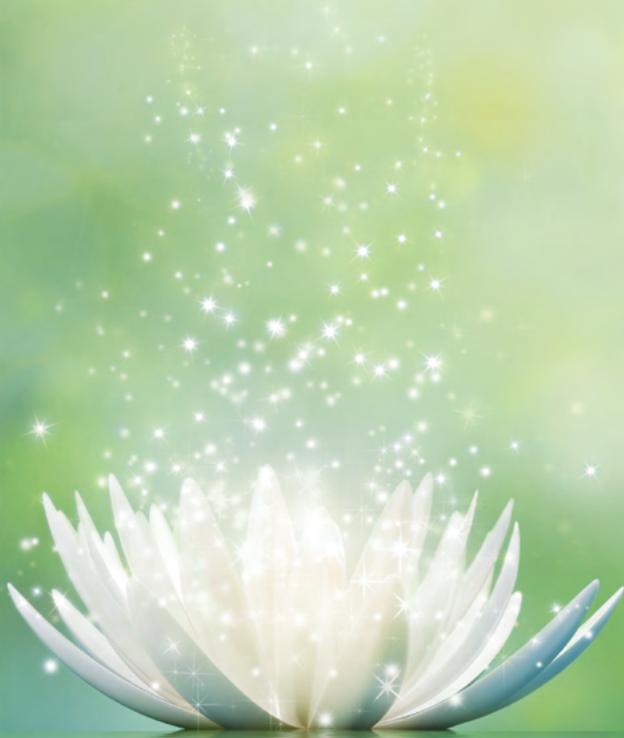




China Environmental Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 646



2022
Interim Report

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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

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

Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard, Cricket Square,
P.O. Box 902,
Grand Cayman KY1-1103,
Cayman Islands.

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54,
Hopewell Centre,
183 Queen's Road East,
Hong Kong.

REGISTERED OFFICE

Tricor Services (Cayman Islands) Limited
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P.O. Box 902,
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Fax: (852) 2511 1878

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 2022 – Unaudited

	Note	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	4	27,440	33,654
Cost of sales		(17,465)	(21,976)
Gross profit		9,975	11,678
Other income		62	1
Other gain, net	5	9,556	43
Distribution costs		(1,030)	(1,562)
Legal and professional fees		(3,257)	(2,061)
Administrative expenses		(11,664)	(14,931)
Profit/(loss) from operations		3,642	(6,832)
Finance costs	6	(14,074)	(11,682)
Loss before tax	6	(10,432)	(18,514)
Income tax expenses	7	—	—
Loss for the period		(10,432)	(18,514)
Other comprehensive income/(expense) for the period:			
Exchange differences on translation of financial statements of foreign operations		8,831	(1,610)
Total other comprehensive income/(expense) for the period		8,831	(1,610)
Total comprehensive loss for the period		(1,601)	(20,124)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – Unaudited

	Note	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Loss for the period attributable to:			
Owners of the Company		(10,299)	(18,384)
Non-controlling interests		(133)	(130)
		(10,432)	(18,514)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(1,354)	(20,034)
Non-controlling interests		(247)	(90)
		(1,601)	(20,124)
			(Restated)
Loss per share:			
Basic and diluted (HK cents)	9	(4.70)	(10.07)

The notes on pages 9 to 20 form part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – Unaudited

	Note	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	794	910
Right-of-use assets		1,007	1,582
Intangible assets		919	1,006
		2,720	3,498
Current assets			
Trade and other receivables	11	24,498	23,689
Contract assets and contract costs		13,118	22,446
Bank and cash balances		947	1,108
		38,563	47,243
Current liabilities			
Trade and other payables	12	351,067	382,816
Contract liabilities		9,214	7,956
Borrowings	13	77,828	125,514
Convertible bonds	14	—	—
Lease liabilities		951	700
		439,060	576,986
Net current liabilities		(400,497)	(469,743)
Total assets less current liabilities		(397,777)	(466,245)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – Unaudited

	Note	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Non-current liabilities			
Trade and other payables	12	33,833	10,820
Borrowings	13	72,699	26,710
Convertible bonds	14	62,221	60,410
Lease liabilities		74	892
		168,827	98,832
NET LIABILITIES		(566,604)	(565,077)
Capital and reserves			
Share capital	15	100,749	100,749
Reserves		(673,190)	(671,910)
Equity attributable to owners of the Company		(572,441)	(571,161)
Non-controlling interests		5,837	6,084
TOTAL DEFICIT		(566,604)	(565,077)

The notes on pages 9 to 20 form part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – Unaudited

	Attributable to the owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Foreign currency translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible bond reserve HK\$'000	Other reserves HK\$'000	Accumulated Losses HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Deficit equity HK\$'000
Balance at 1 January 2021 (audited)	91,259	370,411	(180)	4,176	1,918	15,350	7,442	(1,031,905)	(541,529)	3,848	(537,681)
Loss for the period	–	–	–	–	–	–	–	(18,384)	(18,384)	(130)	(18,514)
Other comprehensive income	–	–	–	(1,649)	–	–	–	–	(1,649)	39	(1,610)
Equity-settled share-based payments	–	–	–	–	248	–	–	–	248	–	248
Modification of convertible bonds	–	–	–	–	–	(15,350)	–	15,350	–	–	–
Balance at 30 June 2021 (unaudited)	91,259	370,411	(180)	2,527	2,166	–	7,442	(1,034,939)	(561,314)	3,757	(557,557)
Balance at 1 January 2022 (audited)	100,749	370,411	(180)	(816)	2,253	19,307	7,442	(1,070,327)	(571,161)	6,084	(565,077)
Loss for the period	–	–	–	–	–	–	–	(10,299)	(10,299)	(133)	(10,432)
Other comprehensive income	–	–	–	8,945	–	–	–	–	8,945	(114)	8,831
Equity-settled share-based payments	–	–	–	–	65	–	–	–	65	–	65
Effect of forfeiture of share option granted	–	–	–	–	–	–	–	9	9	–	9
Balance at 30 June 2022 (unaudited)	100,749	370,411	(180)	8,129	2,318	19,307	7,442	(1,080,617)	(572,441)	5,837	(566,604)

The notes on pages 9 to 20 form part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022 – Unaudited

	Six months ended 30 June	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash generated from operating activities	498	6,121
Net cash used in investing activities	–	(4)
Net cash (used in)/generated from from financing activities	(650)	1,095
(Decrease)/increase in cash and cash equivalents	(152)	7,212
Cash and cash equivalents at beginning of period	1,108	1,194
Effect of change in foreign exchange rate	(9)	343
Cash and cash equivalents at end of period	947	8,749
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	947	8,749

The notes on pages 9 to 20 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 902, Grand Cayman KY1-1103, 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 its subsidiaries are principally engaged in the wastewater treatment projects and health related products and services in Mainland China.

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 2021. 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 2021 except as stated below.

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 2022. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (“CODM”) for the purposes of resources allocation and performance assessment. The Group has presented the following two 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. Health related products and services

This segment engages in the provision of health related products and services.

(a) Segment results

An analysis of the Group’s revenue and segment results is reported below:

	Segment revenue		Segment profit/(loss)	
	Six months ended		Six months ended	
	30 June	30 June	30 June	30 June
	2022	2021	2022	2021
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Wastewater treatment	27,440	33,392	(4,034)	(2,657)
Health related products and services	—	262	9,213	(2,727)
	27,440	33,654	5,179	(5,384)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (Continued)

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

	Six months ended	
	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Total profit/(loss) of reportable segments	5,179	(5,384)
Unallocated depreciation of property, plant and equipment, right-of-use assets, and amortisation	(79)	(248)
Unallocated head office and corporate expenses	(15,532)	(12,882)
Consolidated loss before tax	(10,432)	(18,514)

5. OTHER GAIN, NET

	Six months ended	
	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Net foreign exchange gain	9,556	—
Others	—	43
	9,556	43

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Six months ended	
	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
(a) Finance costs:		
Lease interests	30	36
Interest expenses on:		
Bank loans	635	259
Entrusted loan	3,341	3,333
Other loans	6,276	5,364
Bonds	151	245
Convertible bonds	3,641	3,129
Extinguishment of the liability component of the convertible bonds	—	(684)
	14,074	11,682
(b) Other items:		
Amortisation of intangible assets	41	41
Depreciation of property, plant and equipment	37	54
Depreciation of right-of-use assets	518	1,831
	596	1,926

7. INCOME TAX EXPENSES

	Six months ended	
	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (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 2022. PRC taxation is charged at the appropriate current rate of taxation ruling in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2022 (30 June 2021: 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 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Loss for the period for the purpose of calculating basic and diluted loss per share	(10,299)	(18,384)
	Number of shares	
	'000	'000 (Restated)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	219,018	182,518

For each of the six-month periods ended 30 June 2022 and 2021, the basic and diluted loss per share were the same as the Company had no dilutive potential ordinary shares in issue during the periods.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group spent approximately HK\$nil (six months ended 30 June 2021: HK\$4,000) on property, plant and equipment during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables	28,263	27,294
Bills receivable	—	—
Less: allowance for doubtful debts	(8,027)	(8,422)
	20,236	18,872
Other receivables	3,568	4,241
Prepayments and deposits	694	576
	24,498	23,689

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 3 months	12,817	2,747
More than 3 months but less than 12 months	1,897	9,654
More than 12 months	5,522	6,471
	20,236	18,872

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade payables		35,275	40,657
Other payables	(i)	318,350	324,515
Other tax payable		13,791	14,379
Amount due to directors	(ii)	11,345	7,644
Amount due to a related party	(ii)	6,139	6,441
		384,900	393,636
Analysed as:			
Current liabilities		351,067	382,816
Non-current liabilities		33,833	10,820
		384,900	393,636

Notes:

- (i) As at 30 June 2022 other payables included rent payable of approximately HK\$8,595,000 (31 December 2021: HK\$9,018,000), non-contractual loan of approximately HK\$41,357,000 (31 December 2021: HK\$43,395,000), amounts due to a substantial shareholder (the "Shareholder") and companies controlled by the Shareholder of approximately HK\$5,048,000 (31 December 2021: HK\$7,727,000), interest payables of approximately HK\$43,778,000 (31 December 2021: HK\$33,541,000), and legal and professional fee payables of approximately HK\$11,256,000 (31 December 2021: HK\$10,818,000).

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 2022, 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\$184,813,000 (31 December 2021: HK\$193,917,000).

- (ii) Amount due to directors and a related party are unsecured, non-interest bearing and has 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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 month	7,885	4,862
After 1 month but within 3 months	30	4,186
After 3 months but within 6 months	—	1,092
After 6 months but within 1 year	1,840	10,019
After 1 year	25,520	20,498
	35,275	40,657

13. BORROWINGS

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Bank loans	(i)	15,201	15,950
Entrusted loan	(ii)	53,780	56,429
Other loans	(iii)	78,546	72,845
Bonds	(iv)	3,000	7,000
Total borrowings		150,527	152,224
Less: Amount due for settlement within 12 months (shown under current liabilities)		(77,828)	(125,514)
Amount due for settlement after 12 months		72,699	26,710

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) The bank loans of approximately HK\$15,201,000 (2021: HK\$15,950,000) are secured by properties owned by two companies controlled by the Shareholder and personal guarantees by an executive director of the Company, and the effective discount interest rate on the bank loans is from 3.8% to 3.85% (2021: 3.65%) per annum for the six months ended 30 June 2022.
- (ii) On 19 March 2013, Shenzhen CETH Environmental Technology Co., Ltd., 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% (2021: 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 2022 (31 December 2021: RMB46,000,000). Up to the date of these condensed consolidated financial statements, the Group is undergoing active and positive negotiation with the lender to renew the repayment schedule.
- (iii) As at 30 June 2022, other loans of HK\$3,200,000 (31 December 2021: HK\$3,200,000) is interest-free, approximately HK\$16,488,000 (31 December 2021: HK\$10,787,000) arranged at a fixed interest rate of 15% and the remaining arranged at a fixed interest rate of 12% per annum, and all loans are repaid in full upon the maturity, of which the other loans of HK\$64,499,000 (31 December 2021: HK\$40,000,000) was charged a additional fixed default interest rate of 5% per annum. Other loans of HK\$40,000,000, HK\$800,000, approximately HK\$18,058,000, HK\$3,200,000, approximately HK\$10,641,000 and approximately HK\$5,847,000 are matured on 27 September 2023, 30 September 2023, 31 December 2023, 8 January 2024, 31 January 2024 and 30 September 2025, respectively, of which the other loan of approximately HK\$5,847,000 matured on 30 September 2025 has a repayable on demand clause. All other loans are unsecured, except for approximately HK\$5,847,000 is secured by the Company.
- (iv) As at 30 June 2022, the Group has one (31 December 2021: two) unlisted straight bond to an (31 December 2021: two) independent investor in an aggregate principal amount of HK\$3,000,000 (31 December 2021: HK\$7,000,000) (the "Bonds"). The Bonds are unsecured, arranged at a fixed interest rate of 7% per annum and redeemable in full upon the maturity, i.e. three or four years from the date of issue. All outstanding bonds are overdue as at 31 December 2021.

On 10 October 2021, one of the unlisted straight bonds holders signed an agreement with the Company to extend the repayment of this unlisted straight bond, with a principal of HK\$3,000,000 and interest of HK\$423,000 shall be repaid on or before 30 September 2022 while the other interest is settled according to the actual repayment date.

On 4 March 2022, the unlisted straight bonds of the principal of HK\$4,000,000 and interest of HK\$641,000 was repaid by the Shareholder to settle the claim raised by the bondholder against the Company.

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% 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 265,048,543 conversion shares of the Company at the conversion price of HK\$0.206 per conversion shares 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 component 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 the new bondholder (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”), included extended the maturity date to 31 July 2024 and adjusted 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE BONDS (Continued)

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 31 December 2020 (Audited)	64,910	15,350	80,260
Imputed interest expenses	6,726	—	6,726
Less: coupon payable	(6,726)	—	(6,726)
Less: extinguishment resulted from the CB extension	(683)	(15,350)	(16,033)
Add: loss on amendments of terms of CB	(3,817)	19,307	15,490
At 31 December 2021 and 1 January 2022 (Audited)	60,410	19,307	79,717
Imputed interest expenses	3,642	—	3,642
Less: coupon payable	(1,831)	—	(1,831)
At 30 June 2022 (Unaudited)	62,221	19,307	81,528

The interest charged for the period is calculated by applying an effective interest 12.09% to the liability component for the period.

The payment obligations and the performance of all of the obligations of the Company under the convertible bonds are secured by the share charge, being 29,400,000 Company's shares pledged by the immediate parent of the Company.

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 2021 and 30 June 2022	219,018	100,749

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2021.

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

Grantee	Date of grant	Exercisable period	Exercise price	Outstanding	Forfeited	Outstanding
				at 1 January 2022	during the period	at 30 June 2022
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	608,000	(20,000)	588,000
Employees	11 May 2020	From 11 May 2022 to 10 May 2030	HK\$0.50	608,000	(20,000)	588,000
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
				11,064,000	(40,000)	11,024,000
				9,316,000		11,024,000
Exercisable at the beginning and end of the period						

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2022, the Group recorded a revenue of approximately HK\$27,440,000, representing a decrease of 18.5% as compared to approximately HK\$33,654,000 for the six months ended 30 June 2021. Hence, gross profit for the period decreased to approximately HK\$9,975,000 (six months ended 30 June 2021: approximately HK\$11,678,000). But gross profit ratio for the period increased to 36.4% (six months ended 30 June 2021: 34.7%). The increase of gross profit ratio was in line with the increase in gross profit margin in wastewater treatment segment with gross profit ratio of 36.4% (six months ended 30 June 2021: 34.2%). The increase in gross profit margin in wastewater treatment segment is a result of the increase in market recognition of the Group's branding. The Group's loss attributable to owners of the Company for the period was reduced to approximately HK\$10,299,000 (six months ended 30 June 2021: HK\$18,384,000), which was mainly due to the exchange gain from the depreciation of Renminbi over Hong Kong dollars arising from Renminbi denominated payables and tighten of cost control.

BUSINESS REVIEW AND OUTLOOK

In the first half of 2022, China is still be affected by the repeated epidemics, the overall economic situation is not optimistic, and the environmental protection industry is also facing huge challenges. The Group's new wastewater treatment contract orders have decreased, and the project implementation cycle has been lengthened. While strengthening internal management, the Group still adhered to innovative ideas, responded to challenges, and actively explored the market development of new environmental protection businesses. The overall revenue in the first half of the year decreased as compared to the same period last year. In the second half of the year, we will actively strengthen the development of core areas and key projects, grasp market trends, and seek new business opportunities based on consolidating the existing wastewater treatment business market share.

As for the healthcare business, in order to strengthen the Group's financial position and reduce operating losses, the Group has sold its operating subsidiaries in the healthcare business. The Board of Directors anticipated no further investment in the healthcare industry in the near future. In other words, all resources of the Group will be concentrated on the environmental protection business.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY

The Group continued to make improvement and maintain a liquid position. As 30 June 2022, cash and bank balances of the Group was approximately HK\$947,000.

As at 30 June 2022, the Group had total assets approximately HK\$41,283,000 (31 December 2021: HK\$50,741,000) and current liabilities less total assets of approximately HK\$397,777,000 (31 December 2021: HK\$466,245,000).

The Group's borrowings for the period amounted to approximately HK\$212,748,000 (31 December 2021: HK\$212,634,000). The Group's borrowings are denominated in Renminbi, Hong Kong dollars and US dollars, mainly comprise term loans bearing fixed and variable interest rates and an entrusted loan at fixed interest rate and convertible bonds at fixed rate. The Group will continue its effort in using long term liabilities to replace its current liabilities exposure and raised further capital when appropriate to improve the overall liquidity of the Group.

FOREIGN CURRENCY EXPOSURE

The Group had major investments, accounts receivable, bank balances, accounts payable and 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 2022 was 57 (31 December 2021: 58). 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.

ADDITIONAL INFORMATION

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

As at 30 June 2022, 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 executives’ 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 a controlled corporation	50,725,000	23.16%
	Beneficial owner	2,204,921	1.01%
		52,929,921	24.17%
Yang Baodong	Beneficial owner	39,600	0.02%
Hu Yueyue	Beneficial owner	400,000	0.18%

Note: These 50,725,000 shares were held under the name of Gentle International Holdings Limited (“Gentle”). Classy Jade Limited owns 60% of the issued share capital of Gentle. Mr. Xu Zhongping is the sole shareholder of Classy Jade Limited. Mr. Xu was therefore deemed to be interested in the said 50,725,000 shares held by Gentle under Part XV of the SFO.

Apart from the foregoing, as at 30 June 2022, 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

2002 Share option scheme

The Company's 2002 Share Option Scheme was adopted on 28 March 2002 and was terminated by a resolution passed by shareholders on 10 September 2010.

2010 Share option scheme

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (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 ending 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 2022 was 11,024,000 shares which represents 5.03% of the issued share capital of the Company as at 30 June 2022. Among all the share options outstanding as at 30 June 2022, 7,568,000 share options are vested from the date of grant and 3,456,000 options are vested 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 2022 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					At 30 June 2022	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 January 2022	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period				
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
	608,000	–	–	–	(20,000)	588,000	11 May 2020	11.5.2021 to 10.5.2030	0.50
	608,000	–	–	–	(20,000)	588,000	11 May 2020	11.5.2022 to 10.5.2030	0.50
	1,864,000	–	–	–	(40,000)	1,824,000			
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	11,064,000	–	–	–	(40,000)	11,024,000			

ADDITIONAL INFORMATION

SHARE OPTIONS SCHEME (Continued)

2010 Share option scheme (Continued)

As at 30 June 2022, the Company had 11,024,000 share options outstanding under the 2010 Share Option Scheme. Should they be fully exercised, the Company will receive HK\$5,512,000 (before issue expenses).

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 in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2021, the following persons, other than a Director 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 International Holdings Limited ("Gentle")	Beneficial owner	50,725,000	23.16
Classy Jade Limited	Interest of a controlled corporation	50,725,000	23.16
Xu Zhongping	Interest of a controlled corporation	50,725,000	23.16
Zhang Zihong	Beneficial owner	36,500,000	16.67

Note:

Classy Jade Limited owns 60% of the issued share capital of Gentle. Xu Zhongping is the sole shareholder of Classy Jade Limited and was therefore deemed to be interested in the said 50,725,000 shares held by Gentle under Part XV of the SFO.

Save as disclosed above, as at 30 June 2022, 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 3 January 2022, 7 January 2022, 26 January 2022, 24 February 2022, 4 March 2022, 17 March 2022, 31 May 2022, 1 June 2022, 6 June 2022, 8 June 2022 and 23 June 2022. Terms used hereinafter shall have the same meaning as defined in the above announcements.

ADDITIONAL INFORMATION

EVENTS AFTER THE REPORTING PERIOD

References are made to announcement of the Company dated 8 July 2022. Terms used hereinafter shall have the same meaning as defined in the announcement.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance to the Company's healthy 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 on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the six months ended 30 June 2022 except for the code provisions in respect of A.4.1. Details of the deviations from code provisions A.4.1 in respect of service term of the non-executive Directors is explained in the section "Corporate Governance" on page 12 of the 2021 Annual Report respectively.

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 announced Corporate Governance Manual and a complaint mailbox to further strengthen the internal control system and minimize the occurrence of wrongdoings and misconduct. The Board has conducted a review of the effectiveness of the internal control system of the Group and was satisfied with the result.

ADDITIONAL INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 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 2022.

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 2022.

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

Hong Kong, 31 August 2022