



China Environmental Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 646

Interim Report 2026



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Xu Jingping (*Chairman*)
Mr. Xu Zhongping
Mr. Yang Baodong

Non-executive Directors:

Ms. Hu Yueyue
Mr. Ma Tianfu
Mr. Wang Youming

Independent Non-executive Directors:

Mr. Tse Chi Wai
Prof. Zhu Nanwen
Prof. Li Jun

AUDIT COMMITTEE

Mr. Tse Chi Wai (*Chairman*)
Prof. Zhu Nanwen
Prof. Li Jun

REMUNERATION COMMITTEE

Mr. Tse Chi Wai (*Chairman*)
Prof. Zhu Nanwen
Prof. Li Jun

NOMINATION COMMITTEE

Mr. Xu Jingping (*Chairman*)
Mr. Tse Chi Wai
Prof. Zhu Nanwen
Prof. Li Jun

COMPANY SECRETARY

Mr. Li Wang Hing, Nelson

AUDITOR

ZHONGHUI ANDA CPA Limited
Unit 701., 7/F., Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong

LEGAL ADVISERS

Zhong Lun Law Firm

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Vistra (Cayman) Limited
P.O. Box 31119, Grand Pavilion,
Hibiscus Way, 802 West Bay Road,
Grand Cayman KY1-1205,
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F., Far East Finance Centre,
16 Harcourt Road,
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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 646

PRINCIPAL BANKERS

Hang Seng Bank Limited

COMPANY WEBSITE

www.cethl.com

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2026 – Unaudited

		Six months ended 30 June 2026 (Unaudited) HK\$'000	2025 (Unaudited) (Restated) HK\$'000
	Note		
Revenue	4	17,867	18,984
Cost of sales		(11,479)	(13,433)
Gross profit		6,388	5,551
Other income		31	1
Other loss, net	5	(7,323)	(5,836)
Distribution costs		(378)	(521)
Reversal of impairment on trade receivables	11	3,381	—
Administrative expenses		(11,960)	(15,415)
Loss from operations		(9,861)	(16,220)
Finance costs	6	(15,347)	(14,920)
Loss before tax	6	(25,208)	(31,140)
Income tax expenses	7	—	—
Loss for the period		(25,208)	(31,140)
Other comprehensive expenses for the period:			
Exchange differences reclassified to profit or loss on disposal of subsidiary		(15)	—
Exchange differences on translation of financial statements of foreign operations		(8,936)	(7,251)
Total other comprehensive expenses for the period		(8,951)	(7,251)
Total comprehensive loss for the period		(34,159)	(38,391)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2026 – Unaudited

		Six months ended 30 June 2026 (Unaudited) HK\$'000	2025 (Unaudited) (Restated) HK\$'000
	Note		
Loss for the period attributable to:			
Owners of the Company		(24,077)	(29,592)
Non-controlling interests		(1,131)	(1,548)
		(25,208)	(31,140)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(32,842)	(36,899)
Non-controlling interests		(1,317)	(1,492)
		(34,159)	(38,391)
Loss per share:			
Basic and diluted (<i>HK cents</i>)	9	(7.03)	(8.64)

The notes on pages 9 to 26 form part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2026 – Unaudited

		At 30 June 2026 (Unaudited) HK\$'000	At 31 December 2025 (Unaudited) (Restated) HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	10	735	778
Right-of-use assets		570	440
Intangible assets		589	601
Interests in an associate		—	—
		1,894	1,819
Current assets			
Trade and other receivables	11	27,464	22,889
Contract assets and contract costs		2,608	8,247
Bank and cash balances		298	1,687
		30,370	32,823
Current liabilities			
Trade and other payables	12	483,206	457,231
Contract liabilities		—	9,430
Borrowings	13	93,276	87,724
Lease liabilities		253	419
		576,735	554,804
Net current liabilities		(546,365)	(521,981)
Total assets less current liabilities		(544,471)	(520,162)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2026 – Unaudited

		At 30 June 2026 (Unaudited)	At 31 December 2025 (Unaudited) (Restated)
	Note	HK\$'000	HK\$'000
Non-current liabilities			
Trade and other payables	12	103,493	96,261
Borrowings	13	78,192	75,649
Convertible bonds	14	11,585	11,776
Lease liabilities		302	36
		193,572	183,722
NET LIABILITIES		(738,043)	(703,884)
Capital and reserves			
Share capital	15	171,349	171,349
Reserves		(912,345)	(879,503)
Equity attributable to owners of the Company		(740,996)	(708,154)
Non-controlling interests		2,953	4,270
TOTAL DEFICIT		(738,043)	(703,884)

The notes on pages 9 to 26 form part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2026 – Unaudited

	Attributable to owners of the Company										Non-controlling interest	Deficit equity
	Share capital	Share premium	Contributed surplus	Foreign currency translation reserve	Share-based payment reserve	Convertible bond reserve	Other reserves	Accumulated Losses	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2025, as restated (unaudited)	171,349	381,460	(180)	20,960	2,275	1,116	7,442	(1,224,851)	(640,429)	3,230	(637,199)	
Loss for the period (restated)	-	-	-	-	-	-	-	(29,592)	(29,592)	(1,548)	(31,140)	
Exchange differences on translation of foreign operations (restated)	-	-	-	(7,307)	-	-	-	-	(7,307)	56	(7,251)	
Capital contribution by non-controlling shareholder of subsidiary	-	-	-	-	-	-	-	-	-	3,287	3,287	
Balance at 30 June 2025, as restated (unaudited)	171,349	381,460	(180)	13,653	2,275	1,116	7,442	(1,254,443)	(677,328)	5,025	(672,303)	
Balance at 1 January 2026, as restated (unaudited)	171,349	381,460	(180)	13,061	2,275	1,116	7,442	(1,284,677)	(708,154)	4,270	(703,884)	
Loss for the period	-	-	-	-	-	-	-	(24,077)	(24,077)	(1,131)	(25,208)	
Exchange differences reclassified to profit or loss on disposal of subsidiary	-	-	-	(14)	-	-	-	-	(14)	(1)	(15)	
Exchange differences on translation of foreign operations	-	-	-	(8,751)	-	-	-	-	(8,751)	(185)	(8,936)	
Balance at 30 June 2026 (unaudited)	171,349	381,460	(180)	4,296	2,275	1,116	7,442	(1,308,754)	(740,996)	2,953	(738,043)	

The notes on pages 9 to 26 form part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2026 – Unaudited

	Six months ended 30 June 2026 (Unaudited) HK\$'000	2025 (Unaudited) HK\$'000
Net cash used in operating activities	(5,419)	(3,095)
Net cash generated from/(used in) investing activities	790	(7)
Net cash generated from financing activities	3,199	3,900
(Decrease)/increase in cash and cash equivalents	(1,430)	798
Cash and cash equivalents at beginning of period	1,687	892
Effect of change in foreign exchange rate	41	15
Cash and cash equivalents at end of period	298	1,705
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	298	1,705

The notes on pages 9 to 26 form part of this interim report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Environmental Technology Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 31 August 2001 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office and principal place of business of the Company are located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands and Unit 901, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong respectively.

The principal activity of the Company is investment holding. The principal activities of the Group are described in note 4 to the condensed consolidated financial statements.

2. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2025. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2025 except as stated below.

Restatement of Previously Issued Consolidated Financial Statements

References are made to the announcements of the Company dated (i) 16 May 2018 in relation to the proposed issue of convertible bonds due 2021 in the aggregate principal amount of US\$7,000,000 (the “Convertible Bonds due 2021”); (ii) 19 July 2018 in relation to the completion of subscription of the Convertible Bonds due 2021; (iii) 12 April 2019 in relation to the invalidity of the issuance of the Convertible Bonds due 2021; (iv) 1 April 2026 in relation to the judgement (the “Judgement”) made by the High Court of Hong Kong which granted a declaration that the Subscription Agreement, the Convertible Bonds due 2021, the terms and conditions of the Convertible Bonds due 2021 and the Side Letter Agreement are valid and enforceable; (v) 29 April 2026 and 5 June 2026 in relation to the update on the legal proceedings related to the Convertible Bonds due 2021, and (vi) 2 July 2026 in relation to the update on the legal proceedings related to the Convertible Bonds due 2021 and the financial impact of the Convertible Bonds due 2021 (collectively, the “Announcements”); and the Company’s annual report for the year ended 31 December 2025 (the “Annual Report 2025”) published on 29 April 2026. Unless otherwise defined, capitalized terms used herein shall have the same meanings as used in the Announcements and the Annual Report 2025.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (Continued)

Restatement of Previously Issued Consolidated Financial Statements (Continued)

As disclosed in the Annual Report 2025, the subscriber of Convertible Bonds due 2021 (the "Subscriber") paid US\$1.5 million to PFI Singapore's bank account, and the Designated Payer paid approximately RMB35.4 million to the Jointly Controlled Account opened by Beijing Innomed, as consideration for the subscription of the Convertible Bonds due 2021 according to the Confirmation Letter and the Side Letter Agreement, both of which were signed by the then CEO of the Company, who was also an executive Director at that time, purportedly on behalf of the Company. However, neither the Confirmation Letter nor the Side Letter Agreement had ever been submitted to the Board for discussion and approval, and no Directors of the Company, except for the then CEO, had any knowledge about the Confirmation Letter or the Side Letter Agreement until they were discovered by the Board in early 2019. Therefore, as stated in the announcement of the Company dated 12 April 2019, upon obtaining preliminary legal advice and having considered all relevant circumstances, the Company's position was that the Side Letter Agreement and the Subscription Agreement were unenforceable due to illegality and should be rescinded and/or set aside, and as a result, the Convertible Bonds due 2021 were not valid from the date of its issuance and should be rescinded and set aside. Based on this position, the Convertible Bonds due 2021 were not recognised in the Company's consolidated financial statements for the year ended 31 December 2025 or any prior years. On the other hand, the approximately RMB35.4 million paid by the Designated Payer was recognised as a liability owed by Beijing Innomed to the Designated Payer, while the US\$1.5 million paid by the Subscriber was recognised as a liability owed by PFI Singapore to the Subscriber which was deconsolidated from the Company's consolidated financial statements when PFI Singapore was deconsolidated from the Group in February 2019 due to the appointment of interim judicial managers by the Singapore Court. The Group has never accrued any interests on the aforesaid amounts due to the Designated Payer and the Subscriber.

However, based on the Judgement, as advised by the Company's lawyer, the terms of the Subscription Agreement and the Convertible Bonds due 2021 should be regarded as effective to the full force and effect, but the Subscriber currently only has the right to require the Company to redeem the Convertible Bonds due 2021 and to pay interest according to the terms of the Convertible bonds due 2021 because the conversion period has already been expired. In this connection, the Company's consolidated financial statements for the year ended 31 December 2025 and the condensed consolidated interim financial statements for the six months ended 30 June 2025 should be restated to reflect the financial impact of the Convertible Bonds due 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (Continued)

Restatement of Previously Issued Consolidated Financial Statements (Continued)

The effect of the aforesaid restatements on the Company's condensed consolidated financial statements for each of the six months ended 30 June 2025 and 2026 by line items is summarised as follows:

	Note	Previously reported HK\$'000	Restatement adjustments HK\$'000	Restated HK\$'000
As at 1 January 2025				
<i>Consolidated Statement of Financial Position</i>				
Trade and other payables	(1)	357,612	64,251	421,863
Current liabilities		451,256	64,251	515,507
Net current liabilities		(416,714)	(64,251)	(480,965)
Total assets less current liabilities		(414,029)	(64,251)	(478,280)
NET LIABILITIES		(572,948)	(64,251)	(637,199)
Reserves		(747,527)	(64,251)	(811,778)
– Foreign currency translation reserve	(2)	26,243	(5,283)	20,960
– Accumulated losses		(1,165,883)	(58,968)	(1,224,851)
Equity attributable to owners of the Company		(576,178)	(64,251)	(640,429)
TOTAL DEFICIT		(572,948)	(64,251)	(637,199)
For the six months ended 30 June 2025				
<i>Condensed Consolidated Statement of Comprehensive Income</i>				
Finance costs	(3)	(11,237)	(3,683)	(14,920)
Loss before tax		(27,457)	(3,683)	(31,140)
Loss for the period		(27,457)	(3,683)	(31,140)
Exchange differences on translation of financial statements of foreign operations		(8,390)	1,139	(7,251)
Total other comprehensive expenses for the period		(8,390)	1,139	(7,251)
Total comprehensive expenses for the period		(35,847)	(2,544)	(38,391)
Loss for the period attributable to owners of the Company		(25,909)	(3,683)	(29,592)
Total comprehensive expenses for the period attributable to owners of the Company		(34,355)	(2,544)	(36,899)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (Continued)

Restatement of Previously Issued Consolidated Financial Statements (Continued)

	Note	Previously reported HK\$'000	Restatement adjustments HK\$'000	Restated HK\$'000
As at 30 June 2025				
<i>Condensed Consolidated Statement of Financial Position</i>				
Trade and other payables	(4)	387,185	66,795	453,980
Current liabilities		477,526	66,795	544,321
Net current liabilities		(448,167)	(66,795)	(514,962)
Total assets less current liabilities		(445,602)	(66,795)	(512,397)
NET LIABILITIES		(605,508)	(66,795)	(672,303)
Reserves		(781,882)	(66,795)	(848,677)
– Foreign currency translation reserve	(2)	17,797	(4,144)	13,653
– Accumulated losses		(1,191,792)	(62,651)	(1,254,443)
Equity attributable to owners of the Company		(610,533)	(66,795)	(677,328)
TOTAL DEFICIT		(605,508)	(66,795)	(672,303)
As at 31 December 2025				
<i>Consolidated Statement of Financial Position</i>				
Trade and other payables	(5)	386,987	70,244	457,231
Current liabilities		484,560	70,244	554,804
Net current liabilities		(451,737)	(70,244)	(521,981)
Total assets less current liabilities		(449,918)	(70,244)	(520,162)
NET LIABILITIES		(633,640)	(70,244)	(703,884)
Reserves		(809,259)	(70,244)	(879,503)
– Foreign currency translation reserve	(2)	16,909	(3,848)	13,061
– Accumulated losses		(1,218,281)	(66,396)	(1,284,677)
Equity attributable to owners of the Company		(637,910)	(70,244)	(708,154)
TOTAL DEFICIT		(633,640)	(70,244)	(703,884)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (Continued)

Restatement of Previously Issued Consolidated Financial Statements (Continued)

Notes:

- (1) The restatement adjustment on the trade and other payables as at 1 January 2025 amounting to approximately HK\$64,251,000 is resulted from:
 - (i) the recognition of the amount due to the Subscriber as at 1 January 2025, which includes the amount for redeeming the Convertible Bonds due 2021 at 112% of the principal, i.e. HK\$61,152,000 (the "Redemption Amount"), the bond interest at the rate of 8% per annum from the issue date to the maturity date of approximately HK\$13,128,000 (the "Bond Interest") and the default interest accrued at the rate of 10% per annum on the overdue Redemption Amount and Bond Interest of approximately HK\$27,588,000; and
 - (ii) the derecognition of the approximately RMB35,368,000 (equal to approximately HK\$37,617,000 as at 1 January 2025) paid by the Designated Payer to Beijing Innomed as a liability due to the Designated Payer, since this amount is now be regarded as received by Beijing Innomed on behalf of the Company which leads to a intra-group balance between the Company and Beijing Innomed.
- (2) The restatement adjustments on the foreign currency translation reserve amounting to approximately HK\$5,283,000 as at 1 January 2025, approximately HK\$4,144,000 as at 30 June 2025 and approximately HK\$3,848,000 as at 31 December 2025 are the foreign currency translation reserve generated by elimination of the above-mentioned intra-group balance between the Company and Beijing Innomed, namely, the gap between the amount due from Beijing Innomed from the aspect of the Company, i.e. HK\$42,900,000, and the amount in HK\$ equivalent to RMB35,368,000 as at 1 January 2025, 30 June 2025 and 31 December 2025 respectively.
- (3) The restatement adjustment on the finance cost for the six months ended 30 June 2025 represents the default interest accrued at the rate of 10% per annum on the overdue Redemption Amount and Bond Interest for the period.
- (4) The restatement adjustment on the trade and other payables as at 30 June 2025 amounting to approximately HK\$66,795,000 is resulted from:
 - (i) the recognition of the amount due to the Subscriber as at 30 June 2025 of approximately HK\$105,551,000, which includes the Redemption Amount of HK\$61,152,000, the Bond Interest of approximately HK\$13,128,000 and the default interest of approximately HK\$31,271,000; and
 - (ii) the derecognition of the approximately RMB35,368,000 (equal to approximately HK\$38,756,000 as at 30 June 2025) paid by the Designated Payer to Beijing Innomed as a liability due to the Designated Payer.
- (5) The restatement adjustment on the trade and other payables as at 31 December 2025 amounting to approximately HK\$70,244,000 is resulted from:
 - (i) the recognition of the amount due to the Subscriber as at 31 December 2025 of approximately HK\$109,296,000, which includes the Redemption Amount of HK\$61,152,000, the Bond Interest of approximately HK\$13,128,000 and the default interest of approximately HK\$35,016,000; and
 - (ii) the derecognition of the approximately RMB35,368,000 (equal to approximately HK\$39,052,000 as at 31 December 2025) paid by the Designated Payer to Beijing Innomed as a liability due to the Designated Payer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (Continued)

Going Concern

The Group incurred a loss attributable to owners of the Company of approximately HK\$24,077,000 for the six months ended 30 June 2026 and the Group had net current liabilities and net liabilities of approximately HK\$546,365,000 and approximately HK\$738,043,000 respectively as at 30 June 2026. As at 30 June 2026, the Group's bank loans, entrusted loans, other loans, bonds, and trade and other payables amounted to an aggregate of approximately HK\$576,482,000, which were repayable within one year or on demand. Among these, as at 30 June 2026, the Group's overdue entrusted loans, other loans and bonds amounted to approximately HK\$53,060,000, HK\$2,423,000 and HK\$3,000,000, respectively, while the Group's cash and cash equivalents amounted to approximately HK\$298,000. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from 30 June 2026 and therefore it is appropriate to prepare these condensed consolidated interim financial statements on a going concern basis, after taking into consideration of the followings:

- the Group is making every effort to expand its presence in the energy management and wastewater treatment markets and to strive for increased revenue from its principal operations;
- the Board are continuing to broaden the Group's financing channels and have officially engaged a financial advisor to assist to formulate a fund raising plan through single or multiple channels including but not limited to issuance of ordinary bonds, convertible bonds, or share placements;
- the executive Directors have been continuously seeking an agreement on deferral of payments or debt restructuring with the holder of the entrusted loan;
- the Company is actively negotiating a settlement agreement with the Subscriber of the Convertible Bonds due 2021 for the settlement of the Convertible Bonds due 2021 and is expecting a formal agreement to be reached in the near future;
- the Group has been actively negotiating with banks and other lending institutions on loan renewal or alternative refinancing and new financing facilities, and all bank loans that have matured year-to-date have been successfully renewed;
- the Board is continuing to consider debt and group restructuring for certain capital-deficient subsidiaries to reduce the level of liabilities; and
- an executive Director has confirmed to provide an adequate financial support to the Group in an amount not less than HK\$130,000,000 to ensure the Group's continuing operation for a period of at least fifteen months from 31 March 2026.

However, should the above measures not be able to implement successfully, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to reduce the carrying values of the Group's assets to their net realisable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities, respectively and to provide for any further liabilities which might arise. The effects of these adjustments have not been reflected in these unaudited condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2026. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SEGMENT INFORMATION

The Group manages its business by divisions which are organised from the products/services perspective.

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the executive Directors, being the chief operating decision-maker for the purposes of resources allocation and performance assessment. The Group has presented the following three reportable segments. No operating segment has been aggregated to form following reporting segments:

i. Wastewater treatment

This segment engages in the provision of wastewater treatment plants construction and operation services, as well as the trading of wastewater treatment facilities and machineries and the provision for related services.

ii. Energy management

This segment engages in the provision of services relating to electricity trading and power system operation and management.

iii. Healthcare

This segment engages in the provision of healthcare related services.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (Continued)

(a) Disaggregation of revenue from contracts with customers:

Disaggregation of revenue from contracts with customers by major products or service and geographical location of customers is as follows:

	Six months ended	
	30 June	30 June
	2026	2025
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Disaggregated by major products or service		
— Wastewater treatment	16,753	17,848
— Energy management	1,114	1,136
Revenue from contracts with customers	17,867	18,984
Disaggregated by geographical location of customers		
— The PRC (except for Hong Kong)	17,867	18,984

(b) Segment results

An analysis of the Group's revenue, which are all from external customers, and segment results is reported below:

	Segment revenue		Segment loss	
	Six months ended		Six months ended	
	30 June	30 June	30 June	30 June
	2026	2025	2026	2025
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Wastewater treatment	16,753	17,848	(755)	(4,024)
Energy management	1,114	1,136	(469)	(5,089)
Healthcare	—	—	(7,858)	(5,646)
	17,867	18,984	(9,082)	(14,759)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (Continued)

(c) Reconciliation of reportable segment results to loss before tax

	Six months ended	
	30 June	30 June
	2026	2025
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Total loss of reportable segments	(9,082)	(14,759)
Unallocated depreciation of property, plant and equipment, right-of-use assets, and amortisation	(89)	(89)
Unallocated head office and corporate expenses	(16,037)	(16,292)
Consolidated loss before tax	(25,208)	(31,140)

5. OTHER LOSS, NET

		Six months ended	
		30 June	30 June
		2026	2025
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Net foreign exchange loss		(8,291)	(5,836)
Gain on disposal of subsidiary	Note	968	—
		(7,323)	(5,836)

Note:

During the six months ended 30 June 2026, the Group disposed 100% equity interest of Huanzhong (Ningxia) New Energy Technology Co., Ltd. ("Huanzhong Ningxia") for consideration of approximately HK\$1,775,000. Any returns (whether positive or negative) generated by Huanzhong Ningxia from 1 January 2026 should belong to or be borne by the new shareholders of Huanzhong Ningxia. The net assets of Huanzhong Ningxia as at 31 December 2025 were approximately HK\$822,000. Exchange difference of approximately HK\$15,000 was reclassified to gain on disposal.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

		Six months ended	
		30 June	30 June
		2026	2025
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(Restated)
(a) Finance costs:			
Lease interests		14	33
Interest expenses on:			
Bank loans		477	394
Entrusted loan		3,090	3,013
Other loans		7,407	6,688
Bonds		119	120
Convertible bonds		557	536
Other payables	Note	3,683	3,683
Others		—	453
		15,347	14,920

Note:

The interest expense on other payables represents the default interest accrued at the rate of 10% per annum on the overdue Redemption Amount and Bond Interest of the Convertible Bonds due 2021.

		Six months ended	
		30 June	30 June
		2026	2025
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
(b) Other items:			
Amortisation of intangible assets		39	37
Depreciation of property, plant and equipment		51	31
Depreciation of right-of-use assets		345	490
		435	558

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSES

	Six months ended	
	30 June	30 June
	2026	2025
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — PRC corporate income tax	—	—

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the period ended 30 June 2026. PRC taxation is charged at the appropriate current rate of taxation ruling in the PRC.

8. INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2026 (30 June 2025: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	Six months ended	
	30 June	30 June
	2026	2025
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Loss for the period for the purpose of calculating basic and diluted loss per share	(24,077)	(29,592)
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	342,698	342,698

For each of the six-month periods ended 30 June 2026 and 2025, the basic and diluted loss per share were the same as the Company had no dilutive potential ordinary shares in issue during the periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately HK\$nil (six months ended 30 June 2025: HK\$7,000) on property, plant and equipment during the period.

11. TRADE AND OTHER RECEIVABLES

	30 June 2026 HK\$'000 (Unaudited)	31 December 2025 HK\$'000 (Audited)
Trade receivables	24,444	24,583
Less: allowance for doubtful debts	(3,509)	(6,664)
	20,935	17,919
Other receivables	1,157	1,847
Prepayments and deposits	5,372	3,123
	27,464	22,889

During the six months ended 30 June 2026, impairment allowance of approximately HK\$3,381,000 (six months ended 30 June 2025: Nil) were reversed upon the recovery of the corresponding receivables which all belonged to the wastewater treatment segment.

The ageing analysis of the trade receivables based on invoice date, and net of allowance, were as follows:

	30 June 2026 HK\$'000 (Unaudited)	31 December 2025 HK\$'000 (Audited)
Within 3 months	7,657	1,836
More than 3 months but within 12 months	1,387	5,674
More than 12 months	11,891	10,409
	20,935	17,919

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES

		30 June 2026 HK\$'000 (Unaudited)	31 December 2025 HK\$'000 (Unaudited) (Restated)
	Notes		
Trade payables		30,132	30,542
Other payables	(i)	498,018	476,539
Other tax payables		13,507	11,373
Amount due to directors	(ii)	38,985	29,241
Amount due to a related party	(ii)	6,057	5,797
		586,699	553,492
Analysed as:			
Current liabilities		483,206	457,231
Non-current liabilities		103,493	96,261
		586,699	553,492

Notes:

- (i) As at 30 June 2026, other payables included rent payable of approximately HK\$8,480,000 (31 December 2025: HK\$8,176,000), amounts due to a substantial shareholder (the "Shareholder") and companies controlled by the Shareholder of approximately HK\$4,565,000 (31 December 2025: HK\$3,853,000), interest payables (excluding the interest due to the Subscriber of the Convertible Bonds due 2021) of approximately HK\$137,232,000 (31 December 2025: HK\$120,820,000), and legal and professional fee payables of approximately HK\$18,137,000 (31 December 2025: HK\$17,974,000).

As at 18 November 2019, the Group has undergone an early cessation arrangement for a lease contract with the lessor, who is entitled to bring legal actions against a subsidiary of the Company for the early cessation claims. As at 30 June 2026, the Directors estimated that a provision for claims in relation to the early cessation on arrangement after deducted the rental deposits would be approximately HK\$182,341,000 (31 December 2025: HK\$175,261,000).

The amount due to the Subscriber of the Convertible Bonds due 2021 was approximately HK\$112,979,000 as at 30 June 2026 (31 December 2025: HK\$109,296,000), which includes the Redemption Amount of HK\$61,152,000 (31 December 2025: HK\$61,152,000), the Bond Interest of approximately HK\$13,128,000 (31 December 2025: HK\$13,128,000) and the default interest of approximately HK\$38,699,000 (31 December 2025: HK\$35,016,000).

- (ii) Amount due to Directors and a related party are unsecured, non-interest bearing and have no fixed repayment terms.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES (Continued)

The ageing analysis of the trade payables based on invoice date were as follows:

	30 June 2026 HK\$'000 (Unaudited)	31 December 2025 HK\$'000 (Audited)
Within 1 month	3,108	1,433
After 1 month but within 3 months	1,364	261
After 3 months but within 4 months	10	224
After 4 months but within 1 year	823	7,404
After 1 year	24,827	21,220
	30,132	30,542

13. BORROWINGS

	Notes	30 June 2026 HK\$'000 (Unaudited)	31 December 2025 HK\$'000 (Audited)
Bank loans	(i)	30,820	25,102
Entrusted loan	(ii)	53,060	50,782
Other loans	(iii)	84,588	84,489
Bonds	(iv)	3,000	3,000
Total borrowings		171,468	163,373
Less: Amount due for settlement within 12 months (shown under current liabilities)		(93,276)	(87,724)
Amount due for settlement after 12 months		78,192	75,649

The carrying amounts of all borrowings are denominated in RMB, except the bonds and other loans are denominated in HK\$.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. BORROWINGS (Continued)

Notes:

- (i) As at 30 June 2026, the bank loans of approximately HK\$30,820,000 (31 December 2025: HK\$25,102,000) are secured by properties owned by a company controlled by the Investor and personal guarantees by an executive Director of the Company or by personal guarantees by directors of the Company's subsidiaries. The effective discount interest rate on the bank loans is from 2.45% to 4.83% (2025: 2.40% to 4.83%) per annum for the period ended 30 June 2026.
- (ii) On 19 March 2013, Shenzhen CETH Environmental Technology Co. Limited ("SZ CETH"), a wholly-owned subsidiary of the Company, entered into an entrusted loan agreement with an independent third party through commissioning a bank to borrow a loan of RMB50,000,000 for a period of three years from 23 April 2013 to 22 April 2016, and extended one year to 21 April 2017 when expired. The loan is secured by a guarantee from the Company. On 26 March 2019, the lender has decided to extend the repayment of this entrusted loan, for which, RMB25,000,000 of the entrusted loan shall be repaid on or before 31 December 2019 while the other RMB25,000,000 to be repaid on or before 31 December 2020. The effective interest rate of the entrusted loan (which also equals contractual interest rate) was 12% (2025: 12%) per annum. During the year ended 31 December 2020, the Group had repaid approximately RMB4,000,000. Approximately RMB46,000,000 of the entrusted loan was overdue as at 30 June 2026 (31 December 2025: RMB46,000,000). Up to the date of these condensed consolidated financial statements, SZ CETH is required to pay the entire principal amount of approximately RMB46,000,000 and accrued interest pursuant to a court judgement.
- (iii) As at 30 June 2026, the Group had other loans of approximately HK\$ 84,588,000 (31 December 2025: HK\$84,489,000), with a weighted average effective interest rate of approximately 18% per annum (2025: 18%). Of these loans, approximately HK\$5,053,000 (31 December 2025: HK\$5,079,000) is secured by a director's property and the remainder is unsecured. The loans are repayable at various dates up to October 2028, with maturity profile as follows:
 - (i) Approximately HK\$6,181,000 (31 December 2025: HK\$5,748,000) is repayable on demand and approximately HK\$2,423,000 (31 December 2025: HK\$3,092,000) is overdue as at 30 June 2026 and 31 December 2025;
 - (ii) Approximately HK\$5,053,000 (31 December 2025: HK\$5,079,000) matures in July 2027;
 - (iii) Approximately HK\$40,800,000 (31 December 2025: HK\$40,800,000) matures in September 2027;
 - (iv) Approximately HK\$29,657,000 (31 December 2025: HK\$29,249,000) matures in December 2027; and
 - (v) Approximately HK\$474,000 (31 December 2025: HK\$521,000) matures in October 2028.
- (iv) As at 30 June 2026, the Group have issued one (31 December 2025: one) unlisted straight bonds to one (31 December 2025: one) independent investor in an aggregate principal amount of HK\$3,000,000 (31 December 2025: HK\$3,000,000) (the "Bonds"). The Bonds are unsecured, arranged at a fixed interest rate of 8% per annum and redeemed in full upon the maturity, i.e. three or four years from the date of issue. All outstanding bonds are overdue as at 30 June 2026 and 31 December 2025.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE BONDS

On 16 January 2018, the Company issued the convertible bonds in an aggregate principal amount of US\$7,000,000 (equivalent to approximately HK\$54,600,000) with a coupon rate of 8% (the “Convertible Bonds”) to an independent third party (the “Original Bondholder”). The Convertible Bonds would mature from the date of issue to 15 January 2021 representing maturity period of 3 years, and can be converted into a maximum of 265,048,544 conversion shares of the Company at the conversion price of HK\$0.206 per conversion share upon full exercise of the conversion rights within the period of the 12 months after the issue date of the bonds up to the maturity date.

The convertible bonds recognised in the consolidated statement of financial position had been split between liability element and equity component.

On 10 January 2021, the Company and the Original Bondholder verbally agreed to amend the terms and conditions of the Convertible Bonds in order to extend the maturity date and the conversion period of the Convertible Bonds. Accordingly, the Company and the Original Bondholder entered into the deed of amendments on 16 March 2021 to extend (i) the maturity date to 31 July 2021, and (ii) the conversion period to 30 July 2021 (the “CB Extension”). The CB Extension took effect on 18 March 2021. As a result of the CB Extension, the liability and equity components were extinguished by approximately HK\$683,000 and HK\$15,350,000 respectively based on revaluation upon date of the execution, i.e. 18 March 2021. The revaluation was conducted with reference to the independent valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited under level 2 fair value measurement.

On 19 July 2021, the Original Bondholder deposited the bond certificate of the Convertible Bonds with the duly completed form of transfer at the principal place of business of the Company, and the Company issued a new bond certificate in favour of Mr. Zhang Zihong (the “New Bondholder”). On 26 July 2021, the Company and the New Bondholder entered into the deed of amendments in respect of the proposed amendments, pursuant to which the Company agreed with the New Bondholder to amend certain terms and conditions of the Convertible Bonds (The “CB Amendments”), including extending the maturity date to 31 July 2024 and adjusting conversion price to HK\$0.025 per conversion shares. The CB Amendments took effect on 28 September 2021. As a result of the CB Amendments, the liability and equity components were loss on amendments of terms by approximately HK\$15,490,000 based on revaluation upon date of the execution, i.e. 28 September 2021. The valuation was conducted with reference to the independent valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited under level 2 fair value measurement.

On 29 July 2024, the Company received a conversion notice from one of the bondholders in respect of the exercise of the conversion rights attached to the convertible bonds with the principle amount of US\$3,500,000 (equivalent to HK\$27,300,000) at the conversion price of HK\$0.5 per conversion share. Accordingly, 54,600,000 conversion shares, representing approximately 21.65% of the total number of issued shares immediately before the conversions and approximately 15.93% of the total number of issued shares enlarged by the issue of the conversion shares immediately after the conversions, were allotted and issued to the Bondholder on 5 August 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE BONDS (Continued)

On 30 July 2024, the Company received a conversion notice from one of the bondholders in respect of the exercise of the conversion rights attached to the convertible bonds with the principle amount of US\$2,300,000 (equivalent to HK\$17,940,000) at the conversion price of HK\$0.5 per conversion share. Accordingly, 35,880,000 conversion shares, representing approximately 14.23% of the total number of issued shares immediately before the conversion and approximately 10.47% of the total number of issued shares enlarged by the issue of the conversion shares immediately after the conversion, were allotted and issued to Bondholder on 5 August 2024.

On 30 July 2024, the Company and the holders of the unconverted Convertible Bonds with principal amount of US\$1,200,000 (the "Unconverted Convertible Bonds") verbally agreed to amend the terms and conditions of the Unconverted Convertible Bond (the "Amendments") in order to extend the maturity date and the conversion period of the Unconverted Convertible Bonds. Accordingly, the Company executed a deed of amendments with each of the bondholders on 29 November 2024 to amend the terms and conditions of the Unconverted Convertible Bonds, including extending the maturity date to 31 July 2027 and the conversion period to 30 July 2027. The Amendments took effect on 12 December 2024. As a result of the Amendments, the liability and equity components were loss on amendments of terms by approximately HK\$99,000 based on revaluation upon date of the execution, i.e. 12 December 2024. The valuation was conducted with reference to the independent valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited under level 2 fair value measurement.

The convertible bonds recognised in the condensed consolidated statement of financial position had been split between liability element and equity component, and are calculated as follows:

	Liabilities component HK\$'000	Equity component HK\$'000	Total HK\$'000
At 1 January 2025 (Audited)	10,738	1,116	11,854
Imputed interest expenses	1,108	—	1,108
Less: coupon payable	(70)	—	(70)
At 31 December 2025 and 1 January 2026 (Audited)	11,776	1,116	12,892
Imputed interest expenses	557	—	557
Less: coupon payable	(748)	—	(748)
At 30 June 2026 (Unaudited)	11,585	1,116	12,701

The interest charged for the period is calculated by applying an effective interest 9.92% to the liability component for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. SHARE CAPITAL

	No. of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.50 each	1,000,000	500,000
Issued and fully paid:		
Ordinary shares		
At 31 December 2025 (Audited)	342,698	171,349
At 30 June 2026 (Unaudited)	342,698	171,349

16. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include Directors, employees and consultants of the Company and its subsidiaries. The Scheme became effective on 10 September 2010 and remained in force for ten years from that date. Details of the Scheme were disclosed in the Company's consolidated financial statements for the year ended 31 December 2025.

The following share options were outstanding under the Scheme during the reporting period:

Grantee	Date of grant	Exercisable period	Exercise price	Outstanding at 1 January 2026	Forfeited during the period	Outstanding at 30 June 2026
Directors	11 May 2020	From 11 May 2020 to 10 May 2030	HK\$0.50	2,088,000	—	2,088,000
Directors	11 May 2020	From 11 May 2021 to 10 May 2030	HK\$0.50	1,044,000	—	1,044,000
Directors	11 May 2020	From 11 May 2022 to 10 May 2030	HK\$0.50	1,044,000	—	1,044,000
Employees	11 May 2020	From 11 May 2020 to 10 May 2030	HK\$0.50	648,000	—	648,000
Employees	11 May 2020	From 11 May 2021 to 10 May 2030	HK\$0.50	480,000	—	480,000
Employees	11 May 2020	From 11 May 2022 to 10 May 2030	HK\$0.50	480,000	—	480,000
Consultants	11 May 2020	From 11 May 2020 to 10 May 2030	HK\$0.50	4,832,000	—	4,832,000
Consultants	11 May 2020	From 11 May 2021 to 10 May 2030	HK\$0.50	96,000	—	96,000
Consultants	11 May 2020	From 11 May 2022 to 10 May 2030	HK\$0.50	96,000	—	96,000
				10,808,000	—	10,808,000
				10,808,000		10,808,000

Exercisable at the beginning and end of the period

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2026, the Group recorded a revenue of approximately HK\$ 17,867,000, representing a decrease of 5.9% as compared to approximately HK\$18,984,000 for the six months ended 30 June 2025. Meanwhile, the Group's gross profit for the period was approximately HK\$6,388,000 representing an increase of 15.1% as compared to approximately HK\$5,551,000 for the six months ended 30 June 2025. As a result, the gross profit margin increased from 29.24% for the six months ended 30 June 2025 to 35.75% for the six months ended 30 June 2026. The Group's loss attributable to owners of the Company for the period decreased by 18.6% to approximately HK\$24,077,000 as compared to approximately HK\$29,592,000 for the six months ended 30 June 2025. The increase in gross profit and gross profit margin and the decrease in loss were mainly attributable to the cost-saving measures implemented by the Group.

BUSINESS REVIEW AND OUTLOOK

Business Review

In the first half of 2026, the Group adhered to its development positioning of a green, low-carbon, and technology-driven environmental protection and energy business, focusing on the two core tracks of wastewater treatment and integrated energy services. Adapting to new industry policy adjustments and market changes, the Group promoted the steady operation and improved profitability of its two main business segments. Leveraging its mature project operation system and technological accumulation, the Group deeply explored the industrial synergy value of water environmental protection, green energy services, and carbon reduction along the "water-energy-carbon" industry chain, building a diversified and collaborative green industrial ecosystem. This continuously empowers the green and low-carbon transformation of various industries and contributes to the nation's ecological civilization construction and energy structure optimization and upgrading.

Wastewater Treatment

In the first half of the year, with the continuous improvement of the national water industry regulatory system and the full implementation of policies for upgrading and transforming urban water environments, the demand for optimizing and upgrading existing projects and for new high-quality water treatment continued to be released, bringing structural development opportunities to the overall market. The Group focuses on core business areas such as urban wastewater treatment and water environment restoration, continuously improving the quality of water services and operational efficiency. During the reporting period, the Group's water sector performed steadily, achieving operating revenue of HK\$16.75 million and a gross profit margin of 35.5%, demonstrating a solid overall profitability. Leveraging stable service capabilities and a good market reputation, the Group consolidated its regional market position while actively seizing opportunities for industry upgrading and transformation, continuously expanding the business scope of its water sector.

MANAGEMENT DISCUSSION AND ANALYSIS

Energy Management

In the first half of the year, China's power market reform continued to deepen, the construction of new power systems accelerated, and market space in sub-sectors such as green power trading, integrated energy management, and flexible regulation of new energy continued to expand. The Group continued to deepen its involvement in the integrated power services sector. To optimize the synergy of its power business, the Group sold its equity in its Ningxia subsidiary and continued to focus on developing its existing technologically advantageous power service market in Inner Mongolia. The Group further broadened its industrial cooperation boundaries, deepened strategic collaborations with various energy participants, iterated and optimized integrated energy service solutions, and continuously enhanced the professional service capabilities and market competitiveness of its power sector. During the reporting period, the Group's power services segment achieved operating revenue of HK\$1.11 million, achieving a gross profit margin of 39.5% thanks to its refined operating model and high-quality customized services. With the continued rise in demand for green energy and the maturing of the power market trading mechanism, the Group's power services business is showing strong growth momentum, becoming a new growth engine driving the optimization of the Group's performance structure.

Business Outlook

2026 marks the start of the 15th Five-Year Plan period. Domestic environmental protection, water affairs, and green energy sectors continue to benefit from policy dividends, and industry regulatory standards, market trading mechanisms, and profit models are maturing. The trend towards green, refined, and intelligent development in public utilities is evident. Demand is strong in the water sector for upgrading existing facilities and water-saving efficiency projects, while new business models in the power sector, such as green power consumption, integrated energy management, and flexible resource control, are rapidly gaining popularity. This provides a favorable policy environment and market space for the Group's dual-main-business development. Based on the continuously improving industry environment, the Group maintains a positive and prudently optimistic outlook for its overall business development in the second half of the year. Going forward, the Group will adhere to the development principles of focusing on its core business and prioritizing value, continuously refining its technical service capabilities, optimizing internal operations and management, and improving resource utilization efficiency. It will seize the window of opportunity presented by the upgrading of public utilities and the construction of new energy systems, strengthen the industrial synergy, resource connectivity, and value linkage between the water and power sectors, and empower the growth of its core business through business model innovation and resource integration, promoting a stable and progressive overall business performance with improved quality and efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY

As at 30 June 2026, cash and bank balances of the Group was approximately HK\$298,000 (31 December 2025: HK\$1,687,000).

As at 30 June 2026, the Group had total assets of approximately HK\$32,264,000 (31 December 2025: HK\$34,642,000) and current liabilities less total assets of approximately HK\$544,471,000 (31 December 2025: HK\$520,162,000). The Group's gearing ratio, being the ratio of the total debts to total assets, was 917.53% (31 December 2025: 821.10%).

The Group's total debts for the period amounted to approximately HK\$296,032,000 (31 December 2025: HK\$284,445,000). The Group's debts are denominated in Renminbi and Hong Kong dollars, mainly comprising term loans bearing fixed and variable interest rates, an entrusted loan at fixed interest rate, convertible bonds at fixed rate and the amount due to the Subscriber of the Convertible Bonds due 2021. The Group will continue its effort in using long term liabilities to replace its current liabilities and raise further capital when appropriate to improve the overall liquidity of the Group.

The Group's cash and bank balances as at 30 June 2026 consisted of about 73.52% in Renminbi and 26.46% in Hong Kong dollars.

CHARGE ON ASSETS

As at 30 June 2026, the Group did not have any charge on its assets (31 December 2025: Nil).

FOREIGN CURRENCY EXPOSURE

The Group had major investments, accounts receivable, bank balances, accounts payable and certain borrowings denominated in Renminbi, hence the Group had direct exposure to foreign exchange fluctuation. During the period under review, the Group did not use any foreign currency derivative product to hedge its exposure to currency risk. However, the management managed and monitored the exposure to ensure appropriate measures were implemented on a timely and effective manner.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2026 was 41 (31 December 2025: 56). The Group remunerates its employees based on their performance, work experience and the prevailing market price. The remuneration packages include basic salary, double pay, commission, insurance and mandatory provident fund. The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible Directors and employees of the Group to recognise their contribution to the success of the Group. The packages are reviewed annually by the management and the remuneration committee. The Group provides employees with a set of comprehensive development and training plans, including company regulation and policy training, work skills training and management training. The training improves our employees' abilities in various ways and enhances the team spirit inside the Group.

ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 June 2026, the Directors and chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of Directors' and chief executive's interests required to be kept under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

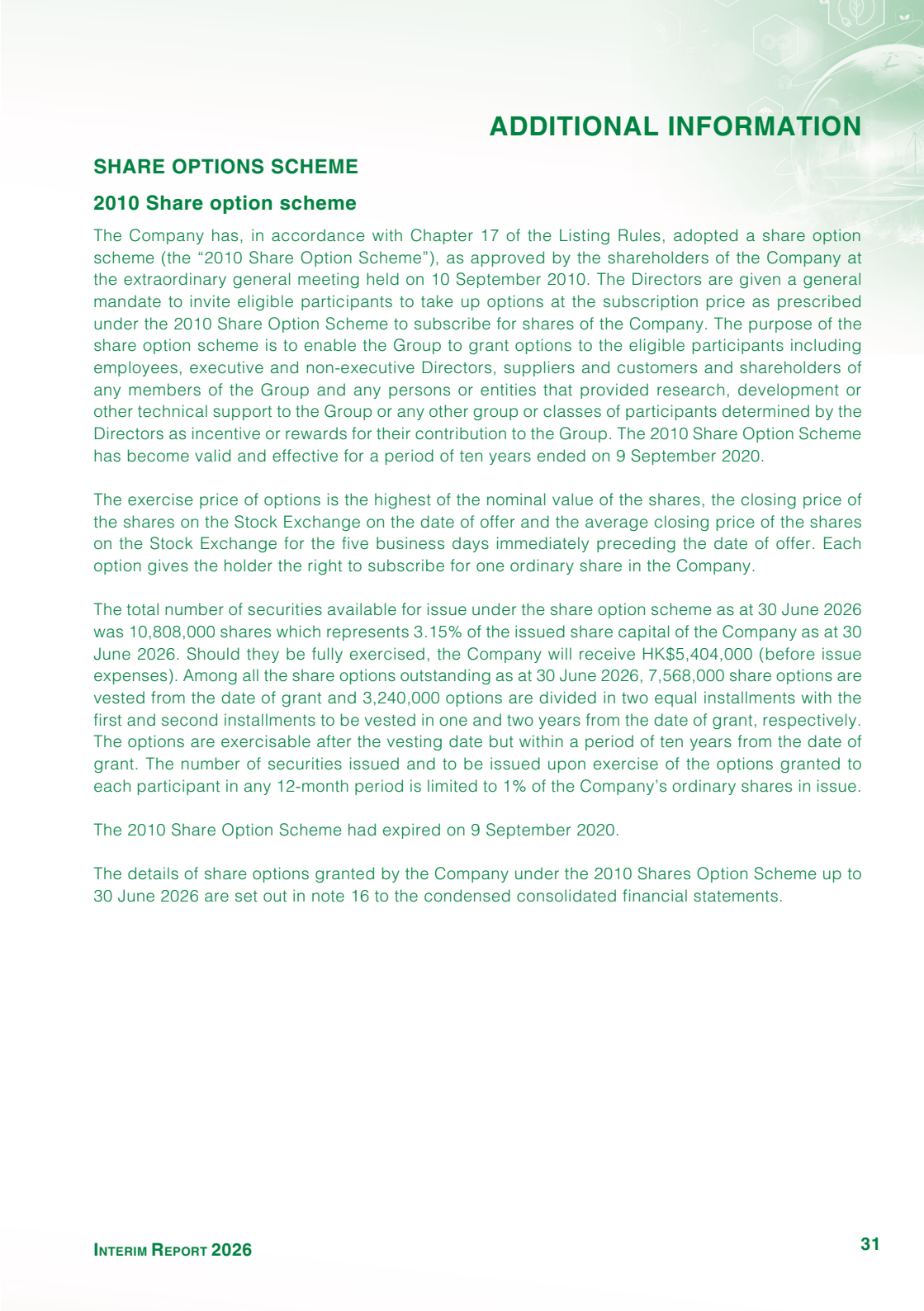
Long position

Interests in issued shares of the Company

Name of Director	Capacity	No. of ordinary shares interested	% of the Company's issued share capital
Xu Zhongping (Note)	Interest held by controlled corporations	89,309,000	26.06%
	Beneficial owner	2,204,921	0.64%
		91,513,921	26.70%
Yang Baodong	Beneficial owner	39,600	0.01%
Hu Yueyue	Beneficial owner	400,000	0.12%

Note: 53,429,000 shares were held under the name of Gentle International Holdings Limited ("Gentle"). Classy Jade Limited ("Classy Jade") owns 60% of the issued share capital of Gentle and Classy Jade held 35,880,000 shares. Mr. Xu Zhongping is the controlling shareholder of Classy Jade. Mr. Xu was therefore deemed to be interested in the said 53,429,000 shares held by Gentle and 35,880,000 shares held by Classy Jade under Part XV of the SFO.

Apart from the foregoing, as at 30 June 2026, none of the Directors, the chief executive or any of their spouses or children under eighteen years of age has interests in the shares, underlying shares and debentures of the Company, or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



ADDITIONAL INFORMATION

SHARE OPTIONS SCHEME

2010 Share option scheme

The Company has, in accordance with Chapter 17 of the Listing Rules, adopted a share option scheme (the "2010 Share Option Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 10 September 2010. The Directors are given a general mandate to invite eligible participants to take up options at the subscription price as prescribed under the 2010 Share Option Scheme to subscribe for shares of the Company. The purpose of the share option scheme is to enable the Group to grant options to the eligible participants including employees, executive and non-executive Directors, suppliers and customers and shareholders of any members of the Group and any persons or entities that provided research, development or other technical support to the Group or any other group or classes of participants determined by the Directors as incentive or rewards for their contribution to the Group. The 2010 Share Option Scheme has become valid and effective for a period of ten years ended on 9 September 2020.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer. Each option gives the holder the right to subscribe for one ordinary share in the Company.

The total number of securities available for issue under the share option scheme as at 30 June 2026 was 10,808,000 shares which represents 3.15% of the issued share capital of the Company as at 30 June 2026. Should they be fully exercised, the Company will receive HK\$5,404,000 (before issue expenses). Among all the share options outstanding as at 30 June 2026, 7,568,000 share options are vested from the date of grant and 3,240,000 options are divided in two equal installments with the first and second installments to be vested in one and two years from the date of grant, respectively. The options are exercisable after the vesting date but within a period of ten years from the date of grant. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

The 2010 Share Option Scheme had expired on 9 September 2020.

The details of share options granted by the Company under the 2010 Shares Option Scheme up to 30 June 2026 are set out in note 16 to the condensed consolidated financial statements.

ADDITIONAL INFORMATION

SHARE OPTIONS SCHEME (Continued)

2010 Share option scheme (Continued)

The following table discloses movements in the Company's share options outstanding during the reporting period:

Name or category of participant	Number of share options						Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 January 2026	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	At 30 June 2026			
Directors									
Mr. Xu Zhongping	912,000	—	—	—	—	912,000	11 May 2020	11.5.2020 to 10.5.2030	0.50
	456,000	—	—	—	—	456,000	11 May 2020	11.5.2021 to 10.5.2030	0.50
	456,000	—	—	—	—	456,000	11 May 2020	11.5.2022 to 10.5.2030	0.50
	1,824,000	—	—	—	—	1,824,000			
Mr. Yang Baodong	912,000	—	—	—	—	912,000	11 May 2020	11.5.2020 to 10.5.2030	0.50
	456,000	—	—	—	—	456,000	11 May 2020	11.5.2021 to 10.5.2030	0.50
	456,000	—	—	—	—	456,000	11 May 2020	11.5.2022 to 10.5.2030	0.50
	1,824,000	—	—	—	—	1,824,000			
Mr. Ma Tianfu	264,000	—	—	—	—	264,000	11 May 2020	11.5.2020 to 10.5.2030	0.50
	132,000	—	—	—	—	132,000	11 May 2020	11.5.2021 to 10.5.2030	0.50
	132,000	—	—	—	—	132,000	11 May 2020	11.5.2022 to 10.5.2030	0.50
	528,000	—	—	—	—	528,000			
Other employees									
In aggregate	648,000	—	—	—	—	648,000	11 May 2020	11.5.2020 to 10.5.2030	0.50
	480,000	—	—	—	—	480,000	11 May 2020	11.5.2021 to 10.5.2030	0.50
	480,000	—	—	—	—	480,000	11 May 2020	11.5.2022 to 10.5.2030	0.50
	1,608,000	—	—	—	—	1,608,000			
Suppliers of goods or services									
In aggregate	4,832,000	—	—	—	—	4,832,000	11 May 2020	11.5.2020 to 10.5.2030	0.50
	96,000	—	—	—	—	96,000	11 May 2020	11.5.2021 to 10.5.2030	0.50
	96,000	—	—	—	—	96,000	11 May 2020	11.5.2022 to 10.5.2030	0.50
	5,024,000	—	—	—	—	5,024,000			
Total	10,808,000	—	—	—	—	10,808,000			

ADDITIONAL INFORMATION

SHARE OPTIONS SCHEME (Continued)

2010 Share option scheme (Continued)

Save as disclosed above, at no time during the the reporting period was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2026, the following persons, other than the Directors or chief executive of the Company, had interest or short positions in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

	Capacity	No. of ordinary shares of the Company interested	% of the Company's issued shares capital
Gentle	Beneficial owner <i>(Note)</i>	53,429,000	15.59
Classy Jade Limited	Beneficial owner <i>(Note)</i>	35,880,000	10.47
Xu Zhongping	Beneficial owner	2,204,921	0.64
Zhang Zihong	Beneficial owner	88,580,000	25.85

Note: Classy Jade owns 60% of the issued share capital of Gentle. Mr. Xu Zhongping is the controlling shareholder of Classy Jade and was therefore deemed to be interested in the said 53,429,000 shares held by Gentle and 35,880,000 shares held by Classy Jade under Part XV of the SFO.

Save as disclosed above, as at 30 June 2026, so far as is known to the Directors, no person (other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

IMPORTANT EVENTS DURING THE PERIOD

References are made to announcements of the Company dated 1 April 2026, 29 April 2026 and 5 June 2026. Terms used hereinafter shall have the same meaning as defined in the above announcements.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to announcement of the Company dated 2 July 2026. Terms used hereinafter shall have the same meaning as defined in the announcement.

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

ADDITIONAL INFORMATION

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance to the Company's stable growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

The Company has complied with the code provisions as set out in Appendix C1 of the Listing Rules, throughout the six months ended 30 June 2026.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and the assets of the Company and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and a formal internal audit department was set up in 2019 to report to the Audit Committee on any findings and measures to address the variances and identified risks.

The Group established internal audit department to manage, implement and monitor internal control process. In 2020, the Board approved and internally issued Corporate Governance Manual and a complaint mailbox to further strengthen the internal control system and minimize the occurrence of wrongdoings and misconduct. The Board and the relevant committees perform periodic reviews on the effectiveness of the internal control system of the Group, and no material deficiencies have been identified.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct in respect of Directors' dealings in the Company's securities. Specific enquiry has been made of all the Directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2026.

AUDIT COMMITTEE

The Company's Audit Committee is composed of three independent non-executive Directors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2026.

By order of the Board
China Environmental Technology Holdings Limited
Xu Jingping
Chairman

Hong Kong, 31 August 2026