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(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1372)

ANNOUNCEMENT OF SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of China Carbon Neutral Development Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated second interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the twelve months ended 31 December 2023, together with the audited comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited Twelve months ended 31 December 2023 HK\$'000	Audited Year ended 31 December 2022 HK\$'000
REVENUE	5	632,874	709,306
Cost of sales		<u>(597,153)</u>	<u>(666,800)</u>
Gross profit		35,721	42,506
Other income and gains	6	1,936	9,211
Fair value gain on carbon-credit assets	7	60,508	2,980
Research and development costs		(10,547)	(4,018)
Administrative and selling expenses		(64,688)	(86,014)
Equity-settled share option expenses		–	(34,974)
Finance costs	8	(34,636)	(59,420)
Reversal of impairment of accounts receivable and contract assets, net		<u>360</u>	<u>62</u>
Operating loss		(11,346)	(129,667)
Loss on partial early repayment of promissory note		–	(74,562)
Share of loss of a joint venture		–	(82)
Loss on disposal of subsidiaries		–	(5)
Gain on deregistration of a subsidiary		<u>37</u>	<u>–</u>
Loss before tax	9	(11,309)	(204,316)
Income tax credit	10	<u>–</u>	<u>5,278</u>
Loss for the period/year		<u>(11,309)</u>	<u>(199,038)</u>
Loss for the period/year attributable to:			
Owners of the Company		(8,787)	(197,471)
Non-controlling interests		<u>(2,522)</u>	<u>(1,567)</u>
		<u>(11,309)</u>	<u>(199,038)</u>

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

	Unaudited Twelve months ended 31 December 2023	Audited Year ended 31 December 2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period/year	(11,309)	(199,038)
Other comprehensive expense		
Items that will not be reclassified to profit or loss in subsequent years:		
Fair value loss on a financial asset at fair value through other comprehensive income	(5,900)	(11,800)
Items that may be reclassified to profit or loss in subsequent years:		
Exchange differences arising on translation of financial statements of foreign operations	<u>41</u>	<u>(21)</u>
Total other comprehensive expense for the period/year	<u>(5,859)</u>	<u>(11,821)</u>
Total comprehensive expense for the period/year	<u>(17,168)</u>	<u>(210,859)</u>
Total comprehensive expense for the period/year attributable to:		
Owners of the Company	(14,647)	(209,288)
Non-controlling interests	<u>(2,521)</u>	<u>(1,571)</u>
	<u>(17,168)</u>	<u>(210,859)</u>
LOSS PER SHARE		
Basic (HK cents)	<i>11</i> <u>(2.1)</u>	<u>(63.0)</u>
Diluted (HK cents)	<i>11</i> <u>(2.1)</u>	<u>(63.0)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 31 December 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Plant and equipment		3,217	3,689
Right-of-use assets		13,148	17,216
Intangible assets		25,092	2,378
Deposits and other receivables		1,885	1,885
Investment in a joint venture		142	146
Financial asset at fair value through other comprehensive income		<u>2,300</u>	<u>8,200</u>
Total non-current assets		<u>45,784</u>	<u>33,514</u>
CURRENT ASSETS			
Carbon-credit assets	7	69,421	8,877
Contract assets		132,018	123,086
Accounts receivable	13	60,095	40,429
Prepayments, deposits and other receivables		78,723	31,020
Restricted bank deposits		–	1,495
Cash and cash equivalents		<u>106,225</u>	<u>76,117</u>
Total current assets		<u>446,482</u>	<u>281,024</u>
CURRENT LIABILITIES			
Accounts payable	14	75,411	72,816
Other payables and accruals		171,757	69,560
Interest-bearing bank and other borrowings		17,366	7,500
Lease liabilities		<u>7,617</u>	<u>7,032</u>
Total current liabilities		<u>272,151</u>	<u>156,908</u>
NET CURRENT ASSETS		<u>174,331</u>	<u>124,116</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>220,115</u>	<u>157,630</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		Unaudited	Audited
		31 December	31 December
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		2,243	2,042
Interest-bearing bank and other borrowings		1,276	–
Lease liabilities		6,853	10,863
Convertible bonds	15	66,911	177,544
Promissory note	16	18,795	16,099
Deferred tax liabilities		<u>851</u>	<u>851</u>
Total non-current liabilities		<u>96,929</u>	<u>207,399</u>
NET ASSETS/(LIABILITIES)		<u>123,186</u>	<u>(49,769)</u>
EQUITY			
Share capital		5,358	3,205
Reserves		<u>121,588</u>	<u>(52,351)</u>
Equity/(deficit in equity) attributable to owners of the Company		126,946	(49,146)
Non-controlling interests		<u>(3,760)</u>	<u>(623)</u>
TOTAL EQUITY/(DEFICIT IN EQUITY)		<u>123,186</u>	<u>(49,769)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2023

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The registered office address of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The principal place of business of the Company is Unit 1808, 18/F, Landmark South, 39 Yip Kan Street, Wong Chuk Hang, Hong Kong.

During the twelve months ended 31 December 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
- Ecological governance (formerly known as “**Civil Engineering and Construction Business**”) as civil engineering works and building construction and maintenance works.

In addition, following the Group’s acquisition of China Carbon Green Credit Technology Shenzhen 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) in 2023, the Group has utilised blockchain technology to proactively connect to the financial and digital economy, and its business has gained good momentum.

2. BASIS OF PREPARATION

This unaudited condensed consolidated second interim financial statements (the “**Interim Financial Statements**”) for the twelve months ended 31 December 2023 have 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 required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Interim Financial Statements do not include all the notes of the types normally included in the annual financial statements. Accordingly, the Interim Financial Statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2022.

The accounting policies and the basis of preparation adopted in the preparation of the Interim Financial Statements 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 is not expected to have any significant impact on the Interim Financial Statements.

3. ESTIMATES

The preparation of the Interim Financial Statements 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 the Interim Financial Statements, 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.

Going concern assessment

Meanwhile, the Group incurred a net loss of approximately HK\$11,309,000 for the twelve months ended 31 December 2023 and had net assets of approximately HK\$123,186,000 as at that date. Notwithstanding the above, the Company received the proceeds of HK\$49,646,000 from the issuance of new shares, enhancing the working capital of the Group and the unaudited profit for the period of the Group for the six months ended 31 December 2023 amounted to HK\$25,526,000. The consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

Also, the Directors are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

- other than continuing to develop carbon credit assets from existing carbon projects, the Group will continue to identify and seize more new carbon projects to secure supply of carbon credit assets and enrich the carbon credit assets portfolio of the Group;
- during the twelve months ended 31 December 2023, the carrying amount of the promissory note and convertible bonds of the Group decreased, which will reduce the long-term finance costs to the Group;
- the Group will carefully monitor and control administrative and selling expenses and future capital expenditures;
- The holder of convertible bonds has agreed to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due for the foreseeable future and not call for any repayment of convertible bonds amounting approximately HK\$93,000,000, until the Group is in a financial position to do so; and
- the Directors have carried out a detail review of the working capital forecast of the Group for not less than twelve months from the period end date, which took into account the projected future working capital of the Group.

In view of the above, the Directors are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Directors will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the Interim Financial Statements.

4. SEGMENT INFORMATION

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

- 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
- Ecological governance 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), loss on disposal of subsidiaries, gain on deregistration of a subsidiary, equity-settled share option expenses, loss on partial early repayment of promissory note as well as head office and corporate unallocated 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:

	Unaudited		
	Twelve months ended 31 December 2023		
	Global carbon neutral <i>HK\$'000</i>	Ecological governance <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>152,621</u>	<u>480,253</u>	<u>632,874</u>
Segment results	<u>21,478</u>	<u>6,150</u>	27,628
Gain on deregistration of a subsidiary			37
Corporate and unallocated income			–
Corporate and unallocated expenses			(5,645)
Finance costs (other than interest on lease liabilities)			<u>(33,329)</u>
Loss before tax			<u>(11,309)</u>
	Audited		
	Year ended 31 December 2022		
	Global carbon neutral <i>HK\$'000</i>	Ecological governance <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>209,178</u>	<u>500,128</u>	<u>709,306</u>
Segment results	<u>(30,789)</u>	<u>4,223</u>	(26,566)
Loss on partial early repayment of promissory note			(74,562)
Loss on disposal of subsidiaries			(5)
Equity-settled share option expenses			(34,974)
Corporate and unallocated income			3,727
Corporate and unallocated expenses			(13,479)
Finance costs (other than interest on lease liabilities)			<u>(58,457)</u>
Loss before taxation			<u>(204,316)</u>

Segment assets and liabilities

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

	Unaudited as at 31 December 2023 HK\$'000	Audited as at 31 December 2022 HK\$'000
Segment assets		
Global carbon neutral	155,844	35,197
Ecological governance	278,531	260,495
	434,375	295,692
Corporate and other unallocated assets	57,891	18,846
Total assets	492,266	314,538
Segment liabilities		
Global carbon neutral	121,585	21,873
Ecological governance	150,959	139,073
	272,544	160,946
Corporate and other unallocated liabilities	96,536	203,361
Total liabilities	369,080	364,307

5. REVENUE

	Unaudited Twelve months ended 31 December 2023 <i>HK\$'000</i>	Unaudited Year ended 31 December 2022 <i>HK\$'000</i>
Sales of carbon-credit assets	147,869	207,834
Provision of carbon neutral advisory and carbon planning services	4,752	1,344
Ecological governance	480,253	500,128
	<u>632,874</u>	<u>709,306</u>
Timing of revenue recognition		
At a point in time	147,869	207,834
Over time	485,005	501,472
	<u>632,874</u>	<u>709,306</u>
Total revenue from contracts with customers	<u>632,874</u>	<u>709,306</u>

6. OTHER INCOME AND GAINS

	Unaudited Twelve months ended 31 December 2023 HK\$'000	Audited Year ended 31 December 2022 HK\$'000
Interest income	122	13
Gain on settlement of other borrowings	–	3,389
Consultancy fee income	398	360
Government subsidies (<i>Note a</i>)	–	3,014
Income on sublease (<i>Note b</i>)	–	118
Gain on lease modification	–	923
Management fee income	1,394	1,394
Sundry income	22	–
	<u>1,936</u>	<u>9,211</u>

Notes:

- (a) 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 year ended 31 December 2022. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.
- (b) The Group sublet part of its leased premises to a related company of the Company.

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).

Fair value gain on carbon-credit assets

Carbon-credit assets are measured at fair value less cost to sell and the changes in fair value are recognised as fair value gain or loss on carbon-credit assets in the consolidated statement of profit or loss and other comprehensive income.

8. FINANCE COSTS

	Unaudited Twelve months ended 31 December 2023 <i>HK\$'000</i>	Audited Year ended 31 December 2022 <i>HK\$'000</i>
Interest on lease liabilities	1,307	963
Interest on bank and other borrowings	172	2,511
Interest on promissory notes	2,696	9,394
Imputed interest on convertible bonds	<u>30,461</u>	<u>46,552</u>
	<u>34,636</u>	<u>59,420</u>

9. LOSS BEFORE TAX

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

	Unaudited Twelve months ended 31 December 2023 HK\$'000	Audited Year ended 31 December 2022 HK\$'000
Cost of sales		
Cost of inventories sold	147,319	192,103
Cost of service income	1,688	610
Contract costs	448,146	474,087
	597,153	666,800
Employee benefit expense (excluding directors' and chief executives' remuneration) [#]		
Wages and salaries	91,687	81,770
Equity-settled share option expenses	–	11,665
Pension scheme contributions	3,178	3,126
	94,865	96,561
Reversal of impairment of accounts receivable*	(192)	(1,185)
(Reversal of impairment)/ impairment of contract assets*	(168)	1,123
Depreciation of plant and equipment	997	549
Depreciation of right-of-use assets	10,176	7,772
Gain on lease modification	–	(923)
Auditor's remuneration	1,000	1,400
Lease payments not included in the measurement of lease liabilities	746	188

* The (reversal of impairment)/impairment of accounts receivable and contract assets were included in "Reversal of impairment of accounts receivable and contract assets, net" in the consolidated statement of profit or loss and other comprehensive income.

The employee benefit expenses of HK\$48,728,000 and HK\$10,547,000 for the twelve months ended 31 December 2023 (year ended 31 December 2022: HK\$44,019,000 and HK\$4,018,000) were included in "cost of sales" and "research and development costs", respectively.

10. INCOME TAX CREDIT

Hong Kong profits tax was provided at the rate of 16.5% for the twelve months ended 31 December 2023 (year ended 31 December 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period/year. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Unaudited Twelve months ended 31 December 2023 HK\$'000	Audited Year ended 31 December 2022 HK\$'000
Current tax	–	–
Deferred tax credit	–	5,278
	<u>–</u>	<u>5,278</u>

11. LOSS PER SHARE

The calculations of the basic loss per share for the period/year are based on the loss for the period/year attributable to owners of the Company of approximately HK\$8,787,000 (year ended 31 December 2022: approximately HK\$197,471,000) and the weighted average number of approximately 422,176,000 (year ended 31 December 2022: approximately 313,303,000) ordinary shares in issue during the period.

For the year ended 31 December 2022 and the twelve months ended 31 December 2023, the computation of diluted loss per share 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 per share are based on:

	Unaudited Twelve months ended 31 December 2023 HK\$'000	Audited Year ended 31 December 2022 HK\$'000
Loss		
Loss attributable to owners of the Company, used in basic and diluted loss per share calculation	<u>(8,787)</u>	<u>(197,471)</u>

	Number of shares	
	Unaudited Twelve months ended 31 December 2023	Audited Year ended 31 December 2022
Number of shares		
Weighted average number of ordinary shares in issue during the period/year used in the basic and diluted loss per share calculation	<u>422,176,164</u>	<u>313,302,740</u>

12. INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the twelve months ended 31 December 2023 (year ended 31 December 2022: Nil).

13. ACCOUNTS RECEIVABLE

	Unaudited 31 December 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
Accounts receivable	61,341	41,867
Less: allowance for impairment loss	<u>(1,246)</u>	<u>(1,438)</u>
	<u>60,095</u>	<u>40,429</u>

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

	Unaudited 31 December 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
Within 3 months	58,287	38,270
4 to 6 months	1,138	1,782
Over 6 months	<u>670</u>	<u>377</u>
	<u>60,095</u>	<u>40,429</u>

14. ACCOUNTS PAYABLE

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

	Unaudited 31 December 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
Within 3 months	68,515	67,462
4 to 6 months	990	2,011
Over 6 months	<u>5,906</u>	<u>3,343</u>
	<u>75,411</u>	<u>72,816</u>

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:

	Liability component	Equity component	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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	30,461	–	30,461
Conversion of convertible bonds	<u>(141,094)</u>	<u>(236,330)</u>	<u>(377,424)</u>
At 31 December 2023 (Unaudited)	<u><u>66,911</u></u>	<u><u>91,578</u></u>	<u><u>158,489</u></u>

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 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 maturity date of the Convertible Bonds had been extended for 2 years from 4 February 2018 to 4 February 2020.

On 8 November 2019, the maturity date of the Convertible Bonds had further been extended for 5 years to 4 February 2025.

During the twelve months ended 31 December 2023, the Company issued and allotted an aggregate of 120,000,000 shares, with the principal amount of the Convertible Bonds of HK\$240.0 million, upon exercise of the conversion rights attaching to the Convertible Bonds.

As at 31 December 2023, the outstanding principal amount of the Convertible Bonds was HK\$93.0 million. The maximum number of Shares that will be issued upon conversion of all the outstanding Convertible Bonds was 46,500,000 Shares.

16. PROMISSORY NOTES

	Unaudited 31 December 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
First Note	<u>18,795</u>	<u>16,099</u>

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 2 February 2020.

On 8 November 2019, 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.

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

Up to 31 December 2023, the Company had partially 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, resulting in the carrying amount of HK\$18,795,000 (as at 31 December 2022: HK\$16,099,000) which was recognised as non-current liabilities on the consolidated statement of financial position.

The carrying amount of the First Note as at 31 December 2023 was computed by discounting the face value of the note by the effective interest rate and outstanding interest payable.

17. CONTINGENT LIABILITIES

As of 31 December 2023, the Group had the following contingent liabilities:

- (a) At 31 December 2023, the guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK\$21,345,000 (as at 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 subcontractors 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 (“**Global Carbon Neutral Business**”); and (ii) civil engineering works, building construction and maintenance works (the “**Ecological Governance Business**”).

For the twelve months ended 31 December 2023 (the “**Period**”), the Group recorded a consolidated revenue of approximately HK\$632.9 million (Year ended 31 December 2022 (“**Year 2022**”): approximately HK\$709.3 million), representing a decrease of approximately 10.8%, or HK\$76.4 million, mainly due to a decrease in revenue of carbon credit assets during the Period.

As a result of the decrease in the revenue during the Period, the gross profit of the Group for the Year was approximately HK\$35.7 million (Year 2022: approximately HK\$42.5 million), representing a decrease of approximately HK\$6.8 million or 16.0% as compared to Year 2022.

The administrative and selling expenses of the Group for the Period was approximately HK\$64.7 million (Year 2022: approximately HK\$86.0 million), representing a decrease of approximately HK\$21.3 million or 24.8% as compared to year 2022, mainly because the Group exercised a tight control on operation costs.

The finance costs of the Group for the Period was approximately HK\$34.6 million (Year 2022: approximately HK\$59.4 million), representing a decrease of approximately HK\$24.8 million or 41.8% as compared to Year 2022. During the Period, the carrying amount of promissory note and convertible bonds of the Group decreased, which led to decrease in overall finance costs.

The Group recorded a loss attributable to owners of the Company of approximately HK\$8.8 million for the Period (Year 2022: loss attributable to owners of the Company of approximately HK\$197.5 million), representing a decrease of approximately HK\$188.7 million, or 95.6% as compared to Year 2022. This was mainly attributable to the following reasons: (i) a decrease in loss on partial early repayment of promissory note; (ii) a decrease in finance costs and (iii) a decrease in administrative and selling expenses; (iv) an increase in fair value gain on carbon-credit assets.

During the Period, the Group was principally engaged in the following activities:

1. Global Carbon Neutral Business Segment

The Group commenced Global Carbon Neutral Business Segment 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.

Following the Group's acquisition of China Carbon Green Credit Technology Shenzhen Co., Ltd.* ("**Green Credit**") (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) in 2023, the Group has utilised blockchain technology to proactively connect to the financial and digital economy, and its business has gained good momentum.

For the Period, the revenue of the Global Carbon Neutral Business was approximately HK\$152.6 million (Year 2022: approximately HK\$209.2 million), mainly due to a decrease in the sale of carbon credit assets in Singapore for the Period. The segment profit for the Period was approximately HK\$27.6 million (Year 2022: loss of approximately HK\$30.8 million).

In alignment with the development of Carbon Neutral Business Segment, the Group has formed a professional team with expertise since 2021 and its business organisational structure is as follows:

Carbon Asset Development, Operation and Management Business

- Carbon Asset Management Division
- Carbon Information Technology Division

Carbon Negative Business

- 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 and expert in the field of international computing. 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 Group 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 Period, the Group made relentless efforts to expand carbon asset development, operation and management business, including:

(i) 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.

(ii) Development of Carbon-Neutral Digital Technology

In March 2023, the Group acquired of 73% equity interest in China Carbon Green Credit Technology Co., Ltd.*, 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 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.

The Green Credit, a national high-tech enterprise, has jointly launched the first blockchain-based, one-stop green financial open platform and data service product “Green Finance Open Platform,” which has already landed on the Zhengzhou Data Trading Centre, a national-level data trading centre.

“Green Finance Open Platform” is jointly developed by Green Credit and its partners such as China Green Index (Beijing) Consulting Co., Ltd., a subsidiary of the International Institute of Green Finance (IIGF), CUFÉ. It is a green financial open platform that integrates “Portal + Functional Components + Service Providers + Database”. Based on blockchain technology, it aims to remove data and service barriers among enterprises, financial institutions, government agencies, and third-party service organizations, and strives to reduce the threshold for the use of green financial instruments by various users.

(iii) Expansion of Carbon Neutral Business in Global Market

The Group’s majority holding subsidiary, PT Zero Carbon Future Indonesia, was officially incorporated in Indonesia. PT Zero Carbon Future Indonesia, 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. PT Zero Carbon Future Indonesia 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**”).

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 CO₂ 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 CO₂. Meanwhile, the development of CCUS project will reduce 100 million metric tons of CO₂ 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.

2. Ecological Governance Segment

For the Period, the Ecological Governance Segment managed to record a stable performance, despite of the grave challenges from the COVID-19 outbreak and the economic downslope in Hong Kong.

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 utilization, 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 Ecological Governance 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 Ecological Governance 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 Period, the revenue of the Ecological Governance Segment was approximately HK\$480.3 million (FY2022: approximately HK\$500.1 million), representing a slight decrease of approximately HK\$19.8 million or 4.0% as compared to Year 2022.

As at 31 December 2023, the Group had 11 significant projects in progress. Two of them were building construction and maintenance projects while the remaining were civil engineering construction projects.

As at 31 December 2023, the total contract sum and the total outstanding values of the Group's substantial projects in progress were approximately HK\$386.0 million and HK\$65.0 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 Ecological Governance Segment 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 Period.

The Group has been awarded 2 new substantial contracts for the Period:

- Renovation works at Heung Yip Road Station; and
- DTC for the Maintenance, Improvement and Vacant Flat Refurbishment Works for Tai Po, North and Shatin (2) 2024/2026.

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.

Ecological Governance Segment

For the Ecological Governance Segment, 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 labour, 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

As at 31 December 2023, the net current assets and net assets of the Group were amounted to approximately HK\$174.3 million and HK\$123.2 million respectively (as at 31 December 2022: net current assets and net liabilities of approximately HK\$124.1 million and HK\$49.8 million respectively), representing an increase by approximately HK\$50.2 million and an increase by approximately HK\$173.0 million respectively as compared to the net current assets and net liabilities as at 31 December 2022.

Gearing ratio is calculated as total borrowings (interest-bearing borrowings, liability component of convertible bonds and promissory notes) less cash and bank balances divided by total equity. As at 31 December 2023, the Group's cash and cash equivalents were greater than the total of interest-bearing borrowings, the liability component of convertible bonds and promissory notes, and therefore, the gearing ratio is not applicable. As at 31 December 2022, the gearing ratio was not applicable as the Group's net equity was in a deficit position.

CHANGE OF SHARE CAPITAL DURING THE PERIOD

(i) Increase in authorised share capital

On 11 October 2023, the Company passed an ordinary resolution at the extraordinary general meeting to increase its authorised share capital from HK\$5,000,000 divided into 500,000,000 Shares of HK\$0.01 each ("**Shares**") to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,500,000,000 Shares.

(ii) 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 had been fulfilled. Accordingly, the 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 was HK\$60,000. The closing price per Share was HK\$1.99 was quoted on the Stock Exchange on the date of the Subscription.

The gross proceed of the Subscription was HK\$15,000,000. The net proceed from the Subscription (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 was HK\$2.50.

As at 31 December 2023, the Company had fully utilised the net proceed for the general working capital of the Company.

(iii) Placement of new shares

On 12 October 2023, the Company (as issuer) entered into a placing agreement (the “**Placing Agreement**”) with Yuet Sheung international Securities (Hong Kong) Limited (as the placing agent) (“**Placing Agent**”). Pursuant to the Placing Agreement, the Company conditionally agreed to place through the Placing Agent, on a best effort basis, up to 89,300,000 placing shares to not less than six placees at the placing price of HK\$0.4 per placing share.

On 27 October 2023, an aggregate of 89,300,000 placing shares were fully allotted and issued and successfully placed to not less than six placees through the Placing Agent at the placing price in accordance with the terms and conditions of the Placing Agreement. All of the placees and their ultimate beneficial owners (if applicable) were independent third parties who were not connected persons of the Company within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), and not acting in concert (as defined under the Takeovers Code) with any of them, and none of the placees had become a substantial shareholder of the Company immediately upon completion of the Placing Agreement.

The net proceed from the Placing (after deducting the commission payable to the Placing Agent, professional fees and other related costs and expenses incurred in the Placing) was approximately HK\$34.6 million.

As at 31 December 2023, the net proceeds of HK\$34.6 million had been fully utilised and mainly used as an advance payment in cooperation with the TusCity Group* which is very important to the Company’s expansion of its new energy business and in line with the first intended purpose of the Company’s announcement on the purpose of the placing on 12 October 2023. The Company will utilise the working capital generated from our operations for the other intended uses of net proceeds in the Company’s announcement dated 12 October 2023.

(iv) Conversion of convertible bonds into new shares

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 31 December 2023, the Company had issued a total of 535,800,000 Shares. All Shares are fully paid and rank pari passu with each other in all respects.

CONVERTIBLE BONDS

As at 31 December 2023, the outstanding principal amount of the Convertible Bonds was HK\$93.0 million. The maximum number of Shares that will be issued upon conversion of all the outstanding Convertible Bonds was 46,500,000 Shares.

Details of the movement of convertible bonds are set out in Note 15 to the unaudited condensed consolidated financial statements.

PROMISSORY NOTES

Up to 31 December 2023, the Company had fully repaid the Second Note and partially redeemed the First Note, resulting in the carrying amount of HK\$18.8 million (as at 31 December 2022: HK\$16.1 million) which was recognised as non-current liabilities on the consolidated statement of financial position.

Details of the movements of promissory notes are set out in Note 16 to the unaudited condensed consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for disclosed in the Company's announcements dated 27 March 2023, 23 October 2023 and 8 November 2023, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2023, the Group did not have any significant investment or capital assets.

PLEDGE OF ASSETS

As at 31 December 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.

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities are denominated in HKD and RMB, which are the functional currencies of the Group. Any fluctuation in the exchange rate of HKD 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 31 December 2023, the Group had approximately 302 employees (as at 31 December 2022: 329) in Hong Kong and Mainland China. During the Period, the total employee benefit of the Group were approximately HK\$88.4 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 programs 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.

CHANGE OF FINANCIAL YEAR END DATE

Reference is made to the Company's announcement dated 21 December 2023. The Company's financial year end date has been changed from 31 December to 30 June. Accordingly, the next financial year end date of the Company will be 30 June 2024 and the next audited consolidated financial statements of the Company to be published will cover the period of 18 months commencing on 1 January 2023 and ending on 30 June 2024.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the Company's announcement dated 26 January 2024. On 26 January 2024, the Group entered into the sale and purchase agreement with an independent party to acquire on 100% equity interest of the target company.

Save as disclosed above, the Group did not have any significant event after the Period and up to the date of this announcement.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the Period (Year 2022: Nil).

CHANGE OF DIRECTORS

From 1 January 2023 to the date of this announcement:

- (i) Ms. Chan Tan Na, Donna resigned as an executive Director with effect from 20 February 2023;
- (ii) Mr. Sha Tao was appointed as an executive Director with effect from 20 February 2023;
- (iii) Mr. Chen Lei resigned as an executive Director with effect from 2 June 2023;
- (iv) Dr. Guo Yike ("**Dr. Guo**") resigned as an independent non-executive Director ("**INED**") with effect from 24 July 2023;
- (v) Mr. Lu Xiangyong was appointed as an executive Director with effect from 26 September 2023;
- (iv) Mr. Wang Jiasi ("**Mr. Wang**") was appointed as an INED with effect from 26 September 2023;
- (vii) Mr. Lam Po Foon resigned as a non-executive Director with effect from 30 September 2023;
- (viii) Mr. Chen Xinwei resigned as an executive Director and the Chief Executive Officer with effect from 2 October 2023;

- (ix) Mr. Zhong Guoxing was appointed as an executive Director and the Chief Executive Officer with effect from 6 October 2023;
- (x) Dr. Li Qun (“**Dr. Li**”) resigned as an INED with effect from 6 October 2023;
- (xi) Dr. Dai Fan (“**Dr. Dai**”) was appointed as an INED with effect from 19 October 2023 and she resigned as an INED with effect from 27 December 2023; and
- (xii) Ms. Lan Haiqing (“**Ms. Lan**”) was appointed as an INED with effect from 21 February 2024.

Non-Compliance with the Listing Rules

Following the resignation of Dr. Guo as an INED and the member of audit committee on 24 July 2023: (i) total number of INED accounts for less than three and hence the Company failed to meet the requirements 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.

Following the appointment of Mr. Wang as an INED and the member of audit committee on 26 September 2023, the Company had fully complied with the requirements as set out in Rules 3.10(1); 3.10A and 3.21 of the Listing Rules.

Following the resignation of Dr. Li as an INED and the member of audit committee on 6 October 2023, the Company failed to meet the requirements as set out in Rules 3.10(1), 3.10A and 3.21 of the Listing Rules. The above non-compliance arose only due to the resignation of Dr. Li.

Following the appointment of Dr. Dai as an INED and the member of audit committee on 19 October 2023, the Company had fully complied with the requirements as set out in Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

Following the resignation of Dr. Dai as an INED and the member of audit committee on 27 December 2023, the Company failed to meet the requirements as set out in Rules 3.10(1), 3.10A and 3.21 of the Listing Rules. The above non-compliance arose only due to the resignation of Dr. Dai.

Following the appointment of Ms. Lan as an INED and the member of audit committee on 21 February 2024, the Company had fully complied with the requirements as set out in Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

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 Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee currently comprises three members including, Mr. Wang Anyuan, Mr. Wang Jiasi and Ms. Lan Haiqing, all being independent non-executive Directors. The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group, discussed risk management, internal controls and financial reporting matters and the consolidated results of the Group for the Period.

PUBLICATION OF SECOND INTERIM RESULTS AND SECOND INTERIM REPORT

This results announcement is published on the Stock Exchange’s website (www.hkex.com.hk) and the Company’s website (www.carbonneutral.com.hk). The second interim report for the Period containing all the information as required by the Listing Rules will be dispatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

By order of the Board
China Carbon Neutral Development Group Limited
Sha Tao
Chairman and Executive Director

Hong Kong, 28 February 2024

As at the date of this announcement, the executive Directors are Mr. Sha Tao, Mr. Zhong Guoxing, Mr. Di Ling and Mr. Lu Xianyong; and the independent non-executive Directors are Mr. Wang Anyuan, Mr. Wang Jiasi and Ms. Lan Haiqing.

* *for identification purposes only*