group’s interests in Longyuan Benxi accordingly were remeasured based on the fair value of its pre-existing equity interests in Longyuan Benxi as at the date of business combination and a resulting gain on deemed disposal of Longyuan Benxi of approximately HK\$8,953,000 was recognised in the consolidated statement of profit or loss during the year ended 31 December 2021.

Details of the fair value and carrying amount of the Group's pre-existing equity interests in Longyuan Benxi as at the date of business combination are summarised as follows:

	2021
	HK\$'000
Fair value of pre-existing equity interests in Longyuan Benxi	34,424
Carrying amount of pre-existing equity interests in Longyuan Benxi	<u>(25,471)</u>
Gain on deemed disposal of an associate	<u><u>8,953</u></u>

The fair value of the identifiable assets and liabilities of Longyuan Benxi as at the date of business combination was as follows:

	2021
	HK\$'000
Property, plant and equipment	65,388
Right-of-use assets	27,874
Inventories	2,533
Trade and other receivables, deposits and prepayments	39,869
Current tax receivable	574
Bank balances and cash	12,189
Trade and other payables	(4,163)
Deferred tax liabilities	<u>(6,968)</u>
Net assets consolidated	137,296
Non-controlling interests	(82,378)
Gain on bargain purchase	<u>(20,494)</u>
Total consideration, satisfied by fair value of pre-existing equity interests in Longyuan Benxi	<u><u>34,424</u></u>
Net cash inflow arising on business combination:	
Cash and cash equivalents, comprising bank balances and cash, consolidated	<u><u>12,189</u></u>

10. DIVIDEND

No final dividend in respect of years ended 31 December 2021 and 2020 has been proposed by the directors of the Company.

11. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share is based on the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(76,499)</u>	<u>(1,061,359)</u>

	2021	2020
Number of shares		
Number of shares for the purpose of calculating basic loss per share	<u>4,368,995,668</u>	<u>4,368,995,668</u>

From continuing operations

The calculation of the basic loss per share from continuing operations is based on the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the purpose of calculating basic loss per share	(76,499)	(1,061,359)
Loss for the year from discontinued operations	<u>–</u>	<u>875,044</u>
Loss for the purpose of calculating basic loss per share from continuing operations	<u>(76,499)</u>	<u>(186,315)</u>

The denominators used are the same as those detailed above for basic loss per share.

From discontinued operations

Basic loss per share from the discontinued operations is HKNil cents (2020: HK20.03 cents) per share, based on the loss for the year from discontinued operations attributable to the owners of the Company of approximately HK\$Nil (2020: HK\$875,044,000) and the denominators used are the same as those detailed above for basic loss per share.

No diluted loss per share has been presented as there were no potential ordinary shares outstanding for the years ended 31 December 2021 and 2020.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 31 December 2021, total trade receivables amounted to approximately HK\$498,374,000 (2020: HK\$499,708,000), net of allowance for credit losses of approximately HK\$460,115,000 (2020: HK\$498,681,000). The Group allows credit periods for not more than six months to its customers for sales of electricity, sales of goods and provision of technical services. At the discretion of the executive directors, several major customers were allowed to settle their balances beyond the credit terms up to one year. The following is an aging analysis of trade receivables without bills received, net of expected credit losses allowances, presented based on the invoices dates at the end of the reporting period, which approximate the respective revenue recognition dates:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	3,977	–
31 to 90 days	2,036	–
91 to 180 days	1,840	–
181 to 365 days	7,272	–
Over 1 year	<u>23,134</u>	<u>1,027</u>
	<u><u>38,259</u></u>	<u><u>1,027</u></u>

The Group did not have trade receivables with bills received as at 31 December 2021 and 31 December 2020.

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$34,282,000 (2020: HK\$1,027,000) which are past due as at the reporting date. Included in the past due balances of approximately HK\$32,247,000 (2020: HK\$1,027,000) has been past due 90 days or more but is not considered as in default based on repayment records for those customers and continuous business with the Group. Other than those balances with bills received, the Group does not hold any collateral over these balances.

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

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$507,338,000 (2020: HK\$489,905,000). The Group normally receives credit period for 30 to 90 days from its suppliers. The aging analysis of trade payables based on invoice date, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	2,311	–
Over 1 year	505,027	489,905
	<u>507,338</u>	<u>489,905</u>

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	<u>4,368,995,668</u>	<u>436,900</u>

RESULTS SUMMARY

The Group has been operating in an extremely challenging market environment, where the worldwide economy had been fluctuating and full of uncertainties.

The turnover for the year 2021 was approximately HK\$9 million whereas that of 2020 was approximately HK\$26 million. The loss for the year 2021 was approximately HK\$74 million entirely from continuing operations, which would be a net profit of approximately HK\$4 million for the year from continuing operations after excluding the effects of the following non-recurring profit and loss factors: (1) the financial guarantee contract liabilities of approximately HK\$399 million; and (2) other gains and losses of approximately HK\$321 million (mainly consist of the gain on deconsolidation of a subsidiary of approximately HK\$295 million and the gain on bargain purchase of approximately HK\$20 million (please refer to Note 4 in this announcement for details)), while the loss for the year 2020 from continuing operations and discontinued operations was approximately HK\$348 million and HK\$875 million, respectively.

The Group has continued to strive for the commercial opportunity in development and operation of wind power resources and seek to facilitate cooperation in the development of target projects based on the preliminary market work to achieve its financial goals. The Group has entered into several technical services agreements in relation to the development of wind farms with the business partners. Phased works under the agreements are completed by the Group.

Furthermore, the Group has obtained the control over Aerospace Long Yuan (Benxi) Wind Power Co., Ltd. (“**Longyuan Benxi**”) on 28 December 2021. As the result, the financial results and position of Longyuan Benxi are consolidated to those of the Group with effect from 28 December 2021. However, since the results for the current year before 27 December 2021 cannot be consolidated into the Group’s annual results, the operating results of wind farms decreased significantly as compared with the same period in 2020.

BUSINESS REVIEW

The Group implemented development services for several key new energy projects, and has realised revenue and profit. The Group has also signed certain agreements with various local governments for cooperation in the development of new energy projects to actively solidify the foundation of its main new energy business. The Group relied on the resources of CASC to further expand its wind farm operations business and international engineering business.

New Energy Development Business

Leveraging on the market resources accumulated over a long time in the field of new energy, the Group has actively expanded its new energy development business, and has signed several project contracts and generated revenue and profit from the new energy development service business. At the same time, the Group has signed three cooperation framework agreements with the local governments under Inner Mongolia, Sichuan and Guangdong for the development of new energy projects, and will gradually carry out the development, construction and grid-connected operation of the new energy projects, laying a foundation for the sustainable development of new energy development business.

Wind Farm Operations

The wind farms operated by the Group include the Longyuan Benxi wind farm, which provides a capacity of 24,650KW with 29 sets of 850KW wind turbines. In addition to the abovementioned Longyuan Benxi wind farm, the two wind farms invested in and operated by the Group include the Jilin Longyuan Tongyu wind farm providing a capacity of 200,000KW with 236 sets of 850KW wind turbines; the Jiangsu Longyuan Rudong wind farm providing a capacity of 150,000KW with 100 sets of 1.5MW wind turbines.

PROSPECTS

With the introduction of the central government's specific action plan for peak carbon dioxide emissions, the long-term development goals of clean energy have been clarified. By 2025, the proportion of non-fossil energy consumption will reach about 20%; by 2030, the proportion of non-fossil energy consumption will reach about 25%, and the total installed capacity of wind power and solar power will reach more than 1.2 billion kilowatts. The new energy field will complete the transition from the stimulus of central financial subsidies to the long-term market-driven growth.

China will continue to promote industrial and energy structure adjustment, and the nine clean energy bases and five offshore wind power bases planned during the "14th Five-Year Plan" period will become important sources of newly installed wind and solar power. The Group will make full use of CASC's advantages in resources to conduct new energy project development business and actively explore business opportunities along the "Belt and Road".

The National Energy Administration has issued relevant documents to encourage wind farms to carry out capacity expansion or equal-capacity transformation, and clarified that the electricity price of subsidised electricity will remain unchanged. In the context of the remarkable progress in wind power technology and equipment in recent years, coupled with the government's incentive policies, the Group will promote the capacity expansion and upgrading of existing wind farm projects to fully release the economic benefits of wind farm projects.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 10 employees (2020: 13 employees) in the Hong Kong head office and 28 employees (2020: 19 employees) in the offices of the PRC. Remuneration of employee is determined according to individual employee's performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides Mandatory Provident Fund and medical insurance to its employees. In addition, discretionary performance bonus is available at the discretion of the Directors.

FINANCIAL REVIEW

Liquidity and Financial Resources

All the borrowings of the Group are denominated in Renminbi (“RMB”) as at 31 December 2020. As Beijing Energine Industry Co., Ltd. is no longer included in the scope of consolidation, the aggregate principal and interest of the guaranteed debts assumed by the Group as at 31 December 2021 and 31 December 2020 due to its guarantee obligations for its borrowings amounted to HK\$1,439 million and HK\$1,005 million respectively. The abovementioned borrowings were determined at market interest rate. The Group has not issued any financial instrument for hedging or other purpose.

Financial Ratio

As at 31 December 2021, the Group’s debt to asset ratio was 5.49, represented by the ratio of total liabilities to total assets (2020: 7.76).

Financial Position

The Group finances its working capital requirements through a combination of internal resources generated from operations and borrowings. The Group had cash and cash equivalents of HK\$31 million as at 31 December 2021, an increase of HK\$11 million compared to HK\$20 million as at 31 December 2020.

Distribution to Shareholders

There was no distribution to the Company’s shareholders in the year 2021 (2020: nil).

Pledge of Assets

As at 31 December 2021, no material assets have been pledged (2020: nil).

Exchange Exposures

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

Contingent Liabilities

Disclosed in the announcement of the Company dated 9 December 2020, the Company received a letter from a commercial bank that there might be a situation where an associate of the Group may fail to timely repay the aggregated loans of approximately RMB358 million, and two letters dated 22 April 2016 with the chop of the Company (the “**Project Finance Letters**”) were attached, requesting the Company to fulfill its commitment to allocate its capital to ensure the full repayment of the bank loans in the future. On 14 March 2022, the Group received a notice of responding to action from the local court, pursuant to which the commercial bank listed the Group as the third defendant and requested the Group to assume corresponding liability to guarantee for the letters. According to lawyer’s preliminary analysis, the letters had no legal effect, and the Group should not assume the liability to guarantee. Therefore, no provision was required for contingent liabilities.

For the time being, the Group has engaged PRC legal advisor to handle this legal case and has reservation on the legal validity of the Project Finance Letters and the related legal implication, the Group will continue to monitor the subsequent progress, reserve the right to defend, in order to protect the legal rights and interests of the Company and will inform its shareholders and other investors of any material development in relation to the above issues by way of announcements as and when appropriate.

Saved as disclosed above, the Group did not have any significant contingent liabilities as at 31 December 2021 (2020: nil).

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2021. No dividend has been declared by the Company for the year ended 31 December 2021 (2020: nil).

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent events after 31 December 2021 and up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares during the year 2021.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is currently planned to be held on Thursday, 30 June 2022 (the “**2022 AGM**”). A notice convening the 2022 AGM and all other relevant documents will be published and dispatched to the Shareholders in due course.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Company recognises that corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and enhance shareholder value. The Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2021.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, RSM Hong Kong, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

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

The “Disclaimer of Opinion” and “Basis for Disclaimer of Opinion” are extracted from RSM Hong Kong’s independent auditor’s report for the year ended 31 December 2021 as follows:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

As described in note 2 to the consolidated financial statements, the Group incurred a net loss from continuing operations of approximately HK\$74,140,000 during the year ended 31 December 2021 and, as of 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK\$2,061,167,000 and approximately HK\$1,763,893,000, respectively. The Group’s amount due to China Academy of Launch Vehicle Technology (“CALT”) amounted to approximately HK\$1,439,008,000 as at 31 December 2021, which is repayable on demand; while its cash and cash equivalents amounted to approximately HK\$31,257,000 only as at 31 December 2021. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

The directors of the Company have undertaken a number of plans and measures to improve the Group’s liquidity and financial position, as set out in note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (i) successful postponement of repayment of amount due to CALT of approximately HK\$1,439,008,000, which is repayable on demand as at 31 December 2021; (ii) sufficiency of financial support from CALT to enable the Group to continue its operations; and (iii) successful agreement with the Group’s creditors of settlement arrangements where required.

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

Since the execution of the above plans and measures is in progress and in view of the significance of the extent of the uncertainties relating to the ongoing availability of finance to the Group, we disclaim our opinion in respect of the year ended 31 December 2021.

MANAGEMENT VIEW ON GOING CONCERN

The Board, after their assessment of the financial and operational position of the Group, have implemented a series of cost-cutting measures. Furthermore, the Board has been actively striving for the grace period of shareholder loans and liquidity support from the controlling shareholder.

On 20 May 2021, CALT issued the Company a letter undertaking not to demand repayment from the Company for the amount due to CALT and provide the necessary financial support to the Company ("**2021 Undertaking Letter**"). Such undertakings are effective for 18 months from the issue date of the letter. On 14 March 2022, CALT extended the grace period by 24 months from the expiration date of the Undertaking Letter to 20 November 2024.

Also, the Group has ongoing communication with its creditors, and monitored closely any settlement requests of trade payables. In the opinion of the directors of the Company, it is expected that the Group could further negotiate with its creditors and agree on the settlement arrangements where required.

The Group's ability to continue as a going concern will depend upon the Group's ability to generate adequate financial cash flows. Assuming that the Group can successfully implement the aforesaid measures, the Group considers it would address the going concern issues.

For the avoidance of doubt, in accordance with the applicable Hong Kong Standards on Auditing, the auditor needs to obtain sufficient appropriate audit evidence and to consider, based on the audit evidence to be obtained, whether material uncertainty exists regarding the Group's ability to continue as going concern. As such, assuming the successful implementation of the action plan in time with sufficient and appropriate audit evidence can be provided, the Disclaimer of Opinion is expected to be removed in the consolidated financial statements of the Group for the year ending 31 December 2022.

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed with management in conjunction with the Auditors of the Group's consolidated financial statements for the year ended 31 December 2021, the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal controls, and financial reporting matters of the Group for the year ended 31 December 2021.

PUBLICATION OF 2021 FINAL RESULTS AND ANNUAL REPORT

The final results announcement of the Company for the year ended 31 December 2021 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.energinet.hk) respectively. The 2021 annual report of the Company will be dispatched to the shareholders of the Company and made available on the above websites in due course.

By Order of the Board

China Enginert International (Holdings) Limited

Han Qingping

Chairman and Executive Director

Hong Kong, 31 March 2022

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

* *For identification purpose only*