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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)

**PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
TO EFFECTIVELY RESTRUCTURE THE COMPANY'S DEBTS AND
FACILITATE ITS HEALTHY DEVELOPMENT**

THE SETTLEMENT AND OFFSET AGREEMENTS

The Board is pleased to announce that, on 30 May 2025 (after trading hours), the Company and the Subscribers entered into the Settlement and Offset Agreements, pursuant to which the Subscribers agree to subscribe for the Convertible Bonds in consideration of the Indebtedness, and the Company agrees to issue the Convertible Bonds to the Subscribers to offset the Indebtedness.

PROPOSED ISSUE OF THE CONVERTIBLE BONDS

Pursuant to the Settlement and Offset Agreements, on 30 May 2025 (after trading hours), the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Subscribers conditionally agree to subscribe, and the Company conditionally agree to issue the Convertible Bonds in an aggregate principal amount of HK\$57,659,479.52 in consideration of the Indebtedness.

The Convertible Bonds carry conversion rights to convert into the Conversion Shares at the Conversion Price of HK\$0.28 (subject to adjustments). As at the date of this announcement, the Company has an aggregate of 642,960,000 Shares in issue. Assuming there is no other change in the existing shareholding of the Company, upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.28 per Conversion Share, a maximum of 205,926,712 Conversion Shares will be issued, representing (i) approximately 32.03% of the existing issued share capital of the Company; (ii) and approximately 24.26% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be approved by the Shareholders at the EGM.

The issue of the Convertible Bonds is to set off in full the Indebtedness. As such, no proceeds will be received by the Company from the issue of the Convertible Bonds.

GENERAL

The EGM will be convened to consider and, if thought fit, approve the Subscription Agreements and the transactions contemplated thereunder (including the grant of the Specific Mandate).

A circular containing, among other things, (i) the Specific Mandate; (ii) further information on the Subscription Agreements and the transactions contemplated thereunder; and (iii) a notice of the EGM and a form of proxy will be despatched to the Shareholders as soon as practicable.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscribers and their ultimate beneficial owners are third parties independent of the Company and its connected persons. No Shareholder has a material interest in the transactions contemplated under the Subscription Agreements, and accordingly no Shareholder is required to abstain from voting on the resolution(s) to approve the Subscription Agreements and the transactions contemplated thereunder at the EGM. No Director has material interest in the transactions under the Subscription Agreements and is required to abstain from voting on the resolutions passed by the Board to approve the foregoing matters.

Completion of the Subscription Agreements is subject to the satisfaction (or waiver, as the case may be) of the conditions precedent therein. As the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

THE SETTLEMENT AND OFFSET AGREEMENTS

Reference is made to the announcement of the Company dated 16 May 2025 in relation to, among others, the negotiations between the Company and the creditors of the Company to offset the debts of the Company. The Board is pleased to announce that, on 30 May 2025 (after trading hours), the Company and the Subscribers entered into the Settlement and Offset Agreements, pursuant to which the Subscribers agree to subscribe for the Convertible Bonds in consideration of the Indebtedness, and the Company agrees to issue the Convertible Bonds to the Subscribers to offset the Indebtedness. The principal terms of the Settlement and Offset Agreements are set out as follows:

Date

30 May 2025

Parties

- (i) the Company;
- (ii) Green Securities; and
- (iii) Green Asset.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Green Securities and Green Assets and their ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Subject matter

The parties to the Settlement and Offset Agreements mutually confirm that, as at the date of the Settlement and Offset Agreements, the Indebtedness consists of the following:

Subscribers	Principal (HK\$)	Interest (HK\$)	Total (HK\$)
Green Securities	28,163,334.52	2,270,754.00	30,434,088.52
Green Assets	25,535,150.00	1,690,241.00	27,225,391.00
			<hr/> 57,659,479.52

Pursuant to the Settlement and Offset Agreements, the Company and the Subscribers mutually agree that the Indebtedness shall be converted into Convertible Bonds with an aggregate principal amount of HK\$57,659,479.52. Upon completion of the Subscription, the Company shall have fully discharged all its obligations and liabilities in respect of the repayment of the Indebtedness, and the Subscribers shall irrevocably waive, release, and discharge any and all claims, rights, demands, liabilities, and obligations of any nature whatsoever arising from or in connection with the Indebtedness.

PROPOSED ISSUE OF THE CONVERTIBLE BONDS

The Subscription Agreements

On 30 May 2025 (after trading hours), the Company entered into the Subscription Agreements with the Subscribers, with the principal terms set forth below:

Date

30 May 2025 (after trading hours)

Parties

- (i) the Company;
- (ii) Green Securities; and
- (iii) Green Assets.

Subject matter

Pursuant to the Subscription Agreements, the Subscribers conditionally agree to subscribe, and the Company conditionally agrees to issue the Convertible Bonds in the following principal amount in consideration of the Indebtedness:

Subscribers	Principal amount of the Convertible Bonds to be subscribed (HK\$)
Green Securities	30,434,088.52
Green Assets	27,225,391.00
Total	<hr/> 57,659,479.52

Conditions precedent

Completion of the Subscription is conditional upon the satisfaction (or waiver, as the case may be) of the following conditions precedent:

1. the passing by the Shareholders at the EGM of the resolutions to approve the Subscription Agreements and the transactions contemplated thereunder (including the grant of the Specific Mandate to the Directors);
2. the Listing Committee having granted approval for the listing of, and permission to deal in, all of the Conversion Shares and such listing approval has not been withdrawn before the completion of the Subscription;
3. the Company has received all necessary approvals and permissions for the Subscription Agreements and the transactions contemplated thereunder and not revoked before completion of the Subscription;
4. the Subscribers have received all necessary approvals and permissions for the Subscription Agreements and the transactions contemplated thereunder and not revoked before completion of the Subscription;
5. all of the representations and warranties given by the Company and the Subscribers thereunder are true, accurate and complete in material respects; and
6. the Company having no material adverse change in the operation.

Conditions numbered 1 to 4 are not waivable. If the conditions precedent are not fulfilled (or waived, as the case may be) by 31 October 2025, the Subscription Agreements will terminate and cease to have any effect. None of the parties to the Subscription Agreements shall have any claim against or liability or obligation to the other party under the Subscription Agreements save for any rights or obligations which may accrue prior to the date of such termination.

Completion

The completion of the Subscription shall take place at or before 11:00 a.m. on the third business day (or such other date as agreed by the parties) after fulfilment of all the conditions precedent set out above, which is expected to be 18 July 2025.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are set out as follows:

Principal amount:	HK\$30,434,088.52 under the Subscription Agreement A; HK\$27,225,391.00 under the Subscription Agreement B; and HK\$57,659,479.52 in aggregate
Maturity date:	the date falling on the second anniversary of the Issuance Date
Issue Price:	100.00% of the principal amount of the Convertible Bonds
Interest:	5% per annum, payable annually or with respect to the last payment, on the maturity date

Conversion right Subject to the restrictions below, each bondholder has the right to convert the Convertible Bonds into the Conversion Shares at any time during the Conversion Period.

The Shares to be issued by the Company under the conversion shall not include fractional Shares. Fractional Shares will not be issued, and no cash adjustments will be made in this regard.

No Bondholder shall exercise any conversion rights and the Company shall not be required to issue any Conversion Share in the event that the exercise of such conversion rights by the Bondholders will cause: (1) more than 20% of the Shares being held by the Bondholders and/or persons acting in concert with them (as defined under the Takeovers Code); and/or (2) the public float of the Company being less than 25% of its issued share capital.

Conversion period: From the first business day after the Issuance Date up to and including the fifteenth business day prior to the maturity date.

Conversion Price: HK\$0.28 per Conversion Share, which shall be subject to adjustments provided in the Bond Instrument. The Conversion Price of HK\$0.28 per Conversion Share represents:

- (i) a discount of approximately 83.53% over the closing price of HK\$1.70 per Share as quoted on the Stock Exchange as at the date of this announcement; and
- (ii) a discount of approximately 80.14% over the average closing price of HK\$1.41 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of this announcement.

The initial Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers. The issuance of the Convertible Bonds represents a strategic approach by the Company to resolve the Indebtedness through capitalization, thereby alleviating the financial burden without impacting the Company's cashflow. While the Conversion Price is set at a discount, the ability to secure the Subscribers' agreement to this arrangement is a critical step in addressing the Company's financial obligations. This solution not only ensures the settlement of the Indebtedness but also preserves the Company's liquidity, making it a valuable and pragmatic resolution for all parties involved. The Directors consider that the initial Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Adjustments to the Conversion Price:

In the event of any consolidation or sub-division of the Shares, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$A/B$$

where:

A = the revised nominal value per Share; and

B = the former nominal value per Share.

Conversion Shares

Assuming the conversion rights are exercised in full at the initial Conversion Price of HK\$0.28 per Share, a maximum of 205,926,712 Conversion Shares will be allotted and issued, which represents:

approximately 32.03% of the existing total number of Shares in issue as at the date of this announcement; and

approximately 24.26% of the total number of Shares in issue as enlarged by the allotment and issuance of the Conversion Shares upon the full conversion of the Convertible Bonds at the initial Conversion Price without adjustment (assuming there is no other change in the total number of Shares from the date of this announcement up to the full conversion of the Convertible Bonds).

The maximum aggregate nominal value of the Conversion Shares (upon exercise in full of the conversion rights) will be HK\$2,059,267.12 based on the nominal value of HK\$0.01 per Share.

Based on the terms of the Subscription Agreements and assuming that the maximum number of Conversion Shares is issued, the Subscription will not result in theoretical dilution effects of 25% or more and thus complies with the requirement under Rule 7.27B of the Listing Rules.

Redemption on the maturity date:

On the maturity date, any outstanding amount under the Convertible Bonds will be automatically redeemed by the Company in full at the principal amount plus any accrued but unpaid interest.

Event of default:

If any of the event of default specified under the Bond Instruments occurs, Bondholders shall be entitled to issue a written notice to the Company that the principal amount of the outstanding Convertible Bonds shall become due and payable on the seventh business day after the issue of the written notice.

Status and listing: The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, ranking equally among themselves and (save as required by law) *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company.

No application is intended to be made for the listing of the Convertible Bonds on any stock exchange.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

Voting: The Bondholders shall not be entitled to attend or vote at any meetings of the Company by virtue of their state as Bondholders.

Transferability: Subject to compliance with the Listing Rules, the Bondholders may transfer or assign in whole or in part of the Convertible Bonds to any party (except for the connected persons of the Company).

INFORMATION ON THE SUBSCRIBERS

Green Securities is a company incorporated in Hong Kong with limited liability and is principally engaged in securities or property investment. The ultimate beneficial owner of Green Securities is Wu Mingming (吳明明), a third party independent of and not connected with the Company and its connected persons.

Green Assets is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. The ultimate beneficial owner of Green Assets is Wu Mingming.

FINANCIAL EFFECTS OF THE SETTLEMENT AND OFFSET AGREEMENTS AND THE ISSUE OF THE CONVERTIBLE BONDS

Given the aggregate principal amount of the Convertible Bonds is equal to the Indebtedness settled pursuant to the Settlement and Offset Agreements, being HK\$57,659,479.52, it is expected that the Group will not receive any proceeds from the issue of the Convertible Bonds.

REASONS FOR AND BENEFITS OF THE SETTLEMENT AND OFFSET AGREEMENTS AND THE ISSUE OF THE CONVERTIBLE BONDS

The Group is principally engaged in (i) global carbon neutral business, focusing 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; and utilising a blockchain-based dual-carbon digital control platform to connect and mobilise the entire dual carbon chain resource to support the sustainable development of the dual-carbon economy; (ii) a green development platform based on “Green Finance Open Platform” to provide ESG related services; and (iii) civil engineering works, building construction and maintenance works.

Pursuant to the terms of the Subscription Agreements, the Convertible Bonds will be settled over the period of two years. This arrangement aims to alleviate repayment pressure and effectively addresses the Company’s concern on cashflow by spreading out the repayment of the Indebtedness over a longer term. Furthermore, the Settlement and Offset Agreements endeavours to enhance the Company’s financial standing by addressing current liabilities, thereby allowing for greater flexibility in the allocation of financial resources towards business development.

As mentioned above, the issue of the Convertible Bonds is for settlement of the Indebtedness on a dollar-for-dollar basis. There will not be any proceeds from the issue of the Convertible Bonds. Upon the completion of the Subscription, the obligations and the Indebtedness shall be settled and discharged fully and finally pursuant to the Settlement and Offset Agreements.

The Company has considered other fund-raising alternative, including but not limited to debt financing, placing of new Shares and rights issue. Specifically, debt financing has become increasingly difficult due to the Company’s limited borrowing capacity and the tightening credit policies of financial institutions. Similarly, the placing of new Shares may not be viable, as it could result in significant dilution to existing Shareholders and may face limited investor appetite under the current market conditions. A rights issue, while theoretically possible, would require substantial lead time, involve higher administrative costs, and carry no guarantee of full subscription, thereby introducing additional uncertainties. After comprehensively considering the current market financing environment, the actual situation of the Company and the uncertainties lies within other fundraising channels, the Board considers raising funds by way of the issuance of the Convertible Bonds is a relatively more feasible way and with more certainty, while also being the more cost-effective and efficient method of settling the Indebtedness at this moment.

In view of the above, the Directors consider that the terms of the Settlement and Offset Agreements and the Subscription Agreements are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full conversion of the Convertible Bonds (assuming that there is no other change in the existing shareholding of the Company):

Shareholders	As at the date of this announcement		Upon full conversion of the Convertible Bonds ⁽¹⁾	
	Number of Shares	Approximate percentage of the total issued Shares (%)	Number of Shares	Approximate percentage of the total issued Shares (%)
Substantial shareholders				
Green Securities ⁽⁴⁾	-	-	108,693,173	12.80
Green Assets ⁽⁴⁾	-	-	97,233,539	11.45
Quick Tycoon Limited ⁽²⁾	89,470,000	13.92	89,470,000	10.54
China Eco Fund Investment Limited ⁽²⁾	40,000,000	6.22	40,000,000	4.71
Legit Aiming Limited	70,000,000	10.89	70,000,000	8.25
Director				
Mr. Geng Zhiyuan ⁽³⁾	22,000,000	3.42	22,000,000	2.59
Public shareholders				
Other public Shareholders	421,490,000	65.55	421,490,000	49.65
Total	642,960,000	100.00	848,886,712	100.00

Notes:

- (1) Assuming there will be no other change in the number of issued Shares between the date of this announcement and the date of the conversion of the Convertible Bonds save for the allotment and issue of the Conversion Shares. Certain figures and percentage figures included in the above table have been subject to rounding adjustments.
- (2) Both Quick Tycoon Limited and China Eco Fund Investment Limited are wholly-owned by China Eco Investment Limited, which is wholly-owned by Mr. Sha Tao.
- (3) Mr. Geng Zhiyuan is a non-executive Director.
- (4) If the Conversion Shares are fully converted at the initial Conversion Price, Green Securities, Green Assets and Wu Mingming will be the substantial shareholders of the Company.

GENERAL

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate which is subject to the Shareholders' approval at the EGM. The EGM will be convened to consider and, if thought fit, approve the Subscription Agreements and the transactions contemplated thereunder (including the grant of the Specific Mandate).

A circular containing, among other things, (i) the Specific Mandate; (ii) further information on the Subscription Agreements and the transactions contemplated thereunder; and (iii) a notice of the EGM and a form of proxy will be despatched to the Shareholders as soon as practicable.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscribers and their ultimate beneficial owner are third parties independent of the Company and its connected persons. No Shareholder has a material interest in the transactions contemplated under the Subscription Agreements, and accordingly no Shareholder is required to abstain from voting on the resolution(s) to approve the Subscription Agreements and the transactions contemplated thereunder at the EGM. No Director has material interest in the transactions under the Subscription Agreements and is required to abstain from voting on the resolutions passed by the Board to approve the foregoing matters.

Completion of the Subscription Agreements is subject to the satisfaction (or waiver, as the case may be) of the conditions precedent therein. As the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

“Board”	the board of Directors
“Bondholder(s)”	in relation to any Convertible Bonds at any time the person whose name appears in the register of holder of the Convertible Bonds as the holder of Convertible Bonds at the relevant time
“Bond Instruments”	the instruments to be executed by the Company in the form of a deed under and pursuant to which the Convertible Bonds are to be constituted and issued
“business day(s)”	means a day (other than a Saturday or Sunday or public holiday in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are open for business in Hong Kong
“Company”	China Carbon Neutral Development Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1372)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Conversion Price”	HK\$0.28, being the conversion price per Share at which the Convertible Bonds may be converted into Conversion Shares, subject to the terms and conditions of the Convertible Bonds, and subject to adjustments (if any)
“Conversion Share(s)”	a maximum of 205,926,712 Shares to be allotted and issued by the Company upon the exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bond(s)”	the convertible bond(s) in an aggregate principal amount of HK \$57,659,479.52 to be issued by the Company to the Subscribers under the Subscription Agreements
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider and, if thought fit, to approve the Subscription Agreements and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Green Assets”	Green Assets Management Limited (綠色資產管理有限公司), a company incorporated in Hong Kong with limited liability
“Green Securities”	Green Securities Group Limited (綠色債券集團有限公司), a company incorporated in Hong Kong with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indebtedness”	the outstanding debts of the Company which is due and owing to the Subscribers totaling HK\$57,659,479.52 as at the date of the Settlement and Offset Agreements
“Issuance Date”	the initial issuance date of the Convertible Bonds under and pursuant to the terms and conditions contained in the Bond Instruments
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement

“Settlement and Offset Agreements”	the settlement and offset agreements dated 30 May 2025 entered into between the Subscribers and the Company pursuant to which the Subscribers agree to subscribe for the Convertible Bonds in consideration of the Indebtedness, and the Company agrees to issue the Convertible Bonds to the Subscribers to offset the Indebtedness
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM and to be granted to the Directors for the allotment and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, Green Securities and Green Assets
“Subscription”	the issue and subscription of the Convertible Bonds pursuant to the Subscription Agreements
“Subscription Agreement A”	the subscription agreement dated 30 May 2025 entered into between the Company and Green Securities in connection with the issue and subscription of the Convertible Bonds
“Subscription Agreement B”	the subscription agreement dated 30 May 2025 entered into between the Company and Green Assets in connection with the issue and subscription of the Convertible Bonds
“Subscription Agreements”	collectively, Subscription Agreement A and Subscription Agreement B
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers published by the Securities and Futures Commission of Hong Kong
“%”	percentage

By order of the Board
China Carbon Neutral Development Group Limited
Zhong Guoxing
Chairman and Executive Director

Hong Kong, 30 May 2025

As at the date of this announcement, the Executive Directors are Mr. Zhong Guoxing, Mr. Di Ling and Mr. Lu Xiangyong; the Non-executive Director is Mr. Geng Zhiyuan (Mr. Wang Guangzu as his alternate) and the Independent Non-executive Directors are Mr. Cao Ming, Mr. Wang Jiasi and Ms. Qiao Yanlin.