

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022

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 2022 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	
	For the six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue	231,099	218,695
Gross profit	12,351	14,973
Fair value gain on carbon-credit assets	51,625	127,828
Profit attributable to owners of the Company	3,916	407,964
Profit for the period, excluding one-off non-operating gains*	3,438	54,999

* In order to facilitate the investors’ and management’s understanding of the financial information of the Company, an adjusted net profit is presented in this result announcement. The profit for the period, excluding one-off non-operating gains, is derived from extracting the change in valuation of promissory notes, net, and gain on disposal of subsidiaries from profit for the period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	5	231,099	218,695
Cost of sales		<u>(218,748)</u>	<u>(203,722)</u>
Gross profit		12,351	14,973
Other income and gains	6	2,168	6,218
Fair value gain on carbon-credit assets	7	51,625	127,828
Administrative and selling expenses		(31,247)	(45,389)
Research and development costs		(3,140)	–
Finance costs		<u>(28,234)</u>	<u>(48,631)</u>
Operating profit		3,523	54,999
Change in valuation of promissory notes, net		–	44,354
Gain on disposal of subsidiaries	8	–	308,611
Share of loss of a joint controlled entity		<u>(85)</u>	<u>–</u>
Profit before tax	9	3,438	407,964
Income tax expense	10	<u>–</u>	<u>–</u>
Profit for the period		<u>3,438</u>	<u>407,964</u>
Profit for the period, excluding change in valuation of promissory notes, net, and gain on disposal of subsidiaries (“one-off non-operating gains”)		<u>3,438</u>	<u>54,999</u>
Profit for the period attributable to:			
Owners of the Company		3,916	407,964
Non-controlling interests		<u>(478)</u>	<u>–</u>
		<u>3,438</u>	<u>407,964</u>
Profit for the period, excluding one-off non-operating gain, attributable to:			
Owners of the Company		3,916	54,999
Non-controlling interests		<u>(478)</u>	<u>–</u>
		<u>3,438</u>	<u>54,999</u>

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

For the six months ended 30 June 2022

	Unaudited	
	For the six months	
	ended 30 June	
	2022	2021
<i>Notes</i>	HK\$'000	HK\$'000
Profit for the period	3,438	407,964
Other comprehensive (expense)/income		
Items that may be reclassified to profit or loss in subsequent periods:		
Change on fair value of financial assets	(5,600)	–
Exchange differences arising on translation of financial statements of foreign operations	<u>(41)</u>	<u>1,115</u>
Other comprehensive (expense)/income	<u>(5,641)</u>	<u>1,115</u>
Total comprehensive (expense)/income for the period	<u>(2,203)</u>	<u>409,079</u>
Total comprehensive (expense)/income for the period attributable to:		
Owners of the Company	(1,725)	409,079
Non-controlling interests	<u>(478)</u>	<u>–</u>
	<u>(2,203)</u>	<u>409,079</u>
Total comprehensive (expense)/income for the period, excluding one-off non-operating gains, attributable to:		
Owners of the Company	(1,725)	56,114
Non-controlling interests	<u>(478)</u>	<u>–</u>
	<u>(2,203)</u>	<u>56,114</u>

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

For the six months ended 30 June 2022

		Unaudited	
		For the six months	
		ended 30 June	
		2022	2021
	<i>Notes</i>		
EARNINGS PER SHARE	<i>12</i>		
Basic (HK cents)		<u>1.3</u>	<u>183.0</u>
Diluted (HK cents)		<u>5.4</u>	<u>104.4</u>
EARNINGS PER SHARE, EXCLUDING ONE-OFF NON-OPERATING GAINS	<i>12</i>		
Basic (HK cents)		<u>1.3</u>	<u>24.7</u>
Diluted (HK cents)		<u>5.4</u>	<u>17.7</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Plant and equipment		1,574	889
Right-of-use assets		7,363	11,775
Intangible assets		2,378	2,378
Other receivables		–	2,109
Financial assets at fair value through other comprehensive income		14,400	20,000
Investment in a joint venture		151	–
		<u>25,866</u>	<u>37,151</u>
Total non-current assets			
CURRENT ASSETS			
Carbon-credit assets	7	244,768	193,188
Contract assets	13	107,412	98,256
Accounts receivable	14	31,410	32,056
Prepayments, deposits and other receivables		35,819	35,205
Restricted bank deposits		12,531	695
Cash and cash equivalents		84,941	88,266
		<u>516,881</u>	<u>447,666</u>
Total current assets			
CURRENT LIABILITIES			
Accounts payable	15	60,031	68,553
Other payables and accruals		67,613	66,769
Interest-bearing other borrowings		49,500	33,000
Lease liabilities		3,384	7,278
		<u>180,528</u>	<u>175,600</u>
Total current liabilities			
NET CURRENT ASSETS		<u>336,353</u>	<u>272,066</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>362,219</u>	<u>309,217</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 30 June 2022*

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		1,747	841
Interest-bearing other borrowings		7,500	6,000
Lease liabilities		4,323	9,295
Convertible bonds	16	152,649	138,286
Promissory notes	17	62,695	61,605
Deferred tax liabilities		<u>6,129</u>	<u>6,129</u>
Total non-current liabilities		<u>235,043</u>	<u>222,156</u>
NET ASSETS		<u><u>127,176</u></u>	<u><u>87,061</u></u>
EQUITY			
Share capital		3,205	3,020
Reserves		<u>123,992</u>	<u>83,854</u>
Equity attributable to owners of the Company		127,197	86,874
Non-controlling interests		<u>(21)</u>	<u>187</u>
TOTAL EQUITY		<u><u>127,176</u></u>	<u><u>87,061</u></u>

NOTES

1. CORPORATE INFORMATION

China Carbon Neutral Development Group Limited (the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office address of the Company is located at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, 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 2022, the Group was principally engaged in the following principal activities:

- Trading of carbon-credit assets, carbon credit and carbon asset development, management and investment in carbon neutral related fields and carbon consulting and carbon planning; and the carbon negative business including industrial carbon negative with a core of development of carbon capture, utilisation and storage (“**CCUS**”) and natural carbon negative focusing on forest and crop optimisation (the “**Global Carbon Neutral Business**”); and
- Civil engineering works and building construction and maintenance works (the “**Civil Engineering and Construction Business**”).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 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 on the Stock Exchange.

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 2021, except for the adoption of new and revised standard with effect from 1 January 2022 as detailed below.

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds Before Intended Use
Amendments to HKFRS 3	References to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 10 and HKAS 28	Annual Improvements to HKFRS Standards 2018 – 2020

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 2021.

4. SEGMENT INFORMATION

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

- Global carbon neutral segment – (i) trading of carbon-credit assets, carbon credit and carbon asset development, management and investment in carbon neutral related fields and carbon consulting and carbon planning; and (ii) carbon negative business including industrial carbon negative with a core of development of CCUS and natural carbon negative focusing on forest and crop optimisation; and
- Civil engineering and construction segment – civil engineering works and building construction and maintenance works.

Management monitors the results of the Group's operating segments separately for the purpose of making decision about resources allocations and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs (other than interest on lease liabilities), gain on disposal of subsidiaries, change in valuation of promissory notes, net, as well as head office and corporate income and expenses are excluded from such measurement.

Segment revenue and results

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

For the six months ended 30 June (Unaudited)

	Global Carbon Neutral		Civil Engineering and Construction		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue	<u>420</u>	<u>–</u>	<u>230,679</u>	<u>218,695</u>	<u>231,099</u>	<u>218,695</u>
Segment results	<u>41,409</u>	<u>104,008</u>	<u>3,782</u>	<u>4,403</u>	<u>45,191</u>	108,411
Change in valuation of promissory notes, net					–	44,354
Gain on disposal of subsidiaries					–	308,611
Corporate and unallocated income					214	4,780
Corporate and unallocated expenses					(13,866)	(9,569)
Finance costs					<u>(28,101)</u>	<u>(48,623)</u>
Profit before tax					<u>3,438</u>	<u>407,964</u>

5. REVENUE

	Unaudited For the six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Sale of carbon-credit assets	271	–
Provision of carbon neutral advisory and carbon planning services	149	–
Construction and civil engineering services	<u>230,679</u>	<u>218,695</u>
	<u>231,099</u>	<u>218,695</u>

6. OTHER INCOME AND GAINS

	Unaudited	
	For the six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest income	291	20
Consultancy income	180	240
Government subsidies*	944	343
Sundry income	753	5,615
	<u>2,168</u>	<u>6,218</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.

7. CARBON-CREDIT ASSETS

Carbon-credit assets were formed through the exploration and development of relevant business units of the Group and originated from the verified and issued International Certified Emission Reductions which is generated from various emissions reductions projects such as biomass power generation, solar photovoltaic power generation, landfill gas recovery and power generation, and coal mine methane power generation. These International Certified Emission Reductions are tradable carbon-credit assets that comply with the Gold Standard (GS) and the Verified Carbon Standard (VCS).

Carbon-credit assets are measured at fair value and the changes in fair value are recognised as fair value gain or loss on carbon-credit assets in the condensed consolidated statement of profit or loss.

8. GAIN ON DISPOSAL OF SUBSIDIARIES

On 27 January 2021, Future Marvel Limited (a wholly-owned subsidiary of the Company), entered into a sale and purchase agreement with Mr. Liu Chang, for a disposal of the entire issued shares in Well Surplus Enterprises Limited (“**Well Surplus**”) which was an investment holding company and in automotive engines business (“**Automotive Engines Business**”) segment prior to the disposal and the shareholder loans owned by the disposal group, at a consideration of HK\$41,500,000. The consideration was settled by the purchaser in the way of (a) HK\$500,000 by cash; and (b) the balance of HK\$41,000,000 by way of waiver of the interests of the promissory notes held by Power Expert Global Limited. The Group lost its control over Well Surplus and Well Surplus ceased to be the subsidiaries of the Group after the completion of abovementioned disposal on 29 January 2021. Following the disposal, the Group recorded a significant gain on disposal of HK\$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.

9. PROFIT BEFORE TAX

Unaudited
For the six months ended
30 June
2022 **2021**
HK\$'000 **HK\$'000**

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

Cost of sales		
Cost of services provided	218,680	203,722
Cost of inventories sold	68	–
	<hr/> 218,748	<hr/> 203,722
Impairment loss of accounts receivables, net	9	1,664
Impairment loss of contract assets, net	1	208
Depreciation of plant and equipment	230	132
Depreciation of right-of-use assets	2,337	988
Directors' remuneration	2,532	4,276
Employee benefits expenses (exclusive of directors' remuneration)	12,731	6,682
Equity-settled share option expenses	3,754	30,265
	<hr/> 3,754 <hr/>	<hr/> 30,265 <hr/>

10. 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 2022 as there was no assessable profits generated on the estimated assessable profits arising in Hong Kong for the period (six months ended 30 June 2021: Nil).

11. DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

12. EARNINGS PER SHARE

The calculations of the basic earnings per share and basic earnings per share, excluding one-off non-operating gains, for the six months ended 30 June 2022 are based on the condensed consolidated profit for the period attributable to owners of the Company of HK\$3,916,000 and profit for the period, excluding one-off non-operating gains, attributable to owners of the Company of HK\$3,916,000 respectively (2021: HK\$407,964,000 and HK\$54,999,000 respectively) and the weighted average number of 305,986,000 (2021: 222,891,000) ordinary shares in issue during the period.

The calculations of the diluted earnings per share and diluted earnings per share, excluding one-off non-operating gains, for the six months ended 30 June 2022 and 30 June 2021 are based on the profit for the period attributable to the owners of the Company and profit for the period, excluding one-off non-operating gains, attributable to owners of the Company, respectively, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation are the number of ordinary shares in issue during the period, 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	
	For the six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Earnings		
Profit attributable to owners of the Company, used in basic earnings per share calculation	3,916	407,964
Interest on convertible bonds	<u>21,660</u>	<u>17,214</u>
Profit attributable to owners of the Company before interest on convertible bonds	<u>25,576</u>	<u>425,178</u>
Earnings, excluding one-off non-operating gains		
Profit attributable to owners of the Company, used in basic earnings per share calculation, excluding one-off non-operating gains	3,916	54,999
Interest on convertible bonds	<u>21,660</u>	<u>17,214</u>
Profit attributable to owners of the Company before interest on convertible bonds and one-off non-operating gains	<u>25,576</u>	<u>72,213</u>
Number of shares		
Six months ended 30 June		
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>305,986,000</u>	<u>222,891,050</u>
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	<u>171,069,000</u>	<u>184,281,768</u>
Weighted average number of ordinary shares in issue during the period used in diluted earnings per share calculation	<u>477,055,000</u>	<u>407,172,818</u>

13. CONTRACT ASSETS

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Contract assets arising from:		
– Construction services	23,993	14,693
– Civil engineering services	<u>65,237</u>	<u>64,447</u>
	89,230	79,140
Less: allowance for impairment loss	<u>(182)</u>	<u>(180)</u>
	<u>89,048</u>	<u>78,960</u>
Retention receivables of:		
– Construction services	11,022	10,099
– Civil engineering services	<u>7,360</u>	<u>9,216</u>
	18,382	19,315
Less: allowance for impairment loss	<u>(18)</u>	<u>(19)</u>
	<u>18,364</u>	<u>19,296</u>
Total contract assets	<u><u>107,412</u></u>	<u><u>98,256</u></u>

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Within one year	107,412	89,289
After one year	<u>–</u>	<u>8,967</u>
Total contract assets	<u><u>107,412</u></u>	<u><u>98,256</u></u>

14. ACCOUNTS RECEIVABLE

Accounts receivables represented receivables for contract work (at 31 December 2021: 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 30 days. The payment terms for receivables arising from sales of automotive engines are mainly on credit and the credit period is generally 90 days. The carrying amounts of accounts receivables approximate to their fair values. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances which are non-interest bearing.

	Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
Accounts receivable	34,042	34,679
Less: allowance for impairment loss	<u>(2,632)</u>	<u>(2,623)</u>
	<u>31,410</u>	<u>32,056</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 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
Within 3 months	31,144	28,344
4 to 6 months	2	3,501
Over 6 months	<u>264</u>	<u>211</u>
	<u>31,410</u>	<u>32,056</u>

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

	Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
At the beginning of period	2,623	682,856
Disposal of subsidiaries	–	(682,047)
Impairment losses, net	<u>9</u>	<u>1,814</u>
At the end of period	<u>2,632</u>	<u>2,623</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 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
Within 3 months	56,161	62,284
4 to 6 months	88	488
Over 6 months	3,782	5,781
	60,031	68,553

As at 30 June 2022, retentions payable included in accounts payable amounted to HK\$11,346,000 (31 December 2021: HK\$8,407,000), which are normally settled on terms ranging from two to three years. The carrying amounts of accounts payable approximate to their fair values.

The remaining 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 condensed 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 2020 and 1 January 2021 (Audited)	114,189	384,037	498,226
Interest expense	36,583	–	36,583
Conversion of convertible bonds	<u>(12,486)</u>	<u>(39,388)</u>	<u>(51,874)</u>
At 31 December 2021 and 1 January 2022 (Audited)	138,286	344,649	482,935
Interest expense	21,660	–	21,660
Conversion of convertible bonds	<u>(7,297)</u>	<u>(16,741)</u>	<u>(24,038)</u>
At 30 June 2022 (Unaudited)	<u>152,649</u>	<u>327,908</u>	<u>480,557</u>

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 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 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 23 September 2021, the Company received a transfer notice from Power Expert notifying the Company that Power Expert has agreed to transfer the entire convertible bonds to Quick Tycoon Limited (“**Quick Tycoon**”). The Company has given its consent on the transfer and issued new certificates of the convertible bonds to Quick Tycoon Limited.

On 18 October 2021, the Company received an assignment notice from Quick Tycoon notifying the Company that Quick Tycoon has agreed to transfer the convertible bonds in the principal amount of HK\$2 million and HK\$3 million to two different independent party respectively. The Company has given its consent on the transfer and issued new certificates of the convertible bonds accordingly.

On 31 December 2021, 24 May 2022 and 13 June 2022, the Company received an assignment notice from Quick Tycoon notifying the company that Quick Tycoon has agreed to transfer the convertible bonds in the principal amount of HK\$2 million, HK\$4 million and HK\$10 million to three different independent parties respectively. The Company has given its consent on the transfer and issued new certificates of the convertible bonds accordingly.

As at 30 June 2022, the convertible bonds had a carrying amount of HK\$480,557,000 (31 December 2021: HK\$482,935,000), in which HK\$327,908,000 (31 December 2021: HK\$344,649,000) was recognised as equity and HK\$152,649,000 (31 December 2021: HK\$138,286,000), was recognised as non-current liabilities.

During the period ended 30 June 2022, convertible bonds with principal amount of HK\$17,000,000 (during the year ended 31 December 2021: HK\$40,000,000) were converted and the outstanding principal amount of the convertible bonds was HK\$333,000,000(31 December 2021: HK\$350,000,000).

17. PROMISSORY NOTES

	Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
First Note	<u>62,695</u>	<u>61,605</u>
	<u>62,695</u>	<u>61,605</u>
Analysis into:		
Current portion	–	–
Non-current portion	<u>62,695</u>	<u>61,605</u>
	<u>62,695</u>	<u>61,605</u>

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

On 31 December 2017, the Company has extended the maturity date of the First Note and Second Note for 2 years from 4 February 2018 to 4 February 2020 and the interest rate was adjusted downwards from 10% to 8% per annum, all accrued and outstanding interest shall be repaid on the extended maturity date of 4 February 2020.

On 8 November 2019, the Company and Power Expert entered into an amendment agreement, pursuant to which 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 (“**PN Extension**”). Further details 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. As a result of PN Extension, the gain on modification of promissory notes amounted to HK\$294,577,000 was recognised based on revaluation upon the date of execution, i.e. 14 January 2020. The revaluation was carried out by Moore.

On 3 February 2020, the Company received an assignment notice from Power Expert notifying the Company that Power Expert has agreed to assign the promissory notes to LEGH. The Company has given its consent on the transfer and issued new certificates of the promissory notes to LEGH.

On 12 October 2020, the Company received an assignment notice from LEGH notifying the Company that LEGH has agreed to assign the 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.

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

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

As at 30 June 2022, the promissory notes had a carrying amount of HK\$62,695,000 (31 December 2021: HK\$61,605,000) which was recognised as non-current liabilities.

18. CONTINGENT LIABILITIES

As of 30 June 2022, the Group had the following contingent liabilities:

- (a) The guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK\$20,851,660 (31 December 2021: HK\$20,694,660).
- (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

The Group is principally engaged in (i) global carbon neutral business with a focus on trading of carbon-credit assets, carbon credit and carbon asset development, management and investment in carbon neutral related fields and carbon verification as well as with a core of industrial carbon negative and natural carbon negative (“**Global Carbon Neutral Business**”); and (ii) civil engineering works, building construction and maintenance works (the “**Civil Engineering and Construction Business**”).

For the six months ended 30 June 2022 (the “**Reporting Period**”), the Group recorded a consolidated revenue of approximately HK\$231.1 million (2021: approximately HK\$218.7 million). The gross profit of the Group for the Reporting Period was approximately HK\$12.4 million (2021: approximately HK\$15.0 million). The Group recorded a profit attributable to owners of the Company of approximately HK\$3.9 million (2021: approximately HK\$408.0 million).

During the six months ended 30 June 2022, the condensed consolidated profit attributable to owners of the Company decreased by approximately HK\$404.1 million, which was mainly attributable to the following reasons:

- (i) an one-off net gain from the disposal of the entire interest of a then wholly-owned subsidiary of Group of approximately HK\$308.6 million was recognised for the six months ended 30 June 2021 (2022: HK\$ nil); and
- (ii) a net gain on modification of promissory notes of approximately HK\$44.4 million was recognised for the six months ended 30 June 2021 (2022: HK\$ nil).

In order to facilitate the investors’ and management’s understanding of the financial information of the Company, an adjusted net profit is presented in this result announcement. The profit for the period, excluding one-off non-operating gain, is derived from extracting the change in valuation of promissory notes, net, and gain on disposal of subsidiaries from the profit for the period. The profit for the period, excluding one-off non-operating gains was amounted to HK\$3.4 million (2021: HK\$55.0 million).

Basic and diluted earnings per share for the Reporting Period were HK\$1.3 cents and HK\$5.4 cents respectively (2021: HK\$183.0 cents and HK\$104.4 cents). Basic and diluted earnings per share, excluding one-off non-operating gains for the Reporting Period were HK\$1.3 cents and HK\$5.4 cents respectively (2021: HK\$24.7 cents and HK\$17.7 cents).

As at 30 June 2022, the Group recorded HK\$244.8 million (31 December 2021: HK\$193.2 million) of carbon-credit assets on the condensed consolidated statement of financial position. During the Reporting Period, the Group recorded a fair value gain on carbon-credit assets of HK\$51.6 million (30 June 2021: HK\$127.8 million).

During the Reporting Period, the capital structure of the Group continued to improve as follows:

- (i) the Group commenced Global Carbon Neutral Business in early 2021 and maintained a sustainable development. This business continued to record positive financial returns in the first half of 2022;
- (ii) based on the market recognition of carbon neutral business transformation, the Group seized the business opportunities and completed a fund-raising activity in the capital market during the first half of 2022. The Company issued and allotted a total of 10,000,000 shares of the Company and raised approximately HK\$31.0 million. The Group's capital and equity thus increased;
- (iii) during the six months ended 30 June 2022, the Company completed a partial conversion of the convertible bonds to the extent of HK\$17,000,000, and 8,500,000 conversion shares has been issued and allotted.

Global Carbon Neutral Business

The Group commenced Global Carbon Neutral Business in early 2021. It established a unique market position for the carbon neutral related operations with a primary focus on carbon credit asset development, operation and management, investment, carbon consulting and carbon neutral planning. Through actively deploying negative carbon emissions as basic industry, the Group achieved a unique carbon-neutral collaborative development approach that combines new asset development and management with industry and created a sustainable and high-return business model.

For the six months ended 30 June 2022, the revenue of the Global Carbon Neutral Business was approximately HK\$0.42 million (2021: Nil) and the segment profit was approximately HK\$41.4 million (2021: approximately HK\$104.0 million).

In alignment with the development of carbon neutral business, the Group formed a professional team with expertise in 2021 and its business organizational structure is as follows:

Carbon Asset Development, Operation and Management Segment

- Carbon Asset Management Division
- Carbon Information Technology Division

Carbon Negative Business Segment

- Industry Carbon Negative Division
- Nature Carbon Negative Division

The Group's carbon neutral business management team possesses extensive management experiences and a wealth of professional knowledge and practical knowhow in financial, asset management, corporate management and investment fields. All of the carbon neutral business practitioners are experts with extensive hands-on experiences in carbon neutral sector. They include world-renowned experts on climate change, inspectors for national environmental protection and national authority on environmental planning. This professional team helps the Company to master the accurate information on carbon market and grasp the development trend in the field of carbon neutrality. It provides comprehensive support to the Company for its expansion of carbon neutral business and can thus effectively deploy and expand carbon neutral related business and create long-term values to shareholders of the Company.

Global Carbon Neutral Business – Carbon Asset Development, Operation and Management

As for carbon asset operation and management business, this segment focuses on carbon asset development, operation and management originated from the provision of carbon consulting, auditing and development services. A leading business model which integrates carbon asset development, operation and management is thus created. As the core asset under management, the carbon asset operation and management business will be extended to other areas, including but not limited to carbon trading, carbon options and futures, carbon index, repurchase of carbon mortgage and carbon custody. During the Reporting Period, the Group made relentless efforts to expand carbon asset development, operation and management business, including:

Expansion of carbon neutral business in global market

- the Group's majority holding subsidiary Singapore Carbon Neutral Development (Group) Pte. Ltd. ("SCNG"), was officially incorporated in Singapore. SCNG, being the business platform of the Group to comprehensively expand its carbon neutrality related business in the ASEAN region, will vigorously promote the Group's entry into the international market. SCNG mainly focuses on the fields of carbon asset development and management and carbon negative emission industries in the ASEAN region and carbon neutral core businesses including carbon consultancy and carbon verification, carbon asset development and carbon trading, and carbon capture, utilization and storage ("CCUS").

Participation in zero carbon campaigns

- the Group joined China Eco Development Association and Hong Kong China Eco Development Association to organize a series of activities under the "Support China to Achieve Zero Carbon Campaign" in order to carry through and respond to the major strategic decision made by the Central Committee of the CPC and the State Council to achieve the carbon peak target and realize the mission of carbon neutrality as well as to promote the development of ecological civilization. The "Zero Carbon Campaign" enables the nation to effectively implement carbon neutrality. The series of activities under the "Support China to Achieve Zero Carbon Campaign" are aimed at the communities such as citizens, enterprises and schools. By disseminating green low-carbon concepts to the public, they help to build consensus among different people and combine their wisdom and efforts, thereby arousing wide attention of the "Zero Carbon Campaign" in China and encouraging people to contribute efforts to help the nation achieve the carbon neutrality target early.

- the Group cooperated with Pui Ching Middle School Macau and China Eco Development Association to launch the “Zero Carbon Citizen” campaign and will jointly announce the “Zero Carbon School” standards in order to increase the Chinese youth’s awareness of global climate change issues. The “Zero Carbon Citizen” campaign provides every teacher, school staff, parent and student of Pui Ching Middle School Macau who voluntarily offset carbon emissions under the two major international carbon credit platforms VCS and GS to achieve carbon offsets. In addition to the “Zero Carbon Citizen” campaign, the Group also dispatched experts to help Pui Ching Middle School Macau carry out a number of key activities to build a “Zero Carbon School”, included guiding Pui Ching Middle School Macau to complete the development of carbon footprint audit software of its own, giving advice on “Zero Carbon” curriculum and putting forward suggestions for Pui Ching Middle School Macau to achieve carbon neutrality based on audited data.

Global Carbon Neutral Business – Negative Carbon Business

The Group expanded its negative carbon business in the Greater Bay Area during the Reporting Period. It provided negative carbon consultation service for “Carbon Capture and Utilization Demonstration Project of flue gas from coal-fired boilers (燃煤鍋爐煙氣二氧化碳捕集與資源綜合利用示範項目)” implemented by Foshan Jialida Environmental Protection Technology Co., Ltd.* (佛山市佳利達環保科技股份有限公司), in order to build the Pilot Demonstration Zone of “dual carbon” in Guangdong Province. This project is the first demonstration project of the “dual carbon” concept in the Guangdong-Hong Kong-Macao Greater Bay Area, and also the first CCUS demonstration project integrating carbon capture and sequestration in China’s domestic printing and dyeing industry.

Negative carbon business is an essential part of the Group’s carbon neutral business that integrates industry and finance and interacts with the carbon asset development and management business. The Greater Bay Area is a critical area for the Group to promote the business strategy of negative carbon business. The printing and dyeing industry that highly related to export and domestic demand is an important industrial area for the Group to implement negative carbon business. Various forms of involvement of the carbon negative business with CCUS as the core will gradually be an advantage for the Group’s negative carbon business and thereby obtain favorable business opportunities.

Civil Engineering and Construction Business

For the Reporting Period, the Civil Engineering and Construction Business managed to record a stable performance, despite of the grave challenges from the COVID-19 outbreak and the economic downslope in Hong Kong since early 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,

* *For identification only*

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 Reporting Period, revenue generated from the Civil Engineering and Construction Business was approximately HK\$230.7 million (2021: approximately HK\$218.7 million). For the Reporting Period, included in the turnover was: (i) revenue from civil engineering works of approximately HK\$152.1 million (2021: approximately HK\$139.5 million); and (ii) revenue from building construction and maintenance works of approximately HK\$78.6 million (2021: approximately HK\$79.2 million). For the Reporting Period, the gross profit of the Civil Engineering and Construction Business was approximately HK\$12.0 million (2021: gross profit of approximately HK\$15.0 million), representing a gross profit margin of approximately 5.2% (2021: approximately 6.8%).

As of 30 June 2022, the Group had 14 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 2022, the total contract sum and the total outstanding values of the Group's substantial projects in progress were approximately HK\$678.0 million and HK\$364.0 million respectively (31 December 2021: approximately HK\$626.0 million and HK\$343.0 million respectively).

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

The Group has been awarded 4 new substantial contracts for the Reporting Period:

- Civil Engineering Improvement Works at Kwai Fong Estate
- Roads and Drainage Works for Public Housing Development at Tuen Mun Area 29 West
- Provision of External Construction Works and Outside Plant Maintenance Services
- Civil and Building Works for North Point 132-kV GIS Improvement (Phase 3 – Stage 2)

PROSPECTS

Global Carbon Neutral Business

In the second half of 2022, the Group will continue to actively develop its Global Carbon Neutral Business.

Establishment of ASEAN Strategic Committee

The Group has established “China Carbon Neutral Development Group ASEAN Strategic Committee” (the “**ASEAN Strategic Committee**”) and appointed a person with extensive influence in the ASEAN region to act as the chairman. The establishment of the ASEAN Strategic Committee is an important step in the international and balanced strategy of the Group’s carbon neutral business layout, which will vigorously promote the Group’s entry into the ASEAN market, and seize the opportunities arising from ASEAN’s response to climate change, thereby further enhancing the Group’s leading position in the carbon neutral field and generating good financial returns.

Carrying out carbon neutrality related business in ASEAN market

The Group signed a memorandum of understanding with SMRT Experience Pte Ltd (“**SMRT Experience**”) for strategic cooperation to jointly develop carbon neutral business in the ASEAN region. Relying on SMRT Corporation’s core position in Singapore and its network in the ASEAN region, the Group has gained a good entry point and strong support for its business in the ASEAN region, which will greatly promote a more balanced development of the Group’s business. The specific areas of business cooperation with SMRT Corporation will enable the Group to effectively seize huge business opportunities created by Singapore’s leading edge in carbon neutrality and carbon market development, creating long-term and stable financial returns.

Initiation the establishment of a global carbon asset fund

With the rapid development of the global carbon credit asset market and the active carbon credit market in Singapore, Singapore International Carbon Asset Management Pte. Ltd., the Singapore subsidiary of the Group, will initiate the establishment of a Global Carbon Asset Fund in conjunction with well-known institutions. The Group intends to act as the General Partner (GP) of the Global Carbon Asset Fund and invest 1 million tons of VCS carbon credit assets as a limited partner (LP) to participate in the initiation and management of the Global Carbon Asset Fund.

Development of negative carbon business in Greater Bay Area

Negative carbon business is an essential part of the Group’s carbon neutral business that integrates industry and finance and interacts with the carbon asset development and management business. The Greater Bay Area is a critical area for the Group to promote the business strategy of negative carbon business. The printing and dyeing industry that highly related to export and domestic demand is an important industrial area for the Group to implement negative carbon business. In the first quarter of

2022, the Group commenced providing consultancy services for the first CCUS project in the domestic printing and dyeing industry in the Greater Bay Area, which enable the Group to gradually form advantage in the negative carbon emission business with CCUS as the core, and will gain favorable business opportunities for future involvement in this business in various forms.

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

Civil Engineering and Construction Business

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

CAPITAL STRUCTURE, FINANCIAL RESOURCES, LIQUIDITY AND GEARING

During the Reporting Period, the financial position of the Group further improved since 2021 due to the followings:

- (i) On 30 June 2022, the Company issued and allotted an aggregate of 10,000,000 ordinary shares of HK\$0.01 each of the Company (the “**Share(s)**”) pursuant to the Subscriptions and the net proceeds from the Subscriptions were approximately HK\$30.0 million. Further details of the Subscriptions are set out in the section headed “Subscription of New Shares” below.
- (ii) During the six months ended 30 June 2022, the Company completed a partial conversion of the convertible bonds to the extent of HK\$17,000,000, and 8,500,000 conversion shares has been issued and allotted.
- (iii) Current ratio of the Group was approximately 2.86 times as at 30 June 2022 (31 December 2021: approximately 2.55 times), which is calculated by dividing current assets by current liabilities.

Gearing ratio of the Group was approximately 147% as at 30 June 2022 (31 December 2021: approximately 173%), which is calculated based on the amount of net cash and bank balances (interest-bearing borrowings, liabilities component of the convertible bonds and promissory notes less cash and cash equivalent) divided by the total equity.

CONVERTIBLE BONDS

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

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

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

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

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

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

As at 30 June 2022, the outstanding principal amount of the Convertible Bonds was HK\$333,000,000. The maximum number of Shares that will be issued upon conversion of all the outstanding Convertible Bonds was 166,500,000 Shares.

PROMISSORY NOTES

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

On 31 December 2017, the Company executed and completed the extension of the maturity date of the Promissory Notes for 2 years from 4 February 2018 to 4 February 2020 and the interest rate of the Promissory Notes shall be adjusted downward from 10% to 8% per annum for the extension period from 5 February 2018 to 4 February 2020 and all accrued and outstanding interest under the Promissory Notes shall be repaid on the extended maturity date of February 2020.

On 14 January 2020, the term of the Promissory Notes changed to perpetual and the interest rate will be fixed at 5% per annum with effect from 5 February 2020, payable annually and the interest accrued on or before 4 February 2020 shall be payable on 4 February 2025.

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

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

As at 30 June 2022, the outstanding balance of the First Note was approximately HK\$174.25 million (31 December 2021: the outstanding balance of First Note was approximately HK\$174.25 million).

SUBSCRIPTION OF NEW SHARES

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

On 30 June 2022, all conditions precedent to the Subscription as set forth in the subscription agreements have been fulfilled. Accordingly, completion of the Subscription took place on 30 June 2022. The Company issued and allotted 10,000,000 Shares under the Subscriptions. The aggregate nominal value of the subscription Shares is HK\$100,000. The closing price per Share was HK\$3.05 was quoted on the Stock Exchange on the date of the subscription agreements.

The gross proceeds of the Subscriptions was HK\$31,000,000. The net proceeds from the Subscriptions (after deducting all applicable costs and expenses of the Subscriptions) was approximately HK\$30,000,000 (the “**Net Proceeds**”) and the net price per Share is HK\$3.00.

The intended use of the Net Proceeds was (i) investment in basic industries (carbon capture and forest carbon sinks) and carbon assets; (ii) repayment of the debts of the Group and improving the financial position of the Group; and (iii) general working capital. As at 30 June 2022, the Net Proceeds has not been utilised and it is expected to be utilised by end of 2022.

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

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

SHARE CAPITAL

On 3 January 2022, the Company issued and allotted 3,500,000 new Shares upon the completion of a partial conversion of the Convertible Bonds of principal amount of HK\$7,000,000 at the conversion price of HK\$2.00 per Share.

On 14 June 2022, the Company issued and allotted 5,000,000 new Shares upon the completion of a partial conversion of the Convertible Bonds of principal amount of HK\$10,000,000 at the conversion price of HK\$2.00 per Share.

On 30 June 2022, the Company issued and allotted an aggregate of 10,000,000 new Shares upon the completion of the Subscriptions.

As at 30 June 2022, the Company has issued a total of 320,500,000 Shares. 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

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

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2022, the Group did not hold any significant investments or capital assets of which fair value accounted for more than 5% of the Group's total assets.

PLEDGE OF ASSETS

As at 30 June 2022, the Group did not have any pledge of assets (as at 31 December 2021: nil).

CONTINGENT LIABILITIES

Detail of the Group's contingent liabilities are set out in note 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 the Group. Any fluctuation in the exchange rate of HK\$ against RMB may have an impact on the Group's results. The Group has not entered into any instruments to reduce the impact of the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had approximately 329 employees in Hong Kong and Mainland China. During the six months ended 30 June 2022, the total employee benefit of the Group were approximately HK\$20 million. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, mandatory provident fund scheme for Hong Kong employees, state-sponsored retirement plans for the employees in Mainland China. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

The Group provides or subsidizes various training programmes and courses to its employees according to business needs, to ensure that its employees are kept updated with relevant laws and regulations, such as the Listing Rules, accounting standards, risk management knowledge, labour regulations and the employee's code of conduct.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group does not have any future plans for other material investments or capital assets.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules 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 2022, the Company has complied with the code provisions set out in the CG Code.

CHANGE OF DIRECTORS

From 1 January 2022 to the date of this announcement:

- (i) Mr. Yu Wai Chun ("**Mr. Yu**") resigned as an independent non-executive director, the member of each of the Audit Committee, nomination committee and remuneration committee of the Company with effect from 31 May 2022; and

- (ii) Dr. Li Qun was appointed as an independent non-executive director, the member of each of the audit committee, nomination committee and remuneration committee of the Company with effect from 2 June 2022.

Rule 3.10(1) of the Listing Rules requires that the board of directors of a listed issuer must include at least three independent non-executive directors. Rule 3.10A of the Listing Rules provides an issuer must appoint independent non-executive directors representing at least one-third of the board. Rule 3.21 of the Listing Rules provides that the audit committee must comprise a minimum of three members.

Following the resignation of Mr. Yu on 31 May 2022, (i) total number of independent non-executive Directors accounts for less than three and hence the Company fails to meet the requirement of Rule 3.10(1) and Rule 3.10A of the Listing Rules; and (ii) the number of members of the audit committee of the Company will fall below the minimum number requirement of Rule 3.21 of the Listing Rules. The above non-compliances arose only due to the resignation of Mr. Yu.

Following the appointment of Dr. Li Qun on 2 June 2022, the Company has fully complied with the requirements as set out in Rules 3.10(1) and 3.10A and 3.21 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting the required standard set out in the model code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “**Model Code**”). 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 2022.

LAPSE OF SHARE OPTIONS

On 13 April 2021, the Company granted 7,900,000 share options to certain eligible participants under the share option scheme of the Company, among which, 4,400,000 share options were granted to six consultants of the Group (the “**Consultants**”). The Consultants have provided consultancy services and/or advice on the business development, financial investment or operational management of the Group.

On 9 August 2022, the service provided by the Consultants has been terminated and following the termination, the 4,400,000 Options granted to them have been lapsed.

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 2022.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the Reporting Period and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, Mr. Wang Anyuan (chairman), Dr. Guo Yike and Dr. Li Qun, 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 2022.

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
Chan Tan Na Donna
Chairman

Hong Kong, 30 August 2022

As at the date of this announcement, the executive Directors are Ms. Chan Tan Na Donna, Mr. Chen Xinwei, Mr. Di Ling and Mr. Chen Lei; the non-executive Director is Mr. Lam Po Foon; and the independent non-executive Directors are Dr. Guo Yike, Mr. Wang Anyuan and Dr. Li Qun.