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中國碳中和發展集團有限公司

China Carbon Neutral Development Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1372)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of China Carbon Neutral Development Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 with comparative figures for the corresponding period in the previous year as follows. This condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Company (the “**Audit Committee**”):

FINANCIAL HIGHLIGHTS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue	218,695	215,823
Gross profit	14,973	5,998
Fair value gain on inventories	127,828	–
Profit attributable to owners of the Company	407,964	499,053
Earning per share		
– basic (HK cents)	183.0	249.5
– diluted (HK cents)	104.4	129.9

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

Six months ended 30 June 2021

**Unaudited
Six months ended 30 June**

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	5	218,695	215,823
Cost of sales		<u>(203,722)</u>	<u>(209,825)</u>
Gross profit		14,973	5,998
Other income and gains	5	6,218	6,888
Gain on extinguishment of convertible bonds		–	293,712
Gain on modification of promissory notes		44,354	294,577
Gain on disposal of subsidiaries	7	308,611	–
Fair value gain on inventories	6	127,828	–
Administrative and selling expenses		(45,389)	(24,699)
Finance costs		(48,631)	(32,138)
Impairment of property, plant and equipment		–	(28,904)
Impairment of goodwill		<u>–</u>	<u>(16,338)</u>
Profit before tax	8	407,964	499,096
Income tax expense	9	<u>–</u>	<u>(43)</u>
Profit for the period		<u>407,964</u>	<u>499,053</u>

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

Six months ended 30 June 2021

**Unaudited
Six months ended 30 June**

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>1,115</u>	<u>1,220</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		<u>1,115</u>	<u>1,220</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>409,079</u></u>	<u><u>500,273</u></u>
Earnings per share attributable to owners of the Company			
Basic (HK cents)	<i>11</i>	<u><u>183.0</u></u>	<u><u>249.5</u></u>
Diluted (HK cents)	<i>11</i>	<u><u>104.4</u></u>	<u><u>129.9</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,166	512
Right-of-use assets		665	1,887
Goodwill		2,755	–
		<u>4,586</u>	<u>2,399</u>
Total non-current assets			
CURRENT ASSETS			
Inventories	12	180,960	–
Contract assets	13	66,057	90,721
Accounts receivables	14	38,638	95,024
Prepayments, deposits and other receivables		38,447	17,928
Financial assets at fair value through profit or loss		22,600	–
Cash and cash equivalents		99,188	49,749
		<u>445,890</u>	<u>253,422</u>
Total current assets			
CURRENT LIABILITIES			
Accounts payable	15	39,528	340,438
Tax payable		–	97
Other payables and accruals		98,675	86,843
Interest-bearing other borrowings		38,000	38,000
Lease liabilities		747	2,565
Promissory notes	17	52,896	18,564
		<u>229,846</u>	<u>486,507</u>
Total current liabilities			
NET CURRENT ASSETS/(LIABILITIES)		<u>216,044</u>	<u>(233,085)</u>
TOTAL ASSETS LESS CURRENT ASSETS/ (LIABILITIES)		<u>220,630</u>	<u>(230,686)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 June 2021

		Unaudited	Audited
		30 June	31 December
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		–	43,224
Interest-bearing other borrowing		6,000	6,000
Convertible bonds	<i>16</i>	121,775	114,189
Promissory notes	<i>17</i>	131,843	271,319
Deferred tax liabilities		54	13,403
Lease liabilities		–	108
		<hr/>	<hr/>
Total non-current liabilities		259,672	448,243
		<hr/>	<hr/>
Net liabilities		(39,042)	(678,929)
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,600	2,000
Equity component of convertible bonds	<i>16</i>	353,665	384,037
Reserves		(395,307)	(1,064,966)
		<hr/>	<hr/>
Total deficiency in assets		(39,042)	(678,929)
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 3302, 33/F, Global Trade Square, No. 21 Wong Chuk Hang Road, Hong Kong.

During the six months ended 30 June 2021, the Group was principally engaged in the following principal activities:

- Carbon neutral related business

Development of negative carbon emission business such as Carbon capture, utilization and storage (“CCUS”) and forest carbon off-set; Carbon credit and carbon asset development, management and investment in carbon neutral related fields and carbon consulting and carbon neutral planning (the “**Global Carbon Neutral Business**”)

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

In the opinion of the directors, the immediate holding company and the ultimate holding company is Youth Force Asia Ltd., a company incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Group ceased the old loss-making business during the reporting period, and successfully started new business as well as carried out financing activities. The management believes that taking into account the above factors and based on the existing information available to the Group, the Group will have sufficient working capital to satisfy its present requirements.

The accounting policies and the basis of preparation adopted in the preparation of this condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020, except for the adoption of new and revised standard with effect from 1 January 2021 as detailed below.

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

The adoption of the new and revised standards are not expected to have any significant impact on the Group’s interim condensed consolidated financial information.

3. ESTIMATES

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group as at and for the year ended 31 December 2020.

4. SEGMENT INFORMATION

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

- Carbon neutral related business

Development of negative carbon emission business such as Carbon capture, utilization and storage (“**CCUS**”) and forest carbon off-set; Carbon credit and carbon asset development, management and investment in carbon neutral related fields and carbon consulting and carbon neutral planning

- Civil engineering and construction segment – civil engineering works and building construction and maintenance works

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

Segment revenue and results

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

For the six months ended 30 June (Unaudited)

	Global		Civil engineering and		Automotive engines		Total	
	Carbon Neutral		construction					
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>-</u>	<u>-</u>	<u>218,695</u>	<u>213,397</u>	<u>-</u>	<u>2,426</u>	<u>218,695</u>	<u>215,823</u>
Segment results	<u>104,008*</u>	<u>-</u>	<u>4,403</u>	<u>401</u>	<u>-</u>	<u>(52,955)</u>	<u>108,411</u>	<u>(52,554)</u>
Gain on extinguishment of convertible bonds							-	293,712
Gain on modification of promissory notes							44,354	294,577
Gain on disposal of subsidiaries							308,611	-
Corporate and unallocated income							4,780	54
Corporate and unallocated expenses							(9,569)	(4,555)
Finance costs							(48,623)	(32,138)
Profit before tax							<u>407,964</u>	<u>499,096</u>

* Segment result recorded the fair value gain on inventories HK\$127,828,000

5. REVENUE, OTHER INCOME AND GAINS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue		
Contract revenue	218,695	213,397
Sales of goods	<u>-</u>	<u>2,426</u>
	<u>218,695</u>	<u>215,823</u>
Other income and gains		
Interest income	20	1
Consultancy fee income	240	640
Government subsidies*	343	5,876
Sundry income	3,015	371
Fair value gain on financial assets at fair value through profit or loss	<u>2,600</u>	<u>-</u>
	<u>6,218</u>	<u>6,888</u>

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

6. FAIR VALUE GAIN ON INVENTORIES

As at 30 June 2021, the fair value gain on inventories are made based on the result of increment of the spot carbon credit assets value in amount of HK\$127,828,000 with reference to a valuation performed by Crowe (HK) Global Corporate Advisory Limited (“**Crowe**”), an independent professionally qualified valuer. Inventories include the spot carbon credit assets which are stated at fair value. The Carbon credit assets originated from the Voluntary Emission Reductions generated from various projects such as biomass power generation, solar pv power generation, landfill gas recovery and power generation, and coal mine methane power generation.

With reference to the valuation performed by Crowe, the carbon credit futures have considerable asset value, which have not been accounted for by the management based on the principle of prudence. It is expected that the gradual performance of futures contracts will generate positive financial returns.

The successful development or acquisition of high-quality spot carbon credit assets and carbon credit futures has speed up the progress of the development of Global Carbon Neutral Business of the Group and turn the Group into one of the largest holders of carbon credit assets in the Asia-Pacific region, fully demonstrating the Group’s unique advantages in the exploration, sourcing and management of carbon assets, which lay a solid foundation for the Group to become a major carbon asset dealer and manager in the Asia-Pacific region. The Group plans to continue to actively participate in the trading of major global carbon assets markets and build up proprietary carbon asset portfolio to further develop the Group’s innovative carbon asset development, operation and management strength.

7. GAIN ON DISPOSAL OF SUBSIDIARIES

On 27 January 2021, Future Marvel Limited (a wholly-owned subsidiary of the Company), entered into a sale and purchase agreement with Mr. Liu Chang, for a disposal of the entire issued shares in Well Surplus Enterprises Limited (“**Well Surplus**”) which was an investment holding company and in Automotive Engines Business segment prior to the disposal and the shareholder loans owned by the disposal group, at a consideration of HK\$41,500,000. The consideration was settled by the purchaser in the way of (a) HK\$500,000 by cash; and (b) the balance of HK\$41,000,000 by way of waiver of the interests of the promissory notes held by Power Expert. The Group lost its control over Well Surplus and Well Surplus ceased to be the subsidiaries of the Group after the completion of abovementioned disposal on 29 January 2021. Following the disposal, the Group record a significant gain on disposal of HK\$308,611,000, calculated by taking into account the consideration of the disposal, the relevant expenses in relation to the disposal, the net liabilities of the Automotive Engines Business, and the relevant sale loan. The fair value of the waived promissory notes interest in amount of HK\$39,300,000 on 29 January 2021 with reference to a valuation performed by CH Global Valuation & Advisory Services Limited (“**CH Global**”).

8. PROFIT BEFORE TAX

Unaudited
Six months ended 30 June
2021 **2020**
HK\$'000 **HK\$'000**

The Group's profit before tax is arrived at after charging:

Cost of sales		
Cost of services provided	203,722	207,327
Cost of inventories sold	<u>–</u>	<u>2,498</u>
	203,722	209,825
Impairment of property, plant and equipment	–	28,904
Impairment of goodwill	–	16,338
Impairment of accounts receivables	1,664	3,223
Impairment of contract assets	208	397
Depreciation or property, plant and equipment	132	2,273
Depreciation of right-of-use assets	988	2,039
Directors' remuneration	4,276	2,487
Employee benefits expenses (exclusive of directors' remuneration)	<u>6,682</u>	<u>12,384</u>

9. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI. No provision for Hong Kong profits tax has been made for the six months ended 30 June 2021 as there was no assessable profits generated on the estimated assessable profits arising in Hong Kong for the period. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2020.

Unaudited
Six months ended 30 June
2021 **2020**
HK\$'000 **HK\$'000**

Current charge for the period		
– Hong Kong profit tax	<u>–</u>	<u>43</u>
Total tax charge for the period	<u>–</u>	<u>43</u>

10. DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts for the six months ended 30 June 2021 and 2020 are based on the consolidated profit for the period attributable to owners of the Company of HK\$407,964,000 (2020: HK\$499,053,000) and the weighted average number of 222,891,000 (2020: 200,000,000) ordinary shares in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to the owners of the Company, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. The calculations of basic and diluted earnings per share are based on:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Earnings		
Profit attributable to owners of the Company, used in basic earnings per share calculation	407,964	499,053
Interest on convertible bonds	17,214	13,868
	<u>425,178</u>	<u>512,921</u>
Profit attributable to owners of the Company before interest on convertible bonds	<u>425,178</u>	<u>512,921</u>

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

	Number of shares	
	Six months ended 30 June	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>222,891,050</u>	<u>200,000,000</u>
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	<u>184,281,768</u>	<u>195,000,000</u>
Weighted average number of ordinary shares in issue during the year used in diluted earnings per share calculation	<u>407,172,818</u>	<u>395,000,000</u>

12 INVENTORIES

Inventories include the spot carbon credit assets which are stated at fair value (excluding carbon credit futures). The Carbon credit assets originated from the International Certified Emission Reduction generated from various projects such as biomass power generation, solar pv power generation, landfill gas recovery and power generation, and coal mine methane power generation.

These International Certified Emission Reductions are tradable carbon credit assets that comply with the Gold Standard (The Gold Standard, GS) and the Verified Carbon Standard (VCS).

As at 30 June 2021, a valuation of the carbon credit assets value was performed by Crowe (HK) Global Corporate Advisory Limited, an independent professionally qualified valuer.

13. CONTRACT ASSETS

	Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
Contract assets arising from:		
Construction services	11,021	8,905
Civil engineering services	55,244	81,961
	66,265	90,866
Impairment	(208)	(145)
	66,057	90,721

The excess of cumulative revenue recognised in profit or loss over the cumulative billings for construction or civil engineering services are recognised as contract assets. Included in contract assets for construction or civil engineering services are retention receivables. Upon completion of construction or civil engineering work and acceptance by customer, the amounts recognised as contract assets are reclassified to accounts receivables. The decrease in contract assets in 2021 and 2020 was the result of decrease in ongoing provision for both construction and/or civil engineering services at the end of each of the years. The Group's trading terms and credit policy with customers are disclosed in note 14 to the financial statements.

The expected timing of recovery or settlement for contract assets is as follows:

	Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
Within one year	64,954	74,521
After one year	1,103	16,200
Total contract assets	66,057	90,721

14. ACCOUNTS RECEIVABLES

Accounts receivables represented receivables for contract work (at 31 December 2020: for contract work and sale of automotive engines). The payment terms of contract work receivables are stipulated in the relevant contracts and the credit period is generally one month. The payment terms for receivables arising from sales of automotive engines are mainly on credit and the credit period is generally three months. The carrying amounts of accounts receivables approximate to their fair values.

	Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
Accounts receivable	40,302	777,880
Impairment	(1,664)	(682,856)
	<u>38,638</u>	<u>95,024</u>

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

	Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
1 to 3 months	38,105	51,035
More than 3 months but less than 6 months	474	2,485
Over 6 months	59	41,504
	<u>38,638</u>	<u>95,024</u>

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

	Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
At the beginning of period	682,856	491,100
Disposal	(682,046)	–
Impairment losses, net	854	152,914
Exchange realignment	–	38,842
At the end of period	<u>1,664</u>	<u>682,856</u>

15. ACCOUNTS PAYABLE

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

	Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
Current to three months	32,313	43,205
Four to six months	672	213
Over six months	6,543	297,020
	39,528	340,438

As at 30 June 2021, retentions payable included in accounts payable amounted to HK\$6,028,000 (31 December 2020: HK\$7,617,000), which are normally settled on terms ranging from two to three years. The carrying amounts of accounts payable approximate to their fair values.

Accounts payable are non-interest bearing and are normally settled on terms ranging from 7 to 120 days. The payment terms are stipulated in the relevant contracts.

16. CONVERTIBLE BONDS

The convertible bonds recognised in the consolidated statement of financial position are bifurcated into two components for accounting purpose, namely the liability component and the equity component, and the movements of these components during the reporting period are as follows:

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2019 and 1 January 2020 (Audited)	386,333	375,576	761,909
Interest expense	30,029	–	30,029
(Gain)/loss on extinguishment of convertible bonds, net	(302,173)	8,461	(293,712)
At 31 December 2020 and 1 January 2021 (Audited)	114,189	384,037	498,226
Interest expense	17,214	–	17,214
Conversion during the period	(9,628)	(30,372)	(40,000)
At 30 June 2021 (Unaudited)	121,775	353,665	475,440

On 4 February 2016, the Company issued zero coupon convertible bonds with an aggregate principal amount of HK\$390,000,000 to Power Expert Global Limited (“**Power Expert**”) as part of the consideration for the acquisition of the Automotive Engines Business. The maturity date of the convertible bonds is on the second anniversary of the date of issuance (i.e. 4 February 2018). The convertible bonds bear no interest on the principal amount. No security or guarantee is granted in respect of the convertible bonds. The convertible bonds can be converted into 195,000,000 ordinary shares in the Company at the initial conversion price of HK\$2.00 per conversion share (subject to adjustment pursuant to the terms of the convertible bonds). The Company may at any time before the maturity date by written notice redeem the convertible bonds at 100% of the principal amount. Any amount of the convertible bonds which is redeemed by the Company will forthwith be cancelled.

On 13 March 2018, the Company has executed the extension of the maturity date of the convertible bonds for 2 years from 4 February 2018 to 4 February 2020. On 8 November 2019, the Company and the then holder of the convertible bonds, Power Expert, entered into an amendment agreement, pursuant to which (i) the maturity date of the convertible bonds shall be extended for 5 years to 4 February 2025. This proposed amendment took effect on 14 January 2020 (“**CB Extension**”). As a result of CB Extension, the liability and equity component was extinguished by HK\$302,173,000 and (HK\$8,461,000) respectively based on revaluation upon the date of execution, i.e. 14 January 2020. The revaluation was carried out by Moore Transaction Services Limited. On the other hand, the carrying amount has been charged with imputed interest.

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

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

On 19 March 2021, Power Expert issued a conversion notice to the Company in respect of the exercise of the conversion rights attached to the convertible bonds to the extent of HK\$40,000,000 and accordingly request the Company to issue 20,000,000 conversion shares of the Company. As all conditions for the conversion which were stipulated in the terms of the convertible bonds were fulfilled, the Company has given its consent on the conversion, and issue 20,000,000 conversion shares to Power Expert. On 26 March 2021, the partial conversion of the convertible bonds in the principal amounts of HK\$224,250,000 has completed, and 20,000,000 conversion shares has been issued and allotted to Power Expert.

As at 30 June 2021, the outstanding principal amount of the convertible bonds was HK\$350,000,000 (31 December 2020: HK\$390,000,000).

17. PROMISSORY NOTES

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
First Note	78,450	123,200
Second Note	<u>106,289</u>	<u>166,683</u>
	<u>184,739</u>	<u>289,883</u>
Analysis into:		
Current portion	52,896	18,564
Non-current portion	<u>131,843</u>	<u>271,319</u>
	<u>184,739</u>	<u>289,883</u>

On 4 February 2016, the Company issued two promissory notes (collectively, the “PN”) with face values of HK\$174,250,000 (the “**First Note**”) and HK\$235,750,000 (the “**Second Note**”).

The promissory notes perpetual and the interest rate will be fixed at 5% per annum with effect from 5 February 2020, payable annually and the interest accrued on or before 4 February 2020 shall be payable on 4 February 2025.

The carrying amounts of the First Note and Second Note at the end of reporting period were computed by discounting the face values of the notes by the effective interest rate and the outstanding interest payable.

On 29 January 2021, the Group disposed a wholly-owned subsidiary of the Company at a consideration of HK\$41,500,000, and HK\$41,000,000 was settled by the purchaser by way of waiver of the interests of the PN held by Power Expert. The fair value of the waived promissory notes interest in amount of HK\$39,300,000 based on revaluation carried by CH Global.

During the reporting period, the Company early settled the PN interest with aggregate amount of HK\$50,500,000 representing the interest repayment in aggregate amount of HK\$82,000,000.

As a result of PN Interest waiver and early settlement of PN interest, the gain on modification of promissory notes amounted to HK\$44,354,000 was recognised for the six months ended 30 June 2021, based on revaluation carried out by CH Global.

18. CONTINGENT LIABILITIES

As of 30 June 2021, the Group had the following contingent liabilities:

- (a) The guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK\$30,393,000 (31 December 2020: HK\$18,649,000).
- (b) In the ordinary course of the Group’s construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group’s sub-contractors in accidents arising out of and in the course of their employment. The directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL REVIEW

Following the global trend of achieving carbon neutralization and responding to the climate change and the national strategy of “carbon peak in 2030 and carbon neutral in 2060” initiated by China, and focusing on the field of carbon neutrality, China Carbon Neutral Development Group Limited (“**China Carbon Neutral**”), on the one hand, develops basic industry field of negative carbon emission, and develops negative carbon emissions businesses such as carbon capture, utilization and storage (“CCUS”) and forest carbon sink; on the other hand, develops the carbon credit and asset development, operation management and investment in carbon neutral related fields, as well as carbon consulting and carbon neutral planning. Based on the Group’s current civil engineering works, building construction and maintenance works, the Group strives to become a leading enterprise in the field of “carbon neutrality” in the capital market.

With an aim to reflect the new business plan and future business development direction of the Company and to bring new corporate image for the Company, the Company changed its company name to China Carbon Neutral Development Group Limited 中國碳中和發展集團有限公司 since 8 April 2021.

For the six months ended 30 June 2021, the Group was principally engaged in two business segments, which were (i) Global Carbon Neutral Business, including negative carbon emission business such as carbon capture, utilization and storage (CCUS) and forest carbon sink; the carbon credit and asset development, operation management and investment in carbon neutral related fields, as well as carbon consulting and carbon neutral planning; and (ii) civil engineering works and building construction and maintenance works (the “Civil Engineering and Construction Business”).

In January 2021, the Group proceeded and completed the disposal of the Automotive Engines Business, which had recorded segmental loss since 2018 and had failed to make any progress on its business and financial performance. Following the disposal, the Group has ceased to be engaged in the Automotive Engines Business.

For the six months ended 30 June 2021, the Group recorded a consolidated revenue of approximately HK\$218.7 million (2020: approximately HK\$215.8 million) and achieved a positive financial return from its new carbon neutral business. The Group recorded a profit attributable to owners of the Company of approximately HK\$408.0 million (2020: approximately HK\$499.1 million).

Such results were primarily attributable to:

- (i) a fair value gain on development of and investment in the Carbon Credits Assets of approximately HK\$127.8 million; and
- (ii) a fair value gain of approximately HK\$44.4 million on the promissory notes of the Company;

- (iii) a gain on disposal of a wholly-owned subsidiary of the Company, which represented the whole Automotive Engines Business of the Group, of approximately HK\$308.6 million in the first half of 2021; and
- (iv) the Civil Engineering and Construction Business achieved a stable performance for the six months ended 30 June 2021.

Basic and diluted earnings per share for the six months ended 30 June 2021 were approximately HK\$183.0 cents and HK\$104.4 cents respectively (2020: HK\$249.5 cents and HK\$129.9 cents).

During the reporting period, the capital structure of the Group improved significantly which was attributable to:

- (i) the Group ceased the loss-making business;
- (ii) the Group expand into new business, Global Carbon Neutral Business;
- (iii) the convertible bond holder completed partial conversion of the convertible bonds of the Company of HK\$40.0 million;
- (iv) the Group early settled the interest of promissory notes of the Company; and
- (v) the Company issued and allotted 40,000,000 subscriptions shares and raised approximately HK\$192.0 million.

The capital structure of the Group further improved by the completion of placing of 42,000,000 shares of the Company in August 2021 and the Group will continue to improve its financial position through various means and actively optimize capital structure.

Global Carbon Neutral Business

In March 2021, the Group decided to develop in the negative carbon emission industry, such as carbon capture, utilization and storage (CCUS) and forest carbon off-set; carbon credit and asset development, management and investment in carbon neutral related fields and carbon consulting and carbon neutral planning.

During the period under review, through the establishment of an independent professional work team to carry out the Global Carbon Neutral Business, the business has made substantial and good progress and created a unique market positioning. While expanding the business of new negative carbon emission industry, the Group also vigorously develops the development, operation and management of carbon credit assets. The Group strives to create a sustainable and high-yield business model through the coordinated development of basic industries and new asset development and operation management.

The carbon neutral work team includes:

Negative carbon emission industry division

- New afforestation and carbon sink development
- Development and application of negative carbon technology (including carbon capture, utilization and storage (CCUS) technology)

Carbon asset development and operation management division

- Carbon asset development and management, including asset management in all aspects of custody, investment and trading of carbon assets and carbon credit
- Carbon consulting and carbon neutral planning, including carbon verification, negative carbon and low carbon consulting, development of carbon assets and carbon credits

Carbon neutral investment division

- Investment and product development in carbon neutral related fields

In terms of basic industries, the Group focuses on negative carbon emission industries, including natural and technological aspects: natural negative carbon emissions will redefine forestry and agriculture, and carry out carbon sink consulting and carbon sink transactions to achieve long-term sustainable green investment by the method of investing in afforestation investment and forest carbon sink cooperation development model. Technology negative carbon emissions focus on the development and application of negative carbon technologies, including “carbon capture, utilization and storage” (CCUS) technology.

In terms of carbon assets management, the negative carbon emission business will continuously generate carbon credit assets during operation, which will be transferred to the asset management business of the Group. By centering on the development and operation management of carbon assets, the Group took carbon consulting and carbon neutral plan as the starting point to form a leading integrated business model for carbon asset development and operation management. As the core asset of management, it will eventually extend to various related fields, including but not limited to carbon trading, carbon option futures, carbon index, carbon pledge repurchase, carbon custody, etc. On the basis of constantly creating financial returns, it will form the Company’s long-term core competitiveness and promote the better development of infrastructure industries.

In terms of investment and product development in carbon neutral related fields, the Group will work with Chinese and foreign investment and financial institution partners to deploy related technologies, assets and industrial investments in the carbon neutral field; jointly develop scarce carbon neutral investment products in the market to meet the rapidly growing global demand for ESG investment.

The management was positive on the prospects of the Global Carbon Neutral Business, and was of the view that it can bring in a long-term profitability to the Group. The carbon neutral business is expected to make an improvement on the Group's business and financial performance.

During the reporting period, the Group has entered a number of strategic cooperation agreements for the development of the carbon neutral business with the parties ("Strategic Partners") including but not limited to a Main Board listed company namely Canvest Environmental Protection Group Company Limited and a state-owned enterprise namely China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited and Beijing Jinmao Green Building Technology Co., Ltd.. The Group cooperated with these Strategic Partners to fully exert the advantages of resource, talent team and technical advantages in the field of ecological environment in China and in terms of forestry, grassland and negative carbon industry, and to provide integrated professional solutions and implementation services for the Strategic Partners in carbon consulting and planning, carbon credit asset management and carbon capture, utilization and storage (CCUS), etc., and to cooperate and study carbon asset development and asset management mode which will be recognized in the global carbon market with these Strategic Partners, and to expand the cross-border and cross-market carbon asset trading mechanism.

In April 2021, the Group was successfully approved by Gold Standard ("GS") and VERRA, the current two major international independent carbon credit mechanisms, as well as the world's two largest voluntary carbon emissions reduction trading platforms, and successfully opened its GS and VERRA accounts. This also symbolizes that the Group has become the first listed company in Hong Kong approved by these two platforms to open accounts, which also means, through these two platforms, the Company not only can apply for the development of carbon emissions reduction projects and conduct the trading, conversion or cancellation of carbon credit assets, but also can develop carbon emissions reduction projects and manage carbon credits on behalf of other enterprises and individuals.

During the reporting period, the Group has successfully developed or acquired considerable Certified Emissions Reduction ("CER") of CO₂, which complies with the GS and Verified Carbon Standard ("VCS") and has completed issuance. It is a high-quality carbon credit asset with global liquidity and wide acceptance, and covers the CER generated by different types of projects such as biomass power generation, solar power generation, landfill power generation, coal-bed methane power generation, etc. In addition, the Group has also successfully developed or purchased a CER futures issued this year for 12 years starting from 2021, thus becoming one of the largest carbon credit asset owners in the Asia-Pacific region.

The Group will continue to purchase carbon credits through different channels or develop carbon credit assets in different scenarios, and use ToB and ToC parallel business model to promote the demand for carbon credits, and actively trade and use carbon credit assets. It is expected that the Group will start to realize continuous income in the second half of 2021.

Civil Engineering and Construction Business

For the six months ended 30 June 2021, the Civil Engineering and Construction Business managed to record a stable performance, despite of the grave challenges and threats from the outbreak of COVID-19 and the economic downslope in Hong Kong since earlier 2020.

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

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

For the six months ended 30 June 2021, revenue generated from the Civil Engineering and Construction Business was approximately HK\$218.7 million (2020: approximately HK\$213.4 million). For the period under review, included in the turnover was: (i) revenue from civil engineering works of approximately HK\$139.5 million (2020: approximately HK\$165.0 million); and (ii) revenue from building construction and maintenance works of approximately HK\$79.2 million (2020: approximately HK\$48.4 million). For the six months ended 30 June 2021, the gross profit of the Civil Engineering and Construction Business was approximately HK\$15.0 million (2020: approximately HK\$6.1 million), representing a gross profit margin of approximately 6.8% (2020: approximately 2.8%).

As of 30 June 2021, the Group had 15 significant projects in progress. 4 of them were building construction and maintenance projects while the remaining were civil engineering construction projects.

As of 30 June 2021, the total contract sum and the total outstanding values of the Group's substantial projects in progress were approximately HK\$646.0 million and HK\$410.7 million respectively (31 December 2020: approximately HK\$609.1 million and HK\$283.1 million respectively).

Despite the tough operating environment in Hong Kong, the Civil Engineering and Construction Business maintained its competitive advantages, which are to provide high-quality services of a wide scope and to maintain a cordial client relationship, and the progress in obtaining new contracts managed to record a stable performance for the six months ended 30 June 2021.

The Group has been awarded 6 new contracts for the six months ended 30 June 2021:

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

PROSPECTS

The management of the Group remained cautious and positive on the prospects in the year 2021.

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

On 13 July 2021, a wholly-owned domestic subsidiary of the Company has become a trading member of the China Emissions Exchange and completed the opening of a carbon emission rights trading account, which is an important step for the Group to actively expand its carbon asset trading capabilities and develop carbon asset management business both domestically and internationally. The successful opening of an account on the China Emissions Exchange has further enhanced the Group's competitive position as a carbon asset trader and carbon asset manager in both domestic and international carbon markets. Given that the national unified carbon market has been launched on 16 July 2021, the Group will actively participate in carbon asset trading and carbon asset management in China. The Group is confident that it will implement its international and domestic carbon asset development and carbon asset trading strategies as planned, and continue to strengthen its position in carbon neutral sector.

On 19 August 2021, the Group officially launched the “Climate Store”, a one-stop comprehensive platform for the development, promotion and sales of “climate products” (including the previously launched “Zero Carbon Citizen” service platform). The integrated platform is a comprehensive online and offline platform integrating carbon verification, carbon consulting, carbon credit development and sales, carbon credit purchase and use. It will assist enterprises and individuals to actively participate in voluntary emission reduction and realize carbon neutralization at the enterprise and individual level by developing their own carbon credit or obtaining carbon credit through convenient channels. With the help of the knowledge and resources provided by the platform, enterprises or individuals may formulate their own optimal carbon neutralization plan online or offline, or open their own online stores through the “Climate Store” to sell carbon credits and relevant “climate products” that affect the climate (“Carbon Dioxide Emissions”).

In the face of the market opportunities brought by the green industry investment opportunities of more than RMB100 trillion and the new asset type with carbon assets as the core, the Group will build a new enterprise in the field of carbon neutralization, create a sustainable and high-yield business model through the coordinated development of infrastructure industries and new asset development and management, and create value for shareholders, and contribute to the society responding to climate change.

Meanwhile, the Group shall also look for opportunities which can reinforce the current business segments in the Group or provide sound diversification prospects, with an aim to improve the performance and maximize the interest of the shareholders of the Group. For the six months ended 30 June 2021, the management has conducted a strategic review on the business portfolio of the Group, covering, among other things (i) the Group’s results and future; (ii) the Civil Engineering and Construction Business; (iii) the Global Carbon Neutral Business; and (iv) potential diversification pathways.

CAPITAL STRUCTURE, FINANCIAL RESOURCES, LIQUIDITY AND GEARING

During the period under review, the Group has improved its financial position as well as the current ratio due to the followings:

- (i) on 29 January 2021, the Group completed the disposal of a wholly owned subsidiary of the Company, which represented the whole Automotive Engines Business of the Group. As at 31 December 2020, the Automotive Engines Business reported a net current liabilities and net liabilities. The disposal of which has significantly improve the financial position of the Group;
- (ii) on 26 March 2021, the Company has completed a partial conversion of the convertible bonds to the extent of HK\$40.0 million, and 20,000,000 conversion shares has been issued and allotted;
- (iii) in April 2021, the Group early settled the interest of the promissory notes of the Company with aggregate amount of HK\$50.5 million, representing the interest repayment in aggregate amount of HK\$82.0 million; and
- (iv) On 9 April 2021 and 26 May 2021, the Company has issued an aggregate 40,000,000 Subscription Share (as defined below) and net proceeds from the subscription was approximately HK\$192 million, of which HK\$60 million has been used to repay the debts of the Group.

As at 30 June 2021, the Group had cash and cash equivalents of approximately HK\$99.2 million, representing a increase of approximately 99.4% from approximately HK\$49.7 million as at 31 December 2020. The Group's cash and cash equivalents were denominated in HK\$ and RMB.

As at 30 June 2021, the total assets were approximately HK\$450.5 million, representing a increase of approximately 76.1% from approximately HK\$255.8 million as at 31 December 2020. The increase was mainly due to the development or acquisition of carbon credit assets.

As at 30 June 2021, the total liabilities were approximately HK\$489.5 million, representing decrease of approximately 47.6% from approximately HK\$934.8 million as at 31 December 2020.

As at 30 June 2021, the convertible bonds had a carrying amount of approximately HK\$475.4 million (31 December 2020: approximately HK\$498.2 million), in which approximately HK\$353.7 million (31 December 2020: approximately HK\$384.0 million) was recognized as equity and approximately HK\$121.8 million was recognized as non-current liabilities (31 December 2020: approximately HK\$114.2 million).

As at 30 June 2021, the promissory notes had a carrying amount of approximately HK\$184.7 million (31 December 2020: 289.9 million), in which approximately HK\$52.9 million was recognized as current liabilities and approximately HK\$131.8 million was recognized as non-current liabilities.

Interest-bearing bank and other borrowings of the Group comprised (i) other loans from independent third parties and related party in which controlled by the shareholder of the Company of approximately HK\$12.5 million (31 December 2020: approximately HK\$12.5 million) and approximately HK\$31.5 million (31 December 2020:HK\$31.5 million) with the contractual interest of 5.0% to 12.0% per annum.

As at 30 June 2021, the Group had banking facilities of approximately HK\$45.0 million (31 December 2020: approximately HK\$45.0 million) of which approximately HK\$14.6 million was not utilized and was secured by corporate guarantees.

As at 30 June 2021, the net current assets were approximately HK\$216.0 million, as compared to approximately HK\$233.1 million of net current liabilities as at 31 December 2020.

Current ratio of the Group was approximately 1.9 as at 30 June 2021 (30 December 2020: approximately 0.5), which is calculated by dividing current assets by current liabilities.

Gearing ratio is calculated based on the amount of net cash and bank balances (interest-bearing borrowings, liability component of the convertible bonds and promissory notes less cash and cash equivalent) divided by the total equity. The gearing ratio as at 30 June 2021 and 31 December 2020 are not available because the Group reported a negative equity attributable to owners of the Company as at 30 June 2021 and 31 December 2020.

CONVERTIBLE BONDS AND PROMISSORY NOTES

On 4 February 2016, the Company issued (i) zero coupon convertible bonds with an aggregate principal amount of approximately HK\$390.0 million; and (ii) promissory notes in the aggregate principal amount of approximately HK\$410.0 million to Power Expert as part of the consideration for the acquisition of 100% equity interest in Well Surplus Enterprises Limited and its subsidiaries in October 2015.

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

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

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

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

PARTIAL CONVERSION OF THE CONVERTIBLE BONDS

On 19 March 2021, Power Expert issued a conversion notice to the Company in respect of the exercise of the conversion rights attached to the convertible bonds to the extent of HK\$40.0 million and accordingly requested the Company to issue 20,000,000 new shares. As all conditions for the conversion which were stipulated in the terms of the convertible bonds were fulfilled, the Company gave its consent on the conversion, and agreed to issue 20,000,000 conversion shares to Power Expert.

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

At 30 June 2021, the total outstanding principal amount of the convertible bond was HK\$350.0 million. The maximum number of shares of the Company that will be issued upon conversion of all the outstanding convertible bonds was 175,000,000 shares of the Company.

ISSUANCE OF NEW SHARES

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

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

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

The net proceeds from the subscriptions (after deducting all applicable costs and expenses of the subscriptions) was approximately HK\$192 million, of which HK\$60 million has been used for repayment of the debts of the Group, and the remaining HK\$132 million has been used for developing the Global Carbon Neutral Business.

SHARE CAPITAL

On 26 March 2021, the Company has completed a partial conversion of the convertible bonds to the extent of HK\$40.0 million and at the conversion price of HK\$2.00 per share, and accordingly issued 20,000,000 conversion shares to Power Expert.

On 9 April 2021 and 26 May 2021, the Company has issued an aggregate 40,000,000 new shares.

On 3 August 2021, the Company has issued an aggregate 42,000,000 new shares after completion of the Placing.

Following the abovementioned changes and as at the date of this announcement, the Company has issued a total of 302,000,000 shares in the par value of HK\$0.01 each. All shares are fully paid and rank pari passu with each other in all respects.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 29 January 2021, Future Marvel Limited, a wholly owned subsidiary of the Company, completed a disposal of the entire issued shares in Well Surplus Enterprises Limited and the shareholder loans owned by the disposal group. The disposed interests constitute the Group’s entire investment in the Automotive Engines Business.

On 10 June 2021, the Company completed the subscription of an aggregate of 200,000,000 shares of China Ecotourism Group Limited (“**China Ecotourism Group**”), a company which shares are listed on the main board of the The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), through the placing of the untaken shares under the rights issue of the China Ecotourism Group at an aggregate consideration of approximately HK\$20.0 million (excluding stamp duty and related expenses). The aggregate consideration of the acquisition was fully payable in cash by the Group’s internal financial resources.

Save as disclosed, the Group did not have any material acquisition or disposals of subsidiaries, associates and joint venture for the six months ended 30 June 2021.

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2021, the Group did not have any significant investment or capital assets (31 December 2020: nil).

PLEDGE OF ASSETS

As at 30 June 2021, the Group did not have any pledge of assets (31 December 2020: nil).

CONTINGENT LIABILITIES

Detail of the Group’s contingent liabilities are set out in note 18 to the financial results.

FOREIGN CURRENCY RISK

Most of the Group’s assets and liabilities are denominated in HK\$ and RMB, which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had approximately 342 employees (31 December 2020: 334) in Hong Kong and the PRC. The Group’s remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, mandatory provident fund scheme for Hong Kong employees, state-sponsored retirement plans for the PRC employees.

EVENTS AFTER THE REPORTING PERIOD

On 26 July 2021, the Company entered into the Placing Agreement with the Placing Agent. Pursuant to the Placing Agreement, the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 42,000,000 Placing Shares to not less than six places at the Placing Price of HK\$5.50 per Placing Share.

On 3 August 2021, an aggregate of 42,000,000 Placing Shares, representing approximately 13.91% of the enlarged issued share capital of the Company immediately after completion of the Placing, have been allotted and issued and successfully placed to not less than six placees through the Placing Agent at the Placing Price of HK\$5.50 per Placing Share in accordance with the terms and conditions of the Placing Agreement.

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange since 11 December 2013, the date on which dealings in its shares first commence on the Stock Exchange.

For the six months ended 30 June 2021, the Company has complied with the code provisions set out in the CG Code with the following exception:

Code provision A.2.1 of the CG Code requires that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the period from 1 January to 8 February 2021, the Company has not appointed the chairman, and the roles and functions of the chairman have been performed by all the executive Directors collectively. On 9 February 2021, Mr. Chen Bingyan was appointed as the chairman of the board of Directors. On 17 March 2021, Mr. Chen Bingyan resigned as a non-executive Director and the chairman of the board of Directors. On 18 March 2021, Mr. Gao Gunter was appointed as the chairman of the board of Directors. As at the date of this announcement, the roles of the chairman and the chief executive officer have been properly separate.

Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive Director and independent non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Company’s articles of association.

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

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

CHANGE OF DIRECTORS

From 1 January 2021 to the date of this result:

- (i) Mr. Chen Bingyan was appointed as a non-executive Director with effect from 2 February 2021, and was appointed as the Chairman of the Board with effect from 9 February 2021;
- (ii) Mr. Chen Bingyan was resigned as a non-executive Director and Chairman with effect from 17 March 2021;
- (iii) Mr. Lam Wah was resigned as an executive Director with effect from 2 March 2021;
- (iv) Mr. Xing Bin was resigned as an executive Director with effect from 2 March 2021;
- (v) Dr. Gao Gunter was appointed as an executive Director with effect from 2 March 2021;
- (vi) Mr. Chen Xinwei was appointed as an executive Director with effect from 2 March 2021;
- (vii) Mr. Chin Chun Hin was resigned as an executive Director with effect from 17 March 2021;
- (viii) Mr. Di Ling was appointed as an executive Director with effect from 18 March 2021;
- (ix) Dr. Cui Dingjun was appointed as an executive Director with effect from 18 March 2021;
- (x) Dr. Gao Gunter was appointed as the Chairman of the Board with effect from 18 March 2021;
- (xi) Mr. Brett Ashley Wight resigned as an executive Director with effect from 5 April 2021;

- (xii) Mr. Chen Lei was appointed as an executive Director with effect from 13 May 2021;
- (xiii) Dr. Guo Yike was appointed as a independent non-executive Director, a member of the remuneration committee, the audit committee and the nomination committee respectively, with effect from 4 August 2021; and
- (xiv) Mr. Lam Po Foon was appointed as a non-executive Director with effect from 10 August 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2021.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, Mr. Di Ling, the executive Director, was interested in 1,500,000 underlying shares of the Company granted under the Share Option Scheme, representing 0.58% of the issued share capital of the Company. Save as disclosed above, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (the “**SFO**”) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code.

SHARE OPTION SCHEME

The Company adopted a share option scheme (“**Share Option Scheme**”) on 24 March 2016. The Share Option Scheme became effective for 10 years commencing from 29 March 2016. The Company has granted share options (“**Options**”) pursuant to the Share Option Scheme on 13 April 2021 to eligible participants to subscribe up to 7.9 million ordinary shares of the Company. Among the Options granted above, 1.5 million Options were granted to Mr. Di Ling, the executive Director. The Options granted will vest on 12 April 2022 and are then exercisable on or before 11 April 2025. The exercise price per share is HK\$7.268.

Other than the Options granted above, no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme during the reporting period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the following persons, other than a Director or the chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in the issued shares/underlying shares of the Company

Name of shareholders	<i>Notes</i>	Nature of interest	Number of ordinary shares/underlying shares held	Approximate percentage of issued share capital of the Company <i>(Note c)</i>
Mr. Jiang Jianhui	(a)	Interest in a controlled corporation	147,000,000	56.81%
Youth Force Asia Ltd.	(a)	Beneficial owner	147,000,000	56.81%
Mr. Liu Chang	(b)	Interest in a controlled corporation	175,000,000	67.31%
Power Expert Global Limited	(b)	Beneficial owner	175,000,000	67.31%

Notes:

- (a) Mr. Jiang Jianhui controls more than one-third of the voting power of Youth Force Asia Ltd.. As such, Mr. Jiang Jianhui is deemed to be interested in the 147,700,000 shares owned by Youth Force Asia Ltd. by virtue of the SFO.
- (b) Mr. Liu Chang controls more than one-third of the voting power of Power Expert Global Limited. As such, Mr. Liu Chang is deemed to be interested in the 175,000,000 underlying shares through its interests in the convertible bonds of the Group by virtue of the SFO.
- (c) Calculation of percentage of interest in the Company is based on the issued share capital of 260,000,000 shares of the Company as at 30 June 2021.

Save as disclosed above and in the paragraph headed "Directors' and Chief Executive's Interests and Positions in Shares, Underlying Shares and Debentures", as at 30 June 2021, no other person had interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

CHANGE OF COMPANY NAME, COMPANY LOGO AND STOCK SHORT NAME

Subsequent to the passing of the special resolution regarding the proposed change of company name at the extraordinary general meeting of the Company held on 8 April 2021, the English name of the Company changed to “China Carbon Neutral Development Group Limited” and the Chinese name of the Company changed to “中國碳中和發展集團有限公司”. The Company has adopted a new company logo with effect from 14 April 2021.

The stock short name of the Company for trading in the Shares on the Stock Exchange has been changed from ““BISU TECH” to “C CARBONNEUTRAL” in English and from “比速科技” to “中國碳中和” in Chinese with effect from 9:00 a.m. on 3 May 2021. The stock code of the Company will remain unchanged as “1372”.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2021.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this result, based on the information that is publicly available to the Group and to the knowledge of the Directors, the Group has maintained sufficient public float as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive Directors, Mr. Leung Tsz Wing (Chairman), Dr. Guo Yike, Mr. Yu Wai Chun and Mr. Ip Mei Shun, with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed with management the principal accounting policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the Group’s unaudited condensed consolidated interim financial information for the six months ended 30 June 2021.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to our management team and staff for their hard work and dedication, as well as our shareholders, business partners and associates, bankers and auditors for their continuous support to the Group.

By order of the Board
China Carbon Neutral Development Group Limited
Gao Gunter
Chairman

Hong Kong, 30 August 2021

As at the date of this announcement, the executive Directors are Dr. Gao Gunter, Mr. Chen Xinwei, Dr. Cui Dingjun, Mr. Di Ling, Mr. Chen Lei and Mr. Artem Matyushok; the non-executive Director is Mr. Lam Po Foon; and the independent non-executive Directors are Dr. Guo Yike, Mr. Ip Mei Shun, Mr. Leung Tsz Wing and Mr. Yu Wai Chun.