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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 2023

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 2023 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	
	2023	2022
	HK\$'000	HK\$'000
Revenue	197,513	231,099
Gross profit	16,339	12,351
(Loss)/profit attributable to owners of the Company	(36,294)	3,916

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

*For the six months ended 30 June 2023*

		<b>Unaudited</b>	
		<b>For the six months</b>	
		<b>ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>REVENUE</b>	5	<b>197,513</b>	231,099
Cost of sales		<u>(181,174)</u>	<u>(218,748)</u>
Gross profit		<b>16,339</b>	12,351
Other income and gains	6	<b>934</b>	2,168
Fair value gain on carbon-credit assets	7	<b>1,771</b>	51,625
Administrative and selling expenses		<b>(29,508)</b>	(31,247)
Research and development costs		<b>(3,287)</b>	(3,140)
Finance costs		<u>(23,084)</u>	<u>(28,234)</u>
<b>Operating (loss)/profit</b>		<b>(36,835)</b>	3,523
Share of loss of a joint controlled entity		<u>—</u>	<u>(85)</u>
(Loss)/profit before tax	8	<b>(36,835)</b>	3,438
Income tax expense	9	<u>—</u>	<u>—</u>
<b>(Loss)/profit for the period</b>		<u><b>(36,835)</b></u>	<u>3,438</u>

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

*For the six months ended 30 June 2023*

	<b>Unaudited</b>	
	<b>For the six months ended 30 June</b>	
<i>Notes</i>	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Loss)/profit for the period</b>	<b>(36,835)</b>	3,438
<b>Other comprehensive expense</b>		
Items that will not be reclassified to profit or loss in subsequent periods:		
Fair value loss on a financial asset at fair value through other comprehensive income	(2,200)	(5,600)
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of financial statements of foreign operations	(310)	(41)
<b>Total other comprehensive expense for the period</b>	<b>(2,510)</b>	(5,641)
<b>Total comprehensive expense for the period</b>	<b>(39,345)</b>	(2,203)

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

*For the six months ended 30 June 2023*

		<b>Unaudited</b>	
		<b>For the six months</b>	
		<b>ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		<b>(36,294)</b>	3,916
Non-controlling interests		<b>(541)</b>	(478)
		<u><b>(36,835)</b></u>	<u>3,438</u>
<b>Total comprehensive expense for the</b>			
<b>period attributable to:</b>			
Owners of the Company		<b>(38,804)</b>	(1,725)
Non-controlling interests		<b>(541)</b>	(478)
		<u><b>(39,345)</b></u>	<u>(2,203)</u>
<b>(Loss)/earnings per share</b>			
	<i>11</i>		
Basic (HK cents)		<u><b>(9.9)</b></u>	<u>1.3</u>
Diluted (HK cents)		<u><b>(9.9)</b></u>	<u>5.4</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		<b>3,648</b>	3,689
Right-of-use assets		<b>16,889</b>	17,216
Intangible assets		<b>24,759</b>	2,378
Deposits and other receivables		<b>1,885</b>	1,885
Financial assets at fair value through other comprehensive income		<b>6,000</b>	8,200
Investment in a joint venture		<b>140</b>	146
		<hr/>	<hr/>
Total non-current assets		<b>53,321</b>	33,514
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Carbon-credit assets	<i>7</i>	<b>10,704</b>	8,877
Contract assets	<i>12</i>	<b>102,610</b>	123,086
Accounts receivable	<i>13</i>	<b>32,631</b>	40,429
Prepayments, deposits and other receivables		<b>37,865</b>	31,020
Restricted bank deposits		<b>500</b>	1,495
Cash and cash equivalents		<b>76,595</b>	76,117
		<hr/>	<hr/>
Total current assets		<b>260,905</b>	281,024
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Accounts payable	<i>14</i>	<b>47,711</b>	72,816
Other payables and accruals		<b>95,169</b>	69,560
Interest-bearing other borrowings		<b>8,309</b>	7,500
Lease liabilities		<b>8,935</b>	7,032
		<hr/>	<hr/>
Total current liabilities		<b>160,124</b>	156,908
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>100,781</b>	124,116
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

*As at 30 June 2023*

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals		2,243	2,042
Interest-bearing other borrowings		836	–
Lease liabilities		8,888	10,863
Convertible bonds	15	57,529	177,544
Promissory notes	16	17,391	16,099
Deferred tax liabilities		851	851
		<u>87,738</u>	<u>207,399</u>
<b>Total non-current liabilities</b>		<b>87,738</b>	<b>207,399</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b><u>66,364</u></b>	<b><u>(49,769)</u></b>
<b>EQUITY</b>			
Share capital		4,465	3,205
Reserves		63,634	(52,351)
		<u>68,099</u>	<u>(49,146)</u>
<b>Equity/(deficit in equity) attributable to owners of the Company</b>		<b>68,099</b>	<b>(49,146)</b>
<b>Non-controlling interests</b>		<b><u>(1,735)</u></b>	<b><u>(623)</u></b>
<b>TOTAL EQUITY/(DEFICIT IN EQUITY)</b>		<b><u>66,364</u></b>	<b><u>(49,769)</u></b>

## 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 Unit 1808,18/F, Landmark South, 39 Yip Kan Street, Wong Chuk Hang, Hong Kong.

During the six months ended 30 June 2023, 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 2023 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 2022, except for the adoption of new and revised standard with effect from 1 January 2023 as detailed below.

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts and related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimate
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 2022.

### **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) 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment revenue	<u>3,337</u>	<u>420</u>	<u>194,176</u>	<u>230,679</u>	<u>197,513</u>	<u>231,099</u>
Segment results	<u>(15,633)</u>	<u>41,409</u>	<u>3,806</u>	<u>3,782</u>	<u>(11,827)</u>	45,191
Corporate and unallocated income					-	214
Corporate and unallocated expenses					(2,637)	(13,866)
Finance costs					<u>(22,371)</u>	<u>(28,101)</u>
(Loss)/profit before tax					<u>(36,835)</u>	<u>3,438</u>

## 5. REVENUE

	Unaudited For the six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Sale of carbon-credit assets	154	271
Provision of carbon neutral advisory and carbon planning services	3,183	149
Construction and civil engineering services	<u>194,176</u>	<u>230,679</u>
	<u>197,513</u>	<u>231,099</u>

## 6. OTHER INCOME AND GAINS

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	55	291
Consultancy fee income	180	180
Government subsidies*	–	944
Sundry income	699	753
	<u>934</u>	<u>2,168</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. (LOSS)/PROFIT BEFORE TAX

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The Group's (loss)/profit before tax is arrived at after charging:		
Cost of sales		
Cost of services provided	180,553	218,680
Cost of inventories sold	621	68
	<u>181,174</u>	<u>218,748</u>
Impairment loss of accounts receivable, net	105	9
(Reversal of impairment)/impairment loss of contract assets, net	(474)	1
Depreciation of plant and equipment	493	230
Depreciation of right-of-use assets	4,977	2,337
Directors' remuneration	2,342	2,532
Employee benefits expenses (exclusive of directors' remuneration)	17,696	12,731
Equity-settled share option expenses	–	3,754

## 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 2023 as there was no assessable profits generated on the estimated assessable profits arising in Hong Kong for the period (six months ended 30 June 2022: Nil).

## 10. DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## 11. (LOSS)/EARNINGS PER SHARE

The calculations of the basic (loss)/earnings per share for the six months ended 30 June 2023 are based on the condensed consolidated loss for the period attributable to owners of the Company of HK\$36,294,000 (2022: condensed consolidated profit for the period attributable to owners of the Company: HK\$3,916,000) and the weighted average number of 364,887,000 (2022: 305,986,000) ordinary shares in issue during the period.

The calculations of the diluted earnings per share for the six months ended 30 June 2022 are 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 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 computation of diluted loss per share for the six months ended 30 June 2023 did not assume the conversion of the convertible bonds and the exercise of the share options since the assumed conversion and exercise would be anti-dilutive which result in a decrease in loss per share.

The calculations of basic and diluted (loss)/earnings per share are based on:

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to owners of the Company, used in basic (loss)/earnings per share calculation	<b>(36,294)</b>	3,916
Interest on convertible bonds	<u>—</u>	<u>21,660</u>
(Loss)/profit attributable to owners of the Company before interest on convertible bonds	<u><b>(36,294)</b></u>	<u>25,576</u>

**Number of shares**  
**Six months ended 30 June**  
**2023**                      **2022**

**Shares**

Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	<u><b>364,887,000</b></u>	<u>305,986,000</u>
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	<u>–</u>	<u>171,069,000</u>
Weighted average number of ordinary shares in issue during the period used in diluted (loss)/earnings per share calculation	<u><b>364,887,000</b></u>	<u><b>477,055,000</b></u>

**12. CONTRACT ASSETS**

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 December</b> <b>2022</b> <i>HK\$'000</i>
Contract assets arising from:		
– Construction services	<b>32,347</b>	19,364
– Civil engineering services	<u><b>50,740</b></u>	<u>83,280</u>
	<b>83,087</b>	102,644
Less: Allowance for impairment loss	<u><b>(764)</b></u>	<u>(1,222)</u>
	<u><b>82,323</b></u>	<u>101,422</u>
Retention receivables of:		
– Construction services	<b>14,854</b>	14,296
– Civil engineering services	<u><b>5,517</b></u>	<u>7,468</u>
	<b>20,371</b>	21,764
Less: Allowance for impairment loss	<u><b>(84)</b></u>	<u>(100)</u>
Sub-total	<u><b>20,287</b></u>	<u>21,664</u>
Total contract assets	<u><b>102,610</b></u>	<u>123,086</u>

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

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
Within one year	<b>92,977</b>	109,929
After one year	<b>9,633</b>	13,157
	<hr/>	<hr/>
Total contract assets	<b><u>102,610</u></b>	<b><u>123,086</u></b>

### 13. ACCOUNTS RECEIVABLE

Accounts receivable represented receivables for contract work. The payment terms of contract work receivables are stipulated in the relevant contracts and the credit period is generally 30 days. The carrying amounts of accounts receivable 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.

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
Accounts receivable	<b>34,178</b>	41,867
Less: Allowance for impairment loss	<b>(1,547)</b>	(1,438)
	<hr/>	<hr/>
	<b><u>32,631</u></b>	<b><u>40,429</u></b>

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

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
Within 3 months	<b>31,598</b>	38,270
4 to 6 months	<b>544</b>	1,782
Over 6 months	<b>489</b>	377
	<hr/>	<hr/>
	<b><u>32,631</u></b>	<b><u>40,429</u></b>

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
At the beginning of period	1,438	2,623
Disposal of subsidiaries	4	–
Impairment losses/(reversal of impairment), net	<u>105</u>	<u>(1,185)</u>
At the end of period	<u><u>1,547</u></u>	<u><u>1,438</u></u>

#### 14. ACCOUNTS PAYABLE

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 3 months	43,875	67,462
4 to 6 months	382	2,011
Over 6 months	<u>3,454</u>	<u>3,343</u>
	<u><u>47,711</u></u>	<u><u>72,816</u></u>

As at 30 June 2023, retentions payable included in accounts payable amounted to HK\$14,491,000 (31 December 2022: HK\$12,038,000), 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.

## 15. 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:

	<b>Liability component</b> <i>HK\$'000</i>	<b>Equity component</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 31 December 2021 and 1 January 2022			
(Audited)	138,286	344,649	482,935
Interest expense	46,552	–	46,552
Conversion of convertible bonds	<u>(7,294)</u>	<u>(16,741)</u>	<u>(24,035)</u>
At 31 December 2022 and 1 January 2023			
(Audited)	177,544	327,908	505,452
Interest expense	21,079	–	21,079
Conversion of convertible bonds	<u>(141,094)</u>	<u>(236,330)</u>	<u>(377,424)</u>
At 30 June 2023 (Unaudited)	<u>57,529</u>	<u>91,578</u>	<u>149,107</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 3 January 2022, 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 2023, the convertible bonds had a carrying amount of HK\$149,107,000 (31 December 2022: HK\$505,452,000), in which HK\$91,578,000 (31 December 2022: HK\$327,908,000) was recognised as equity and HK\$57,529,000 (31 December 2022: HK\$177,544,000), was recognised as non-current liabilities.

During the period ended 30 June 2023, the imputed interest on convertible bonds was amounted to HK\$21,079,000 (during the year ended 31 December 2022: HK\$46,552,000), in which HK\$20,172,000 (during the year ended 31 December 2022: HK\$45,995,000) was related to the convertible bonds held by Quick Tycoon.

During the period ended 30 June 2023, convertible bonds with principal amount of HK\$240,000,000 (during the year ended 31 December 2022: HK\$17,000,000) were converted and the outstanding principal amount of the convertible bonds was HK\$93,000,000 (31 December 2022: HK\$333,000,000).

## 16. PROMISSORY NOTES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
First Note	<u><b>17,391</b></u>	<u>16,099</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 LE Group Holdings Pte. Ltd. (“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.

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

As at 30 June 2023, the promissory notes had a carrying amount of HK\$17,391,000 (31 December 2022: HK\$16,099,000) which was recognised as non-current liabilities.

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.

## **17. CONTINGENT LIABILITIES**

As of 30 June 2023, 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\$29,755,000 (31 December 2022: HK\$31,791,000).
- (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

The Group is principally engaged in: (i) global carbon neutral business with a focus on trading of carbon-credit assets, carbon credit and carbon asset development, management and investment in carbon neutral related fields and carbon consulting and planning, as well as carbon negative business including industrial carbon negative with a core of development of carbon capture, utilization and storage (“CCUS”) and natural carbon negative focusing on forest and crop optimisation (the “**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 2023 (“**1H2023**” or the “**Reporting Period**”), the Group recorded a consolidated revenue of approximately HK\$197.5 million (2022: approximately HK\$231.1 million). The gross profit of the Group for 1H2023 was approximately HK\$16.3 million (2022: approximately HK\$12.4 million).

The Group recorded a loss attributable to owners of the Company for the six months ended 30 June 2023 of approximately HK\$36.3 million (2022: a profit of approximately HK\$3.9 million). The loss was mainly attributable to the decrease in the fair value gain on carbon credit assets for approximately HK\$49.9 million during the six months ended 30 June 2023.

Basic and diluted loss per share for the six months ended 30 June 2023 were HK\$9.9 cents (2022: basic and diluted earnings per share were HK\$1.3 cents and HK\$5.4 cents respectively).

As at 30 June 2023 the Group recorded HK\$10.7 million (31 December 2022: HK\$8.9 million) of carbon-credit assets on the condensed consolidated statement of financial position. During the Reporting Period, the Group has recorded a fair value gain on carbon-credit assets of approximately HK\$1.8 million (2022: approximately HK\$51.6 million).

During the Reporting Period, the capital structure of the Group improved as follows:

- (i) based on the market recognition of carbon neutral business transformation, the Group seized the business opportunities and completed a fund-raising activity in the capital market during the first half of 2023. The Company issued and allotted a total of 6,000,000 ordinary shares of HK\$0.01 each of the Company (“**Shares**”) and raised approximately HK\$15.0 million. The Group’s capital and equity thus increased; and
- (ii) during the six months ended 30 June 2023, the Company completed a partial conversion of the convertible bonds to the extent of HK\$240,000,000 and 120,000,000 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.

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

For 1H2023, the revenue of the Global Carbon Neutral Business was approximately HK\$3.3 million (2022: approximately HK\$0.4 million) and the segment loss was approximately HK\$15.6 million (2022: profit of approximately HK\$41.4 million). This was mainly attributable to the decrease in the fair value gain on carbon credit assets for approximately HK\$49.9 million during the six month ended 30 June 2023.

The Group's business organizational structure of Global Carbon Neutral Business 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:

#### ***ESTABLISHMENT OF “CHINA CARBON NEUTRAL DEVELOPMENT GROUP – EUROPEAN CARBON TARIFF RESPONSE TASK FORCE”***

The Group noted that the European Parliament, one of the regions leading the way in global climate reform, approved in February 2023 an agreement on a European Carbon Border Adjustment Mechanism (CBAM), also known as a carbon border tax or carbon tariff (CBT), which will have a trial run in October 2023. According to the agreement, the European Union (“EU”) will levy taxes and fees on the carbon emissions of some imported commodities, i.e., the price difference between the same amount of carbon emissions inside and outside the EU will be adjusted through the CBAM, so that the price needs to pay for the same amount of carbon emissions inside and outside the EU will be about the same.

In order to cope with the above, the Group established the “China Carbon Neutral Development Group – European Carbon Tariff Response Task Force” (the “**Task Force**”), which focus on helping Chinese enterprises to reasonably address to the European carbon tariff mechanism. The establishment of the Task Force is an essential step in the international and balanced strategy of the Group’s carbon-neutral business layout, which will enormously facilitate the Group’s ability to help enterprises grasp the challenge brought about by the carbon tariff mechanism.

## ***DEVELOPMENT OF CARBON-NEUTRAL DIGITAL TECHNOLOGY***

In March 2023, the Group acquired of 73% equity interest in The Green Credit Technology Co. Ltd. (中碳綠信科技(深圳)有限公司) (formerly known as Shenzhen Jianxin Zhuhe Technology Company Limited (深圳市建信築和科技有限公司) (“**Jianxin Zhuhe**”)), a national-leading blockchain-based digital technology service provider in China. To empower various industries to achieve carbon-neutral development efficiently and cost-effectively, the Group will upgrade the infrastructure, which already built by Jianxin Zhuhe, into one-stop green finance trusted data service network (“**Green Credit Chain**”) and create a credible, accurate and secure carbon peak and carbon neutrality (“**Dual Carbon**”) digital and control platform (“**Dual Carbon Digital Management and Control Platform**”) based on the Green Credit Chain. The Group will provide Dual Carbon digital solutions, and eliminate the information barriers between industries and between industries and the financial system, in order to promote cross-industry cooperation. It also supports cross-organizational synergy among enterprises, from value consensus, and promote value value maximization and efficiency optimization for stakeholders in carbon-neutral development.

In the second quarter of 2023, the Group entered into a cooperation agreement with TusCity Group Co., Ltd. (“**TusCity Group**”) and Tus Zhongshi (Beijing) Technology Development Co., Ltd., the wholly-owned subsidiaries of Tus-Holdings Co., Ltd., to jointly develop carbon neutrality businesses and will collaborate extensively in the areas of carbon-neutral digital technology and “zero-carbon” industrial parks. By leveraging on TusCity Group in various regions and industrial parks in China, and the Group’s core product Dual Carbon Digital Management and Control Platform, both parties will jointly promote the development and operation of the “Low Carbon Technology Industrial Park”. This collaboration will promote the implementation of the dual-carbon program plan, the construction of green and low-carbon parks, and the promotion of green financial services through the Dual Carbon Digital Management and Control Platform system. The Group planned to work with TusCity Group to jointly develop standards for “Zero-Carbon Industrial Parks” and “Low-Carbon Industrial Parks” as well as business models, and nationwide co-construction and cooperation.

### **Global Carbon Neutral Business – Negative Carbon Business**

As for carbon negative business, the Group’s industry carbon negative business segment focuses on the development and application of negative carbon technology, including CCUS technology. The nature carbon negative business segment redefines forestry and agriculture and carries out carbon sink consulting and trading through investment in afforestation and cooperative development of forest carbon sink, resulting in sustainable green investment in the long run. With a mission to cut China’s CO<sub>2</sub> emissions by 2%, the Group hopes that it can achieve negative carbon emissions of 100 million metric tons each from the nature based solutions and the technology-based solutions. The forests created from the investment in afforestation will absorb 100 million metric tons of CO<sub>2</sub>. Meanwhile, the development of CCUS project will reduce 100 million metric tons of CO<sub>2</sub> emissions. Through these efforts, the Group can thus fulfill its corporate social responsibilities in a sustainable manner.

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 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, 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\$194.2 million (2022: approximately HK\$230.7 million). For the Reporting Period, included in the turnover was: (i) revenue from civil engineering works of approximately HK\$128.2 million (2022: approximately HK\$152.1 million); and (ii) revenue from building construction and maintenance works of approximately HK\$66.0 million (2022: approximately HK\$78.6 million). For the Reporting Period, the gross profit of the Civil Engineering and Construction Business was approximately HK\$13.6 million (2022: gross profit of approximately HK\$12.0 million), representing a gross profit margin of approximately 7.0% (2022: approximately 5.2%).

As of 30 June 2023, the Group had 11 significant projects in progress. 2 of them were building construction and maintenance projects while the remaining were civil engineering construction projects.

As of 30 June 2023, the total contract sum and the total outstanding values of the Group's substantial projects in progress were approximately HK\$373.0 million and HK\$147.0 million respectively (31 December 2022: approximately HK\$373.0 million and HK\$199.0 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 1 new substantial contracts for the Reporting Period:

- Renovation works at Heung Yip Road Station

## **PROSPECTS**

### **Global Carbon Neutral Business**

In order to achieve the China's goals of carbon peak and carbon neutrality, the Group entered into a strategic cooperation agreement with the People's Government of Jiyuan City, Henan Province, China ("**Jiyuan City People's Government**") in July 2023, committed to the development of China's carbon neutrality. The strategic cooperation includes establishing a Carbon Neutrality Research Institute through collaboration with renowned domestic and international universities and expert teams, promote CCUS technologies and projects, establish a manufacturing base for carbon neutrality equipment, and participate in voluntary emission reduction project development in the local area. Additionally, the Group will support the Jiyuan City People's Government in building a demonstration project for the Dual Carbon Digital Management and Control Platform and assist in strengthening local talent training for carbon neutrality management. The strategic cooperation with Jiyuan City People's Government undertakes the mission entrusted by the country and applies the innovation and practices in the field of Dual Carbon to Jiyuan City, actively contributes to the green transformation, pollution control, carbon reduction, synergistic efficiency improvement, and the co-creation of a low-carbon society in Jiyuan City.

In addition, in July 2023, the Group entered into a five-year Carbon Peak and Carbon Neutrality Digital Services Agreement with Henan Jinma Energy Company Limited (“**Jinma Energy**”), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Group will provide Jinma Energy the Dual Carbon digital management system and carbon emission accounting services. By leveraging on the respective resource advantages and professional expertise of each party, and working together to create a benchmark of win-win cooperation in the field of carbon neutrality.

The Board believes that the above collaborations would generate sustainable business growth and financial returns for the Group.

Looking forward, with the deepening of global environmental and resource issues, promoting green development has become a global consensus. Carbon neutrality not only brings environmental benefits and mitigates the direct threat of climate changes, but also creates abundant opportunities for the “zero carbon and low carbon” derived from the carbon neutrality journey, promoting the coordinated development of social pollution reduction and carbon reduction and enhancing the rapid growth of corporate demand for voluntary carbon credits. Therefore, the Group believes that there are board prospects for the development of the Group’s carbon neutral business.

### **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 improved due to the followings:

- (i) On 4 April 2023, the Company issued and allotted an aggregate 6,000,000 Shares pursuant to the Subscription and the net proceeds from the Subscription were approximately HK\$15.0 million. Further details of the Subscription are set out in the section headed “Subscription of New Shares” below.
- (ii) During the six months ended 30 June 2023, the Company completed a partial conversion of the convertible bonds to the extent of HK\$240,000,000 and 120,000,000 conversion shares has been issued and allotted.

Current ratio of the Group was approximately 1.63 as at 30 June 2023 (31 December 2022: approximately 1.79), which is calculated by dividing current assets by current liabilities.

Gearing ratio of the Group was approximately 11.3% as at 30 June 2023 (no gearing ratio was available as the Group was in a net deficit in equity as at 31 December 2022), 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 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 14 January 2020, the maturity date of the Convertible Bonds further extended for 5 years to 4 February 2025.

During the period from the date of the issuance of the Convertible Bonds to 30 June 2023, the Company has issued and allotted an aggregate of 148,500,000 Shares, with principal amount of the Convertible Bonds of HK\$297.0 million, upon exercise of the conversion rights attaching to the Convertible Bonds.

As at 30 June 2023, the outstanding principal amount of the Convertible Bonds was HK\$93.0 million. The maximum number of Shares that will be issued and allotted upon exercise in full of the conversion rights attaching to the outstanding Convertible Bonds is 46,500,000 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.

Up to 30 June 2023, the Company has fully repaid the Second Note and partially early redeemed the First Note. As at 30 June 2023, the Promissory Notes had a carrying amount of HK\$17.4 million (31 December 2022: approximately HK\$16.1 million) which was recognised as non-current liabilities.

## **SUBSCRIPTION OF NEW SHARES**

On 4 April 2023, the Company entered into a subscription agreement with Ms. Zhou Zhou (the “**Subscriber**”), in respect of the Subscription of 6,000,000 Subscription Shares at the Subscription Price of HK\$2.50 per Share pursuant to the terms and conditions of the subscription agreement (the “**Subscription**”).

On 13 April 2023, all conditions precedent to the Subscription as set forth in the subscription agreements have been fulfilled. Accordingly, completion of the Subscription took place on 13 April 2023. The Company issued and allotted 6,000,000 Shares under the Subscription. The aggregate nominal value of the subscription Shares is HK\$60,000. The closing price per Share was HK\$1.99 was quoted on the Stock Exchange on the date of the subscription agreement.

The gross proceeds of the Subscription was HK\$15,000,000. The net proceeds from the Subscriptions (after deducting all applicable costs and expenses of the Subscriptions) was approximately HK\$15,000,000 (the “**Net Proceeds**”) and the net price per Share is HK\$2.50.

The Group intended to use and has already applied the full amount of the Net Proceeds of approximately HK\$15,000,000 for general working capital. As at 30 June 2023, the Company has fully applied the net proceeds in accordance with the intended use as stated in the announcement of the Company dated 4 April 2023.

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 Subscription were set out in the announcements of the Company dated 4 April 2023 and dated 13 April 2023.

## **SHARE CAPITAL**

On 13 April 2023, the Company issued and allotted an aggregate of 6,000,000 new Shares upon the completion of the Subscriptions.

On 26 April 2023, the Company issued and allotted 80,000,000 new Shares upon the completion of a partial conversion of the Convertible Bonds of principal amount of HK\$160,000,000 at the conversion price of HK\$2.00 per Share.

On 5 May 2023, the Company issued and allotted 40,000,000 new Shares upon the completion of a partial conversion of the Convertible Bonds of principal amount of HK\$80,000,000 at the conversion price of HK\$2.00 per Share.

As at 30 June 2023, the Company has issued a total of 446,500,000 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 2023, the Group did not have any significant investment or capital assets.

## **PLEDGE OF ASSETS**

As at 30 June 2023, the Group did not have any pledge of assets (as at 31 December 2022: nil).

## **CONTINGENT LIABILITIES**

Detail of the Group's contingent liabilities are set out in note 17 in Notes to the Condensed Consolidated Interim Financial information.

## **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 2023, the Group had approximately 321 employees (as at 31 December 2022: approximately 329) in Hong Kong and Mainland China. During the six months ended 30 June 2023, the total employee benefit of the Group were approximately HK\$18.9 million. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, mandatory provident fund scheme for Hong Kong employees, state-sponsored retirement plans for the employees in Mainland China. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

The Group provides or subsidizes various training 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**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 2023 (six months ended 30 June 2022: Nil).

## **EVENTS AFTER THE REPORTING PERIOD**

The Group did not have any significant event after the Reporting Period and up to the date of this announcement.

## **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 complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for 1H-2023.

## **CHANGE OF DIRECTORS**

From 1 January 2023 up to the date of this announcement:

- (i) Ms. Chan Tan Na, Donna has resigned as an executive Director with effect from 20 February 2023;
- (ii) Mr. Sha Tao has appointed as an executive Director with effect from 20 February 2023;
- (iii) Mr. Chen Lei has resigned as an executive Director with effect from 2 June 2023;
- (iv) Dr. Guo Yike (“**Dr. Guo**”) has resigned as an independent non-executive Director (“**INED**”) with effect from 24 July 2023.

## **Non-Compliance with the Listing Rules**

Following the resignation of Dr. Guo: (i) total number of INED 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 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 Dr. Guo. The Board is identifying a suitable candidate with appropriate background and qualification for appointment as an INED and will fill the vacancies as soon as possible and within three months from the signation of Dr. Guo as required by 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 2023.

## **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 2023.

## **AUDIT COMMITTEE**

The Audit Committee comprises two independent non-executive Directors, Mr. Wang Anyuan (chairman) 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 2023.

## **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**  
**Sha Tao**  
*Chairman*

Hong Kong, 29 August 2023

*As at the date of this announcement, the executive Directors are Mr. Sha Tao, Mr. Chen Xinwei and Mr. Di Ling; the non-executive Director is Mr. Lam Po Foon; and the independent non-executive Directors are Mr. Wang Anyuan and Dr. Li Qun.*