



China Environmental Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 646



2024 Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Xu Jingping (*Chairman*)
Mr. Xu Zhongping (*Chief Executive Officer*)
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

INDEPENDENT AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

LEGAL ADVISERS

Zhong Lun Law Firm
Conyers Dill & Pearman

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,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

P.O. Box 31119, Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1-1205,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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New Tech Plaza
34 Tai Yau Street,
San Po Kong
Kowloon
Hong Kong
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Fax: (852) 2511 1878

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 646

PRINCIPAL BANKER

Hang Seng Bank Limited

COMPANY WEBSITE

www.cethl.com



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board (the “**Board**”) of Directors (the “**Directors**”) of China Environmental Technology Holdings Limited (“**CETH**” or the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”), I am pleased to present to the shareholders the annual results of the Group for the year ended 31 December 2024.

Over the past year, industry competition in the environmental water sector has intensified, but rigid demand and technological innovation have provided opportunities for those who are deeply involved. Relying on the technical advantages and regional resources accumulated over the years, the Group has obtained the largest municipal wastewater plant project order in the industry, consolidating its position in the sub-industry. Compared with the previous year, its operating income has increased significantly. At the same time, we have keenly captured the wave of energy transformation and are fully promoting power trading, virtual power plant (VPP) and smart microgrid businesses in the field of energy management as the second growth impetus. Relying on the “dual carbon” goals and the policy advantages of electricity market reform, the Company has established a energy management technical team and actively promoted pilot projects in Ningxia and Inner Mongolia. Under the national requirement to build a new power system, aiming at realizing multiple benefits including grid peak regulation, new energy consumption and cost reduction for users, the Group has achieved a breakthrough from zero in revenue this year and provided high-value services to power users in Inner Mongolia. The breakthrough in new business marks a solid step forward in the Group’s transformation from traditional industries to the dual-wheel drive of “technology + service” in the field of new quality productivity.

This year, all employees have demonstrated extraordinary adaptability and collaboration. Faced with the challenges of business diversification, the energy technology team tackled the virtual power plant dispatching algorithm, the marketing team explored new energy service customers, and the management team optimized the cross-departmental collaboration mechanism, jointly laying a solid foundation for the Group’s “second entrepreneurship” in the field of environmental protection technology.

Looking to the future, the Company will use innovation as the core driving force to strengthen the core competitiveness of its water business, continue to increase the research and utilization of key technologies such as AI-driven virtual power plant dispatching and trading systems, smart terminals, and carbon footprint accounting models, and promote the digitalization and intelligent upgrading of environmental protection and energy businesses. The Group vigorously carry out electricity trading and carbon sink services, promote the application of the integrated “source, grid, load and storage” system, and energize industrial parks and urban microgrids to achieve low-carbon transformation.

Every step of the Company’s growth is inseparable from the wisdom and sweat of its employees, and more importantly, the support and trust of its shareholders. We will encourage technological breakthroughs and model innovation, help all employees adapt to the diversified needs of the business, and stimulate the potential for team collaboration with an open and inclusive culture. We will adhere to prudent operations, disclose strategic progress timely, strengthen ESG transparency, strictly control new business risks, and safeguard the value of every investment.



CHAIRMAN'S STATEMENT

2024 is the first year of the Group's "second entrepreneurship" in environmental protection technology. We take environmental protection water services as our foundation and energy management as our breakthrough, taking a key step in transformation and upgrading. Looking to the future, only innovators can advance, and only those who take responsibility can become strong. In the future, we will work hand in hand with all our shareholders, partners and peers, using technology as our sword and cooperation as our shield, and move forward together to a green future!

I would like to express my sincere gratitude to the Group's shareholders, customers, partners and all employees for their trust and hard work.

On behalf of the Board

Mr. Xu Jinping

Chairman

Hong Kong, 28 March 2025



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2024, the Group recorded a revenue of approximately HK\$28,229,000 (2023: approximately HK\$15,721,000), representing an increase of about 79.56% compared to that of 2023. The Group's loss attributable to owners of the Company was approximately HK\$30,741,000 (2023: approximately HK\$43,163,000), representing a decrease of about 28.78% as compared to that of 2023. The gross profit margin for the year was approximately 27.57% (2023: approximately 41.51%).

BUSINESS REVIEW

FOR WASTEWATER TREATMENT

In 2024, the Group's revenue from wastewater treatment business increased significantly compared to the previous year, up 74.35% year-on-year. Due to intensified competition, the average gross profit margin decreased to 27.62% in this year. This year, the Group's main contribution still came from the wastewater treatment business segment, and the overall loss was lower than that of the previous year. As a traditional business in the environmental protection water sector, the growth of the incremental market has gradually slowed down. The Group's wastewater treatment business subsidiary is actively developing new technologies and combining them with current technologies to form a portfolio. It will focus on technological transformation and renewal of the existing market and continue to develop steadily.

ENERGY MANAGEMENT

In 2024, the Group actively responded to the country's "dual carbon" strategy and the needs of new power system construction, formed a technical team led by experts returning from Europe, and officially entered the field of power trading and virtual power plants (VPP). Based on the digital and market-oriented transformation trend of the energy industry, the Group focuses its business on power trading services, aggregation of distributed energy and adjustable loads, and demand response, aiming to create an industry benchmark for flexible energy scheduling and value mining through technology-driven and resource integration. At present, substantial breakthroughs have been achieved in the business connection with Ningxia, Inner Mongolia and airport systems. Among them, Inner Mongolia has achieved a breakthrough of zero revenue, which is of milestone significance.

OUTLOOK

Based on the new development trend in the wastewater treatment business, environmental water business will focus more on the renewal and transformation business of the existing market, relying on the new technologies applied last year and the combination of new technologies under development. The Group will actively explore the market, develop steadily, and expand market share to achieve double-digit revenue growth in the new year.

At the same time, the Group will vigorously develop virtual power plants, smart microgrids and electricity sales businesses, taking the energy management business as the most important tool for the Group's transformation, fully understanding the policy advantages of the current national power reform and the clear trend of the dual carbon goals, seizing opportunities, taking root in new energy business, and realizing "second entrepreneurship" in the field of environmental protection technology. The Group plans to achieve the established goals of operating the Ningxia project, expanding the scale in Inner Mongolia, and implementing the load-storage-source system in several airports within the year, laying the foundation for the Group's future development.



MANAGEMENT DISCUSSION AND ANALYSIS

CONCLUSION

In 2024, faced with a complex and changing external environment, the entire group worked together, rose to the challenge, and delivered a steady and progressive answer. Relying on refined operations and deep customer development, the traditional business achieved double-digit revenue growth and continued to consolidate its fundamentals. The new energy management business uses electricity trading and virtual power plants as a breakthrough point. Through technical breakthroughs and project implementation, it verifies the feasibility and social value of the business model, achieves a leap from “0 to 1”, and injects new impetus into the digital transformation of energy. The Group’s dual-track transformation strategy of “traditional upgrading + emerging incubation” has begun to show results. In the future, the Group will deepen the dual-wheel drive strategy of “resource aggregation + digital intelligence” to assist in the construction of new power systems and contribute innovative strength to the low-carbon transformation of energy.

EMOLUMENT POLICY

As at 31 December 2024, the Group had 67 employees (2023: 45 employees). The remuneration policy and packages are reviewed annually by the management and the Remuneration Committee. The Group remunerates its employees based on their performance, work experience and the prevailing market rate. 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 (among others) eligible Directors and employees of the Group to recognise their contribution to the result of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

LIQUIDITY

As at 31 December 2024, the total cash and bank balances of the Group were approximately HK\$892,000 (2023: approximately HK\$2,061,000). The cash and bank balances consisted of about 14.99% in Hong Kong dollars, 85.00% in Renminbi and 0.01% in other currencies.

As at 31 December 2024, the Group had total assets of approximately HK\$37,227,000 (2023: approximately HK\$40,574,000) and total liabilities of approximately HK\$610,175,000 (2023: approximately HK\$652,199,000). As at 31 December 2024, the current ratio was 0.08 (2023: 0.08), calculated on the basis of current assets of approximately HK\$34,542,000 (2023: approximately HK\$39,008,000) over current liabilities of approximately HK\$451,256,000 (2023: approximately HK\$517,765,000).

The Group’s borrowings amounted to approximately HK\$161,666,000 (2023: approximately HK\$217,341,000). The Group’s borrowings are denominated in Renminbi, Hong Kong dollars and United States dollars, bearing fixed interest rates/coupon rate. The Group’s gearing ratio, being the ratio of the total debts to total assets, was 434.27% (2023: 535.67%).

CHARGE ON ASSETS

As at 31 December 2024, the Group did not have any charge on its assets (31 December 2023: Nil).



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Xu Jingping, aged 63, brother of Mr. Xu Zhongping, appointed as Chairman, executive Director and chairman of the Nomination Committee since 23 December 2020, graduated from China University of Political Science and Law with a bachelor's degree in law. Mr. Xu Jingping was a principal staff of the Auditing Department of the People's Bank of China and has over 20 years in department store management, in particular, high end branded stores and factory outlets. Since 2002, Mr. Xu Jingping involves in commercial real estate sector and property consultancy work. From May 2008 to June 2015, Mr. Xu Jingping was one of the senior managements in department store operations of Powerlong Real Estates Holdings Limited (01238.HK). Before joining the Company, Mr. Xu Jingping was a director of private real estate consultancy firm.

Mr. Xu Jingping was a director or legal representative of each of the following private companies registered in the People's Republic of China prior to their respective dissolution and/or revocation of business licenses: Guangzhou Haizhu District Helede Trading Company* (廣州市海珠區合利德貿易公司) by way of voluntary liquidation in 1998 due to cessation of business; Beijing Xing Ma Tai Trading Company Limited* (北京星馬泰商貿有限公司), Chengdu Jinfu Industrial Company Limited* (成都錦福實業有限責任公司) and Beijing Donghao Advertising Co., Ltd.* (北京東豪廣告有限公司) by way of revocation of business licenses in 2006, 2007 and 2009, respectively due to being inactive with no business commenced for certain period. Mr. Xu Jingping confirmed that each of the said companies was solvent at the time of its dissolution or revocation of business license; there was no wrongful act on his part leading to the above dissolution or revocation of business license; to his knowledge, such dissolution and revocation of business license had not or will not result in any actual or potential claims against him; and that such dissolution and revocation of business license had not resulted in any liability or obligations being imposed against him.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu Zhongping, aged 62, he was re-designated from non-executive Director to executive Director of the Company since 4 October 2021. He graduated from Nanjing University of Finance and Economics with a bachelor's degree. He has over 30 years of experience in corporate management, business investment and international economic strategic cooperation.

He independently created the famous domestic fashion brand Yinmeng Fashion* (銀夢時裝) in the 1990s, and cooperated with China New Technology Venture Capital Corporation* (中國新技術創業投資公司) to establish the most famous department store Beijing Scitech Plaza* (北京賽特購物中心) after the reform and opening-up, serving as its first managing director. He led the introduction of the largest supermarket chain, Carrefour* (家樂福連鎖超市集團), in France into China, serving as vice chairman and vice president on behalf of the Chinese side, and set up nearly 100 Carrefour supermarkets in Beijing, Shanghai and other major capital cities. He served as an executive director of the China International Economic and Cultural Promotion Association* (中國國際經濟文化促進會) in Hong Kong, promoting hundreds of economic and cultural exchanges between Hong Kong and the Mainland. From 2009 to date, he has become the controlling shareholder of the Company as a major shareholder together with several partners.

Mr. Yang Baodong, aged 50, graduated from Wuhan University of Surveying and Mapping, majoring in urban construction, bachelor of engineering, and registered project management expert of the American Project Management Institute. He joined the Group in 2014, successively served as assistant to the President and Vice President of the Group, and was appointed as the executive Director of the Company in June 2019. Mr. Yang Baodong has been engaged in management for 22 years in various industries such as construction, energy and environmental protection. He has more than 10 years of work experiences in listed companies in Hong Kong, and has extensive experience in project management, investment mergers and acquisitions, and mid-and long-term planning of enterprises. From May 2015 to present, he has served as vice president of the Company and general manager of the core subsidiary of the Company, Beijing Jingrui Kemai Water Purification Technology Co., Ltd. ("**Beijing Jingrui**"). Under his leadership, Beijing Jingrui has edited one industry standard, four industry group standards, and newly applied for more than forty patents, becoming a leading enterprise in subdivided industries. Mr. Yang Baodong worked for China Gas Holdings Limited from July 2007 to April 2013, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 00384), and also successively served as the assistant general manager of China Gas Aisika Energy Holdings Co., Ltd., a joint venture between China Gas and South Korea SK Group, assistant General Manager of Planning and Development Department of China Gas Group. During his tenure, he was mainly responsible for industrial research, development and mergers and acquisitions, investment analysis, asset restructuring, introduction of corporate governance structure system of the urban pipeline gas projects, decentralized energy, biomass power plants, and natural gas power plants, as well as the establishment of the group's mid-and long-term plans and strategic plans, enterprise management system reform design and other work. From April 2013 to March 2014, he served as general manager of the project department of Guangdong Yueshang High-tech Co., Ltd., mainly responsible for the company's overall investment business development, including investment in technology real estate projects and equity projects and project mergers and acquisitions.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Ms. Hu Yueyue, aged 45, she was re-designated from executive Director to non-executive Director of the Company since 4 January 2022. She has over 10 years experiences of investment and management in the healthcare sector. She has led many investment projects in the healthcare sector and relevant post-investment management. Ms. Hu started her career in sales and marketing with General Electric in Shenzhen. Before joining the Company, she served as a managing director of China Huarong International Holdings Limited in Hong Kong and was in charge of the private equity investment business department that primarily focused on healthcare sector. Prior to that, she served as a managing director in Golden Harmony Capital and was responsible for managing the company's investments. She also previously worked in New Horizon Capital in Beijing and was highly involved in investment, portfolio management and fundraising. Ms. Hu obtained a Bachelor degree from Tsinghua University, a Master degree from Yale University, and an MBA degree from Massachusetts Institute of Technology.

Mr. Ma Tianfu, aged 78, is a non-executive Director of the Company. Mr. Ma is a director of Gentle International Holdings Limited and Superform Investment Development Limited; he is also a director and senior engineer of Shanghai Shi Dong Kou Embankment Development Engineering Company Limited (上海石洞口圍堤開發工程有限公司). Mr. Ma graduated from Shanghai University of Electric Power (formerly known as Shanghai Electric Power School) in the PRC and completed a four-year bachelor degree in thermal engineering automatic system in power plants and has years of experience in the field of electricity power engineering and construction projects. He was awarded a Science and Technology Progress Award of Shanghai in 1993 issued by the Science and Technology Progress Awards Jury of Shanghai Municipality. Mr. Ma was issued with a certificate as a researcher for life of the Enterprises Committee of the Chinese Academy of Management Science in 2002. Mr. Ma joined the Group in 2012.

Mr. Wang Youming, aged 54, has a senior high school education and has 23 years of rich experience in corporate management and experience in the field of environmentally friendly new materials. Mr. Wang served in the headquarters of the Chinese People's Armed Police Force for more than 10 years in his early years. After demobilization in 2000, he founded Beijing Mingang Ruixiang Technology Co., Ltd., Beijing Jiayueming Technology Development Co., Ltd., Shandong Mingang Ruixiang Building Materials Technology Co., Ltd., Shandong Borui New Material Technology Co., Ltd., and hold the position of chairman in all these companies. He has achieved numerous scientific and technological achievements and awards in new environmentally friendly building materials and resource utilization of phosphogypsum solid waste, which has been widely used. Relevant technical products have been included in the Catalogue of Major Environmental Protection Technology and Equipment Encouraged by the State and have an important influence in the industry. Mr. Wang joined the Group in 2023.

* For identification purpose only



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tse Chi Wai, aged 57, is an independent non-executive Director of the Company. Mr. Tse has over thirty years of experience in areas of auditing, accounting and finance gained from working with various international accounting firms and listed companies. Mr. Tse graduated from the University of Hong Kong in June 1989 with a bachelor's degree in social science studies. Mr. Tse is currently a practising member of the Hong Kong Institute of Certified Public Accountants. He is an executive director of Shanghai Junglin Environmental Technology Company Limited (上海叢麟環保科技股份有限公司), a company listed on the Shanghai Stock Exchange STAR Market (上海證券交易所科創板) since August 2022, stock code 688370. Mr. Tse is also an independent non-executive director of Hong Kong listed company, Hollwin Urban Operation Service Group Company Limited (Stock Code: 2529). He was an independent non-executive director of Hong Kong listed company, Futian Holdings Limited (Stock Code: 8196) from November 2015 to February 2025.

Professor Zhu Nanwen, aged 56, is an independent non-executive director of the Company. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee respectively. He is a second-level professor and doctoral supervisor of Shanghai Jiao Tong University and an outstanding academic leader in Shanghai. He is currently the executive director of the "Shanghai Solid Waste Treatment and Recycling Engineering Research Center", and concurrently serves as the director of the expert committee of the "Shanghai Industrial Wastewater Treatment and Resource Professional Technical Service Platform", the "Ministry of Housing and Urban-Rural Development Urban Appearance and Sanitation Standardization Technical Committee", the "China Civil Engineering Society Municipal Branch" Council Member, "Shanghai Organic Solid Waste Pollution Control and Resource High-Value Utilization Professional Technical Service Platform" Technical Committee Member, "National Sludge Treatment and Disposal Industry Technology Innovation Strategic Alliance" Executive Director, etc. He has been engaged in research on solid waste and wastewater treatment technology for a long time. He has been authorized with more than 60 invention patents; won the first prize of Shanghai Science and Technology Invention Award, the first prize and second prize of Shanghai Science and Technology Progress Award, and won the second prize of National Science and Technology Progress Award.

Prof. Li Jun, aged 60, is an independent non-executive Director of the Company. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee respectively. He is the Registered Environmental Protection Engineer, a professor and PhD student tutor in Beijing University of Technology, director of Research Institute of Municipal Engineering and Supervisor of Sewage and Sludge Treatment and Recycling Technology Research Laboratory in Beijing University of Technology. He obtained the Doctorate Degree in Environmental Engineering from Harbin Institute of Technology in 1995. From 1996 to 1999, he worked as a post-doctorate researcher in Chiba University of Japan. Prof. Li has been engaged in the research for sewage treatment technology for many years and completed over 40 national and provincial subjects research. He is a well-known domestic expert in water affair. He is currently the director of China Water Industry Association CCES, the standing director of the Committee of Water Recycling of Chinese Society of Environmental Science, the deputy director of Water Pollution Control Committee of China Association of Environmental Protection Industry, Deputy Secretary General of the Committee of Environmental Engineering of Chinese Society of Environmental Sciences and the evaluation expert of National Natural Science Foundation of China and National 863 Program. Prof. Li joined the Group in 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Liu Dong, holds a bachelor's degree in engineering majoring in mechanical and electrical engineering from Northwestern Polytechnic University; graduated from a postgraduate course in business management at Capital University of Economics and Business. Mr. Liu is currently the executive general manager of the core subsidiary Beijing Jingrui, responsible for the company's daily operation and management. He has 30 years of experience in the military, automotive, construction, and environmental protection industries, as well as mid-and high-level management experience in the enterprise; strong enterprise operation and comprehensive management capabilities in enterprise management and technical management. Mr. Liu has been working in Shaanxi Aircraft Industry (Group) Co., Ltd. since 1989. He has successively served as a technician, aircraft instrument engineer, and company representative in the field. He has worked in Beiqi Foton Motor Co., Ltd. since 2000. He has held various positions such as minister, deputy director of the business department, and deputy general manager of the independent legal person company. Since 2010, Mr. Liu worked in a number of environmental protection companies, successively served as deputy general manager, executive deputy general manager and other positions, responsible for the company's daily operations and management. Mr. Liu joined the Group in 2016.

Mr. Li Wang Hing, Nelson, is the Company Secretary of the Company. Mr. Li holds a master degree of business administration from the University of Leicester in U.K. and a master degree of professional accounting from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and is also a qualified Chartered Secretary designated as fellow member of both The Institute of Chartered Secretaries and Administrators, United Kingdom and The Hong Kong Institute of Chartered Secretaries. At present, he is the Honorary Auditor of Hong Kong Seamen's Union and the Council Member of Shipping Employees Union. Mr. Li joined the Group in 2008.

Ms. Shi Chen, is the Group's financial controller. Ms. Shi is a non-practicing member of the Chinese Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. She graduated from Renmin University of China with a master's degree in business administration. Ms. Shi has 18 years of professional work experience in the financial field of enterprises and accounting firms. She has extensive experience in financial analysis, financial management, auditing, tax planning, corporate due diligence and mergers and acquisitions. Ms. Shi joined the Group in 2017.

Ms. Zhang Xuyang, joined the Company in 2019 as the director of Internal Audit of the Company with more than 18 years' experience in finance and accounting industry. She started her career in PricewaterhouseCoopers as an auditor and she worked for Asia Info Inc., Vance Info Technologies Inc. and iQiyi, Inc. as director of investor relations department, associate vice president of corporate strategy and financial director, respectively. Her experience covered capital market management, financial communications, corporate finance management and merger & acquisition deals. From August 2016 to April 2019, Ms. Zhang also served as an independent non-executive director and chairman of audit committee of Life Healthcare Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00928). Ms. Zhang graduated from School of Economics and Management, Tsinghua University with Master of Management and Bachelor of Economics, and she was a member of Chinese Institute of Certified Public Accountants.



CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the Group's annual report for the year ended 31 December 2024.

The manner in which the principles and code provisions in the Corporate Governance Code ("**CG Code**") contained in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") are applied and implemented is explained as follows:

CORPORATE GOVERNANCE PRACTICES

The Board recognises that corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. The Company is committed to achieving and maintaining a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

The Company has adopted the code provisions set out in the Corporate Governance Code. Save as disclosed in the annual report, the Company has complied with all the code provisions.

The Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place. The Board will continue to review its corporate governance practices, in order to enhance its corporate governance standard, to comply with regulatory requirements and to meet the growing expectations of the shareholders of the Company and investors.

THE BOARD

RESPONSIBILITIES

The management and control of the business of the Company are vested in its Board. It is the duty of the Board to establish policies, strategies and plans, and to provide leadership in the attainment of the objective of creating value to shareholders.

The positions of the Chairman and the Chief Executive Officer are held by separate persons. The Chairman is responsible for the management of the Board and the formulation of strategies and policies of the Company. The Chief Executive Officer is responsible for the management of the business and overall operations. The senior management was delegated the authority and responsibilities for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their respective terms of reference.

BOARD COMPOSITION

The Company has adopted the recommended best practice under the CG Code. The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board currently comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.



CORPORATE GOVERNANCE REPORT

The Directors during the financial year and up to the date of this report were:

Executive Directors:

Mr. Xu Jinping (*Chairman*)
Mr. Xu Zhongping (*Chief Executive Officer*)
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

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the CG Code.

Except that Mr. Xu Jinping and Mr. Xu Zhongping are brothers, members of the Board are unrelated to one another.

During the year ended 31 December 2024, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. On this basis, the Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules. As at the date of this annual report, none of them had served the Company for more than nine years, except Prof. Zhu Nanwen. The Board is of the view that Prof. Zhu Nanwen can continue to fulfill his role as required.

The executive Directors, with their intimate knowledge of the business, take on the primary responsibility for the leadership for the Company while the non-executive Directors and independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgment to the Board. Independent non-executive Directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.



CORPORATE GOVERNANCE REPORT

The Company has put in place mechanisms to ensure that the Board is provided with independent views and opinions, including but not limited to:

- (i) participation of non-executive Directors (including independent non-executive Directors) in Board meetings and Board committees to provide independent views, recommendations and judgements on important issues relating to the Company;
- (ii) the independence of all independent non-executive Directors is assessed annually by the Nomination Committee in accordance with the requirements of the Listing Rules;
- (iii) for any independent non-executive Director who has served for more than nine years, the Nomination Committee further assesses his or her role as an independent non-executive Director to ensure that he or she meets the relevant independence requirements; and
- (iv) the Board examines the implementation and effectiveness of this mechanisms.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Xu Zhongping served as the Chief Executive Officer of the Company. The Chairman of the Board provides overall leadership for the Board and the Group's business. The daily management is delegated to the executive Directors and the senior management. The Board shall review its structure from time to time to ensure appropriate action is being taken should suitable circumstances arise.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

In accordance with article 108(A) of the Articles of Association of the Company, all Directors are subject to retirement by rotation at least once every three years. In accordance with article 111 and article 112 of the Articles of Association of the Company, any new Director appointed to fill a causal vacancy or as an addition to the Board shall submit himself for re-election by shareholders at the next general meeting (in the case of filling a casual vacancy) or the next annual general meeting (in the case of an addition to the Board).

Code provision B.2.2 of the CG Code stipulates that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

There is no service contract between the Company and Ms. Hu Yueyue, Mr. Ma Tianfu, Mr Wang Youming, the non-executive Directors, and Mr. Tse Chi Wai, Prof. Zhu Nanwen and Prof. Li Jun, the independent non- executive Directors. They were not appointed for any specific length of service with the Company.

Although the non-executive Directors and independent non-executive Directors do not have a specific term of appointment, all Directors are subject to retirement by rotation once every three years in accordance with the Company's Articles of Association.

The procedures and process of appointment, re-election and removal of Directors are included in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non- executive Directors.



CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

BOARD DIVERSITY POLICY

Purpose

The Board has established a Nomination Committee with authority, responsibility, and specific duties, including but not limited to making recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive of the Company.

This policy aims to set out the approach to achieve diversity on the Board. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age, length of service) will be disclosed in the Corporate Governance Report annually.

The Board had targeted to achieve and had achieved at least 11.1% (1) of female Directors. When necessary, the Board or the Nomination Committee will hire an independent specialized institution to assist the selection of potential successors to female Directors so as to maintain gender diversity. In 2024, female employees in the Company account for 20.9% of the total employees. The Company adheres to the doctrine of gender equality, ensuring female employees have equal labor and social security rights as male employees.

Monitoring and Reporting

The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

Review of this Policy

The Nomination Committee will review this Policy annually to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.



CORPORATE GOVERNANCE REPORT

Reporting Procedures

This Policy will be published on the Company's website for public information.

A summary of this Policy together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed in the annual Corporate Governance Report.

As at 31 December 2024, the Nomination Committee comprised four members, namely executive Director, Mr. Xu Jingping (Chairman), non-executive Directors, Mr. Tse Chi Wai, Prof. Zhu Nanwen and Prof. Li Jun.

The principal duties of the Nomination Committee include:

- (a) to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- (b) to develop and formulate relevant procedures for nomination and appointment of Directors;
- (c) to identify individuals suitably qualified to become a Board member;
- (d) to make recommendations to the Board on selection or appointment of individuals nominated for directorships and appointment or re-appointment of Directors and succession planning for Directors; and
- (e) to assess the independence of the independent non-executive Directors.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the coming annual general meeting of the Company.

A circular containing detailed information of the Directors standing for re-election at the coming annual general meeting of the Company shall be provided to the shareholders.

INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

Each newly appointed Director should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company may engage external legal and other professional advisers for providing professional briefing and training programmes to the Directors where circumstances arise. Continuing briefings and professional development to Directors will be arranged whenever necessary.

CORPORATE GOVERNANCE REPORT

The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as providing appropriate professional knowledge and latest development of regulatory requirements related to Director's duties and responsibilities to all Directors through emails and relevant websites.

During the year of 2024, Directors attended a comprehensive, formal and tailored conduction as newly appointed and materials covering the updates of the Listing Rules, especially concerning the corporate governance and internal control have been given for Directors' review and study.

The current Directors' attendance to the trainings is as follows:

Name	Laws and regulations update		Accounting/finance/ operational management	
	Reading materials	Training and lectures	Reading materials	Research
Xu Jingping	✓	✓	✓	✓
Xu Zhongping	✓	✓	✓	✓
Yang Baodong	✓	✓	✓	✓
Hu Yueyue	✓	✓	✓	✓
Ma Tianfu	✓	✓	✓	✓
Wang Youming	✓	✓	✓	✓
Tse Chi Wai	✓	✓	✓	✓
Zhu Nanwen	✓	✓	✓	✓
Li Jun	✓	✓	✓	✓

REMUNERATION COMMITTEE

As at 31 December 2024, the Remuneration Committee comprised three members, namely Mr. Tse Chi Wai (Chairman), Prof. Zhu Nanwen and Prof. Li Jun, all of whom are independent non-executive Directors. The primary objectives of the Remuneration Committee include:

- (a) to make recommendations on the establishment of procedures for developing remuneration policy and structure of the executive Directors and the senior management. Such policy shall ensure that no Director or any of his associates will participate in deciding his own remuneration;
- (b) to make recommendations on the remuneration packages of the executive Directors and the senior management;
- (c) to review and approve the remuneration packages of the executive Directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions; and
- (d) to review and approve the compensation arrangements for the executive Directors and the senior management.

The human resources department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman of the Company about these recommendations on remuneration policy and structure and the remuneration packages.



CORPORATE GOVERNANCE REPORT

The remuneration of the Directors has been determined with reference to their respective qualification, experience, duties and responsibilities in the Company as well as the Group's results and performance for the financial year concerned. The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and the senior management for the year under review.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2024.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

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.

The internal control system of the Company is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

AUDIT COMMITTEE

As at 31 December 2024, the Audit Committee comprised three members, namely Mr. Tse Chi Wai (Chairman), Prof. Zhu Nanwen and Prof. Li Jun. All of them are independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

CORPORATE GOVERNANCE REPORT

The main duties of the Audit Committee include the following:

- (a) to review the consolidated financial statements and reports and consider any significant or unusual items raised by staff responsible for the accounting and financial reporting function or external auditor before submission to the Board;
- (b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re- appointment and removal of external auditor;
- (c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures; and
- (d) to monitor the corporate governance of the Group including compliance with statutory and Listing Rules requirement.

During the year under review, the Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2023; and the interim results for the period ended 30 June 2024, the financial reporting and compliance procedures, risk management review and processes and the re-appointment of the external auditor.

There is no different view taken by the Audit Committee regarding the selection, appointment and resignation of the external auditor.

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2024. The Audit Committee has also discussed with management and reviewed the accounting principles and practices adopted by the Group, as well as risk management, internal control and financial reporting matters, and found them to be satisfactory.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 37 to 40.

During the year ended 31 December 2024, the remuneration paid to the Company's auditor, ZHONGHUI ANDA CPA Limited is set out below:

Category of services	Fee paid/payable
Audit service	HK\$1,100,000
Non audit services	HK\$ –
Total	HK\$1,100,000

COMPANY SECRETARY

The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management, and will report to the Chairman. During the year, the Company Secretary had taken the professional training not less than 15 hours.



CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and notice and draft agenda of each meeting are normally made available to Directors and committee members in advance.

Board papers together with all appropriate information is sent to all Directors/committee members well before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management, Financial Controller or Company Secretary attended some regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary/secretary of the committees is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Company's Articles of Association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Independent non-executive Directors who, and whose associates, have no material interest in the transaction should be present at the Board meeting. The Board review the implementation and effectiveness of this policy on an annual basis.

Directors' Attendance Records

During the year ended 31 December 2024, two regular Board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Code provision C.5.1 stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. There were 5 Board meetings held during the year under review, two of which were regular meetings held for approving the final results for the year ended 31 December 2023 and interim results for the period ended 30 June 2024. The other Board meetings were held as and when the business and operational needs arose.

CORPORATE GOVERNANCE REPORT

The attendance records of each Director at the meetings of shareholders, the Board, Audit Committee, Remuneration Committee and Nomination Committee during the year ended 31 December 2024 are set out below:

Name of Directors	Attendance/Number of Meetings in Person				
	General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:					
Mr. Xu Jingping	1/1	5/5	–	–	–
Mr. Xu Zhongping	0/1	5/5	–	–	–
Mr. Yang Baodong	1/1	5/5	–	–	–
Non-Executive Directors:					
Ms. Hu Yueyue	0/1	5/5	–	–	–
Mr. Ma Tianfu	0/1	5/5	–	–	–
Mr. Wang Youming	0/1	5/5	–	–	–
Independent Non-Executive Directors:					
Mr. Tse Chi Wai	0/1	5/5	2/2	1/1	–
Prof. Zhu Nanwen	0/1	5/5	2/2	1/1	–
Prof. Li Jun	0/1	5/5	2/2	1/1	–

Note: Mr. Xu Zhongping, Ms. Hu Yueyue, Mr. Ma Tianfu, Mr. Wang Youming, Mr. Tse Chi Wai, Professor Zhu Nanwen and Professor Li Jun were unable to attend the general meeting due to their other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules as its code of conduct regarding Directors’ securities transactions.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2024.

The Company has also established written guidelines of no less exacting terms than the Model Code (the “**Employees Written Guidelines**”) for securities transactions by employees of the Group who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.



CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

The Board takes responsibility for all major matters of the Company including the setting of objectives and overall strategies, the approval and monitoring of all policy matters, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon obtaining approval from the Board.

The Board delegates day-to-day management, administration and operation of the Company to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management. The Board has the full support of the senior management to discharge its responsibilities.

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website (www.cethl.com) and the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and are available to shareholders upon request.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2024 are set out in note 14 to the consolidated financial statements.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide an important channel for communication between the Board and the shareholders. The Chairman of the Board as well as chairman of the Audit Committee, Remuneration Committee and Nomination Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, normally attend the annual general meeting and other relevant shareholders' meetings to answer questions at the shareholders' meetings. The Chairman ensures that appropriate steps are taken by the Company to provide effective communication with shareholders and that their views are communicated to the Board as a whole.



CORPORATE GOVERNANCE REPORT

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. As a channel to promote effective communication, the Company maintains a website at www.cethl.com, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong or via facsimile at (852) 2511-1878 for any inquiries to the Board. The Company has reviewed its policy on communications with shareholders to ensure its effectiveness.

SHAREHOLDERS' RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

All resolutions put forward at a shareholders' meeting will be taken by poll pursuant to the Listing Rules and the poll results will be posted on the website of the Company and Hong Kong Exchanges and Clearing Limited after the shareholders' meeting.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE/MOVE A RESOLUTION AT GENERAL MEETINGS

There are no provisions allowing shareholders of the Company to make proposals or move resolutions at a general meeting under the Company's constitution or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting by the following procedures below.

Procedures for Shareholders to Propose Convening Extraordinary General Meetings

Extraordinary General Meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Secretary for the purpose of requiring an Extraordinary General Meeting to be called by the Directors for the transaction of any business specified in such requisition. The Shareholders shall deliver the above requisition documents to the principal place of the business of the Company in Hong Kong. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.



CORPORATE GOVERNANCE REPORT

Procedures for Shareholders to Propose a Person for Election as a Director

Pursuant to Article 113 of the Articles of Association of the Company, a notice in writing of the intention to propose a person for election as a Director and a notice in writing by that person of his willingness to be elected shall be lodged at the Head Office or at the Registration Office of the Company.

These notices shall be lodged during a period commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days subject to and to such extent permitted by and in accordance with the laws and the Listing Rules.

The Company can also accept the said notice earlier than the day after the despatch of the notice of the meeting appointed for such election of Director(s).

CODE PROVISION C.1.8: APPROPRIATE INSURANCE COVER IN RESPECT OF LEGAL ACTION AGAINST DIRECTORS SHOULD BE ARRANGED

Currently, the Company does not have insurance cover for legal action against its Directors. The Board believes that with the current risk management and internal control systems and the close supervision of the management, the Directors' risk of being sued or getting involved in litigation in their capacity as Directors is relatively low. Benefits to be derived from taking out insurance may not outweigh the cost. Despite it, every Director is, subject to the provisions of the applicable laws, indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto pursuant to the Articles of Association of the Company. In view of the above, the Board considers that the Directors' exposure to risk is manageable.

REPORT OF THE DIRECTORS

The Directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The Group's principal business are 1) environmental protection related business, including trading of machinery and equipment, environmental protection technology, equipment system integration, cities and towns wastewater treatment and environmental project technical services, 2) healthcare related products and services, and 3) energy management business, currently focusing on services relating to electricity trading and power system operation and management. The details activities and other particulars of the subsidiaries are set out in note 35 to the consolidated financial statements.

The Company is a company incorporated in the Cayman Islands and has its principal place of business at Unit 901, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong.

An analysis of the Group's performance for the year by operating segment is set out in note 10 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the financial year is as follows:

	Percentage of the Group's total Sales
The largest customer	16%
Five largest customers in aggregate	78%

	Percentage of the Group's total Purchases
The largest supplier	16%
Five largest suppliers in aggregate	55%

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 41 and 42.

The Directors do not recommend payment of any dividend for the year ended 31 December 2024 (2023: Nil).



REPORT OF THE DIRECTORS

TRANSFER TO RESERVES

Loss attributable to owners of the Company, before dividends, of approximately HK\$30,741,000 (2023: approximately HK\$43,163,000) have been transferred to reserves. Other movements in reserves of the Company are set out in note 29 to the consolidated financial statements.

At 31 December 2024, none of distribution reserves are available to owners of the Company.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

DIRECTORS

The Directors during the financial year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Xu Jingping (*Chairman*)

Mr. Xu Zhongping (*Chief Executive Officer*)

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

All Directors appointed during this financial year have obtained the legal opinion referred to in Rule 3.09D of the Listing Rules on 31 May 2024 and they confirm that they understand all the requirements and responsibilities of the Listing Rules applicable to them as directors of the Company, and the possible consequences of making false statements or providing false information to the Stock Exchange.

Mr. Xu Jingping and Mr. Xu Zhongping will retire from the office as executive Directors at the forthcoming annual general meeting of the Company in accordance with Article 108(B) of the Articles of Association of the Company and paragraph B.2.2 of Appendix C1 of the Listing Rules.

Mr. Tse Chi Wai and Prof. Zhu Nanwen will retire from the office as independent non-executive Directors at the forthcoming annual general meeting of the Company.

All retiring Directors, being eligible will offer themselves for re-election.

REPORT OF THE DIRECTORS

All Directors (including non-executive and independent non-executive Directors) of the Company are subject to the general provisions in respect of the retirement and rotation of Directors at the annual general meeting pursuant to the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

The Directors and chief executive who held office at 31 December 2024 had the following interests 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")) at that date 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, to be notified to the Company and the Stock Exchange were as follows:

LONG POSITIONS

(i) *Interests in issued shares of the Company*

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

Note:

These 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.

REPORT OF THE DIRECTORS

(ii) Interests in underlying shares of the Company

Name of Director	Capacity	No. of share option held	% of the Company's issued share capital
Mr. Xu Zhongping	Beneficial owner	1,824,000	0.53%
Mr. Yang Baodong	Beneficial owner	1,824,000	0.53%
Mr. Ma Tianfu	Beneficial owner	528,000	0.15%

Apart from the foregoing, as at 31 December 2024, 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

SHARE OPTIONS

2010 SHARE OPTION SCHEME

The Company has, in accordance with Chapter 17 of the Listing Rules, adopted a share option scheme (the “**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 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 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.



REPORT OF THE DIRECTORS

The total number of securities available for issue under the Share Option Scheme as at 31 December 2024 was 10,808,000 shares which represents 3.15% of the issued share capital of the Company as at 31 December 2024. Among all the options granted, 7,568,000 options are vested from the date of grant and 3,240,000 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.

Offer of an option shall have been accepted when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance of HK\$1 is received within such time as be specified in the offer, which shall not be later than 21 days from the date of offer. The 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 31 December 2024 are set out in note 31 to the consolidated financial statements.

REPORT OF THE DIRECTORS

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

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 2024	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At 31 December 2024			
Directors, chief executive and a substantial shareholder and their associates									
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
	492,000	—	—	—	(12,000)	480,000	11 May 2020	11.5.2021 to 10.5.2030	0.50
	492,000	—	—	—	(12,000)	480,000	11 May 2020	11.5.2022 to 10.5.2030	0.50
	1,632,000	—	—	—	(24,000)	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	10,832,000	—	—	—	(24,000)	10,808,000			

Note: The Company conducted a share consolidation on the basis that every twenty (20) the then shares be consolidated into one (1) consolidated share on 27 September 2021. All numbers of share options and the exercise prices above are adjusted on a post share-consolidation basis.

REPORT OF THE DIRECTORS

As at 31 December 2024, the Company had 10,808,000 share options outstanding under the 2010 Share Option Scheme. Should they be fully exercised, the Company will receive HK\$5,404,000 (before issue expenses). The fair value of these unexercised options measured in accordance with the Group's accounting policy (note 4 to the consolidated financial statements) amounted to approximately HK\$2,275,000.

Save as disclosed above, at no time during the year 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.

EQUITY LINKED AGREEMENTS

Save as disclosed above in the section headed "Share Options", no equity-linked an agreements were entered into by the Group, or existed during the year ended 31 December 2024.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2024, the following substantial shareholders 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:

		No. of ordinary shares of the Company interested	% of the Company's issued shares capital
Capacity			
Gentle	Interest of a controlled corporation (<i>Note</i>)	53,429,000	15.59
Classy Jade	Interest of a controlled corporation (<i>Note</i>)	35,880,000	10.47
Mr. 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 31 December 2024, 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.



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, or any of its holding companies or subsidiaries was a party, and in which a Director or an entity connected to the Director had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective associates has any interests in a business which competes or may compete with the business of the Group.

SHARES ISSUED DURING THE YEAR

Details of the movements in share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

DEBENTURES DURING THE YEAR

Reference is made to the announcement of the Company dated 21 September 2015. Terms used hereinafter shall have the same meaning as defined in the above announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

1. On 24 April 2024, the Company entered into i) Subscription Agreement A with Subscriber A, and ii) Subscription Agreement B with Subscriber B. Pursuant to Subscription Agreement A, Subscriber A has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 4,000,000 Subscription Shares at the Subscription Price of HK\$0.500 per Subscription Share. Pursuant to Subscription Agreement B, Subscriber B has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 25,000,000 Subscription Shares at the Subscription Price of HK\$0.500 per Subscription Share. The subscription of shares was completed on 3 May 2024.

The aggregate gross amount of the Subscription are HK\$14,500,000 and the aggregate net amount of the Subscription, after the deduction of the related expenses, are estimated to be approximately HK\$14,450,000, representing a net issue price of approximately HK\$0.498 per Subscription Share.

For the details of the Subscription above-mentioned and the meanings of relevant defined terms, please refer to the announcements of the Company dated 24 April 2024 and 30 April 2024.

The Company has used all of the net amount from the Subscription in settlement of borrowed working capital and payable arising from daily operations.



REPORT OF THE DIRECTORS

2. On 29 July 2024 (after 4:30 pm), the Company received a conversion notice from the Investor 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. On 30 July 2024, the Company received a conversion notice from Classy Jade 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, 54,600,000 Conversion Shares and 35,880,000 Conversion Shares were allotted and issued to the Investor and Classy Jade respectively on 5 August 2024.

The Conversion Shares shall rank *pari passu* with, and carry the same rights in all aspects (including the rights to dividends) as, the other Shares in issue as at the date of the allotment and among themselves in all respects.

For details and the meanings of relevant defined terms, please refer to the announcements of the Company dated 5 August 2024.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listing shares during the years ended 31 December 2024.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

BANK LOANS AND OVERDRAFTS

Particulars of bank loans and other borrowings of the Group as at 31 December 2024 are set out in notes 25 and 26 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2024, the Company has no material contingent liabilities.



REPORT OF THE DIRECTORS

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 109 to 110 of the annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board of Directors and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

RETIREMENT SCHEMES

As from 1 December 2000, the Group operates a mandatory provident fund scheme (the “**MPF Scheme**”), managed by an independent approved MPF trustee, under the requirements of the Mandatory Provident Fund Schemes Ordinance (Cap. 485, Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Cap. 57, Laws of Hong Kong).

The MPF Scheme is a defined contribution retirement scheme. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK\$30,000.

The employees in the Group's PRC subsidiaries are members of the state-managed retirement schemes. The PRC subsidiaries are required to contribute a specified percentage of their payroll to these schemes. The only obligation of the Group with respect to these retirement schemes is to make the specified contributions.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the financial year ended 31 December 2024.



REPORT OF THE DIRECTORS

BUSINESS REVIEW

OVERVIEW

The business review of the Group as at 31 December 2024 is set out under the section headed “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report on pages 3 to 6.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group’s businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

MARKET RISK

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

LIQUIDITY RISK

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group’s operations and reduce the effects of fluctuation in cash flows.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.



REPORT OF THE DIRECTORS

CONFIRMATION OF INDEPENDENCE

The Company received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

ZHONGHUI ANDA CPA Limited (“ZHONGHUI”) was appointed as auditors of the Company on 6 January 2017 to fill the vacancy following the resignation of RSM Hong Kong.

The consolidated financial statements of the Group for the year ended 31 December 2024, 2023, 2022, 2021, 2020, 2019 and 2018 have been audited by ZHONGHUI ANDA CPA Limited who will retire and being eligible, offer themselves for reappointment. A resolution for the re-appointment of ZHONGHUI as auditor of the Company is to be proposed at the forthcoming general meeting.

There were no other changes in the Company’s auditors in any of the preceding seven years.

By order of the Board

Mr. Xu Jingping

Chairman

Hong Kong, 28 March 2025

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF China Environmental Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Environmental Technology Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 41 to 108, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO THE GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which states that the Group incurred loss attributable to owners of the Company of approximately HK\$30,741,000 for the year ended 31 December 2024 and as at 31 December 2024 the Group had net current liabilities and net liabilities of approximately HK\$416,714,000 and approximately HK\$572,948,000 respectively. These conditions indicate a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

CONTRACT COSTS

Refer to Note 22 to the consolidated financial statements

The Group tested the amount of contract costs for impairment. This impairment test is significant to our audit because the balance of contract costs of HK\$8,272,000 as at 31 December 2024 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on ordering and holding of contract costs;
- Evaluating the Group's impairment assessment;
- Assessing the budget cost of contract costs;
- Assessing the ageing of the contract costs; and
- Assessing the net realisable values of the contract costs.

We consider that the Group's impairment test for contract costs is supported by the available evidence.



INDEPENDENT AUDITOR'S REPORT

TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

Refer to Note 21 and Note 22 to the consolidated financial statements

The Group tested the amount of trade and other receivables and contract assets for impairment. This impairment test is significant to our audit because the balance of trade and other receivables and contract assets of approximately HK\$23,439,000 and approximately HK\$1,939,000 respectively, as at 31 December 2024 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;
- Assessing the Group's relationship and transaction history with the customers and debtors;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing credit worthiness of the customers and debtors;
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements; and
- Testing subsequent settlement of receivables after the end of the reporting period on a sample basis.

We consider that the Group's impairment test for trade and other receivables and contract assets is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Li Shun Fai

Audit Engagement Director

Practising Certificate Number P05498

Hong Kong, 28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	7	28,229	15,721
Cost of sales		(20,445)	(9,195)
Gross profit		7,784	6,526
Other income	8	1,286	65
Other gain, net	9	13,890	6,024
Distribution costs		(897)	(1,363)
Reversal of impairment loss on various assets	13	505	277
Administrative expenses		(29,346)	(26,715)
Loss from operations		(6,778)	(15,186)
Finance costs	11	(25,992)	(28,151)
Loss before tax	13	(32,770)	(43,337)
Income tax expense	12	–	–
Loss for the year		(32,770)	(43,337)
Other comprehensive income for the year, net of tax:			
<i>Items that be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		6,821	5,486
		6,821	5,486
Total comprehensive expenses for the year		(25,949)	(37,851)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Loss for the year attributable to:			
Owners of the Company		(30,741)	(43,163)
Non-controlling interests		(2,029)	(174)
		(32,770)	(43,337)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(23,810)	(37,554)
Non-controlling interests		(2,139)	(297)
		(25,949)	(37,851)
Loss per share	16		
– Basic (HK cent per share)		(11.01)	(19.49)
– Diluted (HK cent per share)		(11.01)	(19.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	17	790	637
Right-of-use assets	18	1,243	178
Intangible assets	19	652	751
Interests in an associate	20	–	–
		2,685	1,566
Current assets			
Trade and other receivables	21	23,439	21,174
Contract assets and contract costs	22	10,211	15,773
Bank and cash balances	23	892	2,061
		34,542	39,008
Current liabilities			
Trade and other payables	24	357,612	358,407
Contract liabilities	22	11,572	15,006
Borrowings	25	81,286	74,508
Convertible bonds	26	–	69,662
Lease liabilities	27	786	182
		451,256	517,765
Net current liabilities		(416,714)	(478,757)
Total assets less current liabilities		(414,029)	(477,191)
Non-current liabilities			
Trade and other payables	24	78,068	61,263
Borrowings	25	69,642	73,171
Convertible bonds	26	10,738	–
Lease liabilities	27	471	–
		158,919	134,434
NET LIABILITIES		(572,948)	(611,625)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		2024 HK\$'000	2023 HK\$'000
Capital and reserves			
Share capital	28	171,349	102,849
Reserves	30	(747,527)	(719,843)
Equity attributable to owners of the Company		(576,178)	(616,994)
Non-controlling interests		3,230	5,369
TOTAL DEFICIT		(572,948)	(611,625)

The consolidated financial statements on pages 41 to 108 were approved and authorised for issue by the Board of Directors on 28 March 2025 and are signed on its behalf by:

Mr. Xu Jinping
Director

Mr. Yang Baodong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Foreign	Share-	Convertible			Sub-total	Non-	Deficit equity
				currency	based	Other	bonds	Accumulated		controlling	
				translation reserve	payment reserve	reserve	reserve	losses		interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023	100,749	370,411	(180)	13,703	2,320	7,442	19,307	(1,095,334)	(581,582)	5,666	(575,916)
Loss for the year	-	-	-	-	-	-	-	(43,163)	(43,163)	(174)	(43,337)
Other comprehensive income/(expenses) for the year:											
- Exchange differences on translation of foreign operations	-	-	-	5,609	-	-	-	-	5,609	(123)	5,486
Total comprehensive income/(expenses) for the year	-	-	-	5,609	-	-	-	(43,163)	(37,554)	(297)	(37,851)
Issue of share on subscription	2,100	42	-	-	-	-	-	-	2,142	-	2,142
Effect of forfeiture of share option granted	-	-	-	-	(40)	-	-	40	-	-	-
At 31 December 2023	102,849	370,453	(180)	19,312	2,280	7,442	19,307	(1,138,457)	(616,994)	5,369	(611,625)
At 1 January 2024	102,849	370,453	(180)	19,312	2,280	7,442	19,307	(1,138,457)	(616,994)	5,369	(611,625)
Loss for the year	-	-	-	-	-	-	-	(30,741)	(30,741)	(2,029)	(32,770)
Other comprehensive income/(expenses) for the year:											
- Exchange differences on translation of foreign operations	-	-	-	6,931	-	-	-	-	6,931	(110)	6,821
Total comprehensive income/(expenses) for the year	-	-	-	6,931	-	-	-	(30,741)	(23,810)	(2,139)	(25,949)
Issue of share on subscription for settlement of loans	14,500	(7,540)	-	-	-	-	-	-	6,960	-	6,960
Exercise convertible bond	54,000	18,547	-	-	-	-	(15,997)	-	56,550	-	56,500
Modification of convertible bonds	-	-	-	-	-	-	(2,194)	3,310	1,116	-	1,116
Effect of forfeiture of share option granted	-	-	-	-	(5)	-	-	5	-	-	-
At 31 December 2024	171,349	381,460	(180)	26,243	2,275	7,442	1,116	(1,165,883)	(576,178)	3,230	(572,948)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(32,770)	(43,337)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	642	728
Amortisation of intangible assets	75	79
Reversal of impairment on trade receivables	(505)	(229)
Reversal of impairment loss on amount due from an associate	–	(48)
Interest expenses	25,992	28,151
Interest income	(2)	(1)
Exchange difference	(6,449)	(5,614)
Gain on loan settlement	(7,540)	(410)
Loss due to modification of convertible bonds	99	–
Waiver of trade and other payables	(1,230)	–
Operating cash flows before working capital changes	(21,688)	(20,681)
Change in contract assets and contract costs	5,767	(8,280)
Change in trade and other receivables	(1,672)	3,239
Change in contract liabilities	(2,995)	12,884
Change in trade and other payables	12,305	10,727
Net cash used in operating activities	(8,283)	(2,111)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment	(242)	–
Interest income received	2	1
Net cash (used in)/generated from investing activities	(240)	1

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new bank loans	24,898	10,344
Repayment of bank loans	(15,546)	(10,343)
Repayment of lease liabilities and interest	(602)	(701)
Interest paid	(653)	(540)
Proceeds from new other loans	–	999
Net cash generated from/(used in) financing activities	8,097	(241)
Net decrease in cash and cash equivalents	(426)	(2,351)
Effect of change in foreign exchange rate	(743)	3,622
Cash and cash equivalents at beginning of year	2,061	790
Cash and cash equivalents at end of year	892	2,061
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	892	2,061



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 its subsidiaries are described in note 35 to the consolidated financial statements.

At 31 December 2024, the directors of the Company (the “Directors”) consider the direct parent of the Company to be Gentle International Holdings Limited, which is incorporated in the British Virgin Islands; and the ultimate parent of the Company to be Classy Jade Limited, which is incorporated in the Republic of Seychelles and controlled by Mr. Xu Zhongping, the Executive Director of the Company. The direct and ultimate parent company do not produce consolidated financial statements available for public use.

2. BASIS OF PREPARATION

Going Concern

The Group incurred loss attributable to owners of the Company of approximately HK\$30,741,000 for the year ended 31 December 2024 and the Group had net current liabilities and net liabilities of approximately HK\$416,714,000 and approximately HK\$572,948,000 respectively as at 31 December 2024. These conditions indicate the existence of a material uncertainty which cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, including:

- (i) the Directors have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 December 2024. In the opinion of the Directors, the Group will have sufficient working capital to meet its financial obligations as and when they fall due and carry on its business without a significant curtailment of operations not less than twelve months from 31 December 2024. Accordingly, the consolidated financial statements have been prepared on a going concern basis;
- (ii) an investor (“Investor”) confirmed to provide an adequate financial support of amount not less than HK\$140,000,000 (including the amounts for which loan agreements had been entered by the date of the letter of support) to the Group as it is necessary to ensure its continuing operation for a period of at least fifteen months from 31 March 2025 (the “Relevant Period”);

the Investor also confirms that during the Relevant Period, when the Company is required to make any payment to the holder of the 8% 3-year convertible bond due 2027 in aggregate principal amount of US\$1,200,000 issued by and convertible into ordinary shares of the Company (“CB1”) according to the terms of CB1, the Investor would fund the Company to enable the Company to make such payment at the time and in the amount specified in the relevant terms of CB1;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. BASIS OF PREPARATION (Continued)

Going Concern (Continued)

- (iii) the Investor executed a letter agreed to extend the maturity date of other loan principal of HK\$800,000 under a loan agreement executed on 27 March 2019 to 30 September 2026 and not to demand for repayment for other loan principal of HK\$800,000 and the accrued interest of approximately HK\$432,000 as at 31 December 2024 before July 2026, and all interests accrued from this other loan are to be repaid on the new maturity date or if such date is not a business day, the next business day;

the Investor also agreed to extend the maturity date of other loan principal of approximately HK\$19,158,000 executed on 23 September 2019 to 31 December 2026 and not to demand for repayment for other loan principal of approximately HK\$19,158,000 and the accrued interest of approximately HK\$10,036,000 as at 31 December 2024 before July 2026, and all interests accrued from this other loan are to be repaid on the new maturity date or if such date is not a business day, the next business day;

the Investor also agreed to extend the maturity date of other loan principal of approximately HK\$9,684,000 executed on 25 January 2021 to 31 December 2026 and not to demand for repayment for other loan principal of approximately HK\$9,684,000 and the accrued interest of approximately HK\$5,778,000 as at 31 December 2024 before July 2026, and all interests accrued from this other loan are to be repaid on the new maturity date or if such date is not a business day, the next business day;

the Investor also agreed to extend the maturity date of other loan principal of approximately HK\$40,000,000 executed on 27 March 2019 to 27 September 2026 and not to demand for repayment for other loan principal of approximately HK\$40,000,000 and the accrued interest of approximately HK\$38,434,000 as at 31 December 2024 before July 2026, and all interests accrued from this other loan are to be repaid on the new maturity date or if such date is not a business day, the next business day;

the Investor also agreed not to demand for repayment for a car rental fee of approximately RMB200,000 (approximately HK\$213,000) before July 2026;

the Investor also agreed not to demand for repayment for the interest of approximately HK\$11,997,000 before July 2026 related to the 8% 3-year convertible bond which the Investor had converted to share of the Company during the year;

the Investor also agreed not to demand for repayment for working capital of approximately RMB3,180,000 (approximately HK\$3,382,000) lent to the Group by certain companies controlled by the Investor and approximately HK\$954,000 lent to the Group by the Investor before July 2026;



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. BASIS OF PREPARATION (Continued)

Going Concern (Continued)

- (iv) Classy Jade Limited agreed not to demand for repayment for the interest of approximately HK\$2,269,000 before July 2027 related to the 8% 3-year convertible bond which Classy Jade Limited had converted to share of the Company during the year;
- (v) the executive Director agreed not to demand for repayment for working capital of approximately RMB4,300,000 (approximately HK\$4,573,000) lent to the Group before July 2026;
- (vi) the Directors will consider to carry out debt and group restructuring for the Company's certain subsidiaries in capital deficiencies to release the certain level of liabilities when necessary; and
- (vii) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

Based on the cash flow projection of the Group and having taken into account the available financial resources of the Group and the above measures, the Directors consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. 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 consolidated financial statements and amounts reported for the current year 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the consolidated financial statements, are further disclosed in note 5 to the consolidated financial statements.

The material accounting policies applied in the preparation of the consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive expenses for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Associates (Continued)

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Machinery	5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	3 – 5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in consolidated profit or loss.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	2-3 years
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in consolidated profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$ 5,000.

Intangible assets

(a) Patent

Purchased patent which has a finite useful life is stated at cost less accumulated amortisation and any accumulated impairment losses. The cost of patent acquired in a business combination is its fair value as at the date of acquisition. Amortisation is calculated on a straight-line basis over the remaining useful life of approximately 8 years from the date of acquisition to 16 October 2018.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(b) Club membership

Club membership which has a finite useful life is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line over its useful life of 23 years.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified at financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible loans and the fair values assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

If the identifiable consideration received by the Group appears to be less than the fair value of the convertible loans issued, the Group measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible loans issued and that of the identifiable consideration received, and the difference is recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other financial liabilities

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (A);
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These consolidated financial statements have been prepared on a going concern basis. Details are explained in note 2 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables and contract assets, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and contract assets and doubtful debt expenses in the year in which such estimate has been changed.

(b) *Income taxes*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) *Allowance for contract costs*

Allowance for contract costs is made based on the ageing and estimated net realisable value of contract costs. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of contract costs and allowance charge/write-back in the period in which such estimate has been changed.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Foreign currency risk*

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2024 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables, contract assets, and bank and cash balances. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on bank and cash balances are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 December 2024	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	345,574	75,799	2,269	423,642	423,642
Other loans	5,912	88,804	–	94,716	74,960
Bonds	3,240	–	–	3,240	3,000
Entrusted loan	54,884	–	–	54,884	48,916
Bank loans	24,697	–	–	24,697	24,052
Convertible bonds	70	12,102	–	12,172	10,738
	434,377	176,705	2,269	613,351	585,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

At 31 December 2023	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Trade and other payables	344,987	61,263	–	406,250	406,250
Other loans	6,327	82,166	3,200	91,693	78,672
Bonds	3,240	–	–	3,240	3,000
Entrusted loan	56,760	–	–	56,760	50,603
Bank loan	15,782	–	–	15,782	15,404
Convertible bonds	75,155	–	–	75,155	69,662
	502,251	143,429	3,200	648,880	623,591

(d) Interest rate risk

The Group's exposure to fair value interest rate risk arises primarily from the Group's interest-bearing borrowings and convertible bonds which carry interest at fixed rates.

The Group has no significant interest-bearing assets and liabilities at floating rate. The Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments at 31 December

	2024 HK\$'000	2023 HK\$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	20,028	22,269
Financial liabilities:		
Financial liabilities at amortised cost	585,308	623,591

(f) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

7. REVENUE

The Group's revenue is as follows:

	2024 HK\$'000	2023 HK\$'000
Sales of complete sets of equipment	27,000	14,570
Sales of wastewater treatment consumables, equipment accessories, and related services	410	1,151
Power technical service	819	–
	28,229	15,721

8. OTHER INCOME

	2024 HK\$'000	2023 HK\$'000
Interest income on bank deposits	2	1
Waiver of trade and other payables	1,230	–
Others	54	64
	1,286	65

9. OTHER GAIN, NET

	2024 HK\$'000	2023 HK\$'000
Gain on foreign exchange difference	6,449	5,614
Gain on loan settlement (Note 28(b))	7,540	410
Loss due to modification of convertible bonds	(99)	–
	13,890	6,024



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. 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 three reportable segments. No operating segments have been aggregated to form the following reportable 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. Healthcare

This segment engages in the provision of healthcare services.

iii. Energy management

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

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments follow the Group's accounting policies. Segment (loss)/profit represents the (loss)/profit from each segment without allocation of central administration costs such as directors' salaries and unallocated other income. This is the measure reported to the CODM for purposes of resources allocation and performance assessment. Income tax expenses is not allocated to reportable segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

All assets are allocated to reportable segments other than unallocated cash and cash equivalents and corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments, borrowings not attributable to individual segments and corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. 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:

	2024 HK\$'000	2023 HK\$'000
Disaggregated by major products or service		
– Wastewater treatment	27,410	15,721
– Energy management	819	–
Revenue from contracts with customers	28,229	15,721
Disaggregated by geographical location of customers		
– The PRC (except for Hong Kong)	28,229	15,721
Timing of revenue recognition under HKFRS 15		
– At a point in time	27,410	15,721
– Over time	819	–
	28,229	15,721

Wastewater treatment

Revenue from wastewater treatment includes construction and operation services and equipment trading.

Wastewater treatment services are normally made with credit terms of 30 days. A receivable is recognised by reference to the progress towards complete satisfaction of that performance obligation as this is the over time.

For construction services and trading of wastewater treatment facilities and machineries and the provision for related services to the customers, the customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. Sales are recognised when the acceptance is passed. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

The contract price is allocated to the performance obligations based on the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are determined by applying the expected cost plus a margin approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. SEGMENT INFORMATION (Continued)

(a) Disaggregation of revenue from contracts with customers: (Continued)

Healthcare

Revenue from healthcare is recognised when the services are rendered.

Healthcare services are normally made with credit terms of 30 days. A receivable is recognised when the services are provide to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Energy management

Revenue from energy management is recognised when the services are rendered.

Energy management services are normally made with credit terms of 30 days. A receivable is recognised by reference to the progress towards complete satisfaction of that performance obligation as this is the over time.

(b) Information about reportable segment profit or loss, assets and liabilities:

	Energy management HK\$'000	Wastewater treatment HK\$'000	Healthcare HK\$'000	Subtotal HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended 31 December 2024						
Revenue from external customers	819	27,410	–	28,229	–	28,229
Segment (loss)/profit	(4,093)	(12,734)	5,207	(11,620)	(21,150)	(32,770)
Interest income	1	1	–	2	–	2
Finance costs	28	7,776	–	7,804	18,188	25,992
Depreciation of property, plant and equipment and right-of-use assets, and amortisation	411	128	–	539	178	717
Reversal of impairment loss on trade receivables	–	(505)	–	(505)	–	(505)
As at 31 December 2024						
Reportable segment assets	2,784	33,001	323	36,108	1,119	37,227
Reportable segment liabilities	6,794	195,169	214,726	416,689	193,486	610,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. SEGMENT INFORMATION (Continued)

(b) Information about reportable segment profit or loss, assets and liabilities: (Continued)

	Wastewater treatment HK\$'000	Healthcare HK\$'000	Subtotal HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended 31 December 2023					
Revenue from customers	15,721	–	15,721	–	15,721
Segment (loss)/profit	(14,917)	4,162	(10,755)	(32,582)	(43,337)
Interest income	1	–	1	–	1
Finance costs	7,840	–	7,840	20,311	28,151
Depreciation of property, plant and equipment and right-of-use assets, and amortisation	628	1	629	178	807
Reversal of impairment loss on trade receivables	(229)	–	(229)	–	(229)
Reversal of impairment loss on amount due from an associate	(48)	–	(48)	–	(48)
As at 31 December 2023					
Reportable segment assets	37,503	330	37,833	2,741	40,574
Reportable segment liabilities	191,262	222,091	413,353	238,846	652,199

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. SEGMENT INFORMATION (Continued)

(c) Reconciliations of reportable segment profit or loss:

	2024 HK\$'000	2023 HK\$'000
Total loss of reportable segments	(11,620)	(10,755)
Unallocated depreciation of property, plant and equipment, right-of-use assets, and amortisation	(178)	(178)
Unallocated head office and corporate expenses	(20,972)	(32,404)
Consolidated loss after tax	(32,770)	(43,337)

(d) Reconciliations of reportable segment assets and liabilities:

	2024 HK\$'000	2023 HK\$'000
Assets		
Total assets of reportable segments	36,108	37,833
Unallocated		
– cash and cash equivalents	76	1,519
– corporate assets	1,043	1,222
Consolidated total assets	37,227	40,574
Liabilities		
Total liabilities of reportable segments	416,689	413,353
Unallocated		
– corporate liabilities	193,486	238,846
Consolidated total liabilities	610,175	652,199

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. SEGMENT INFORMATION (Continued)

(e) Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The geographical location of property, plant and equipment is based on the physical location of the asset under consideration. In the case of the intangible assets and goodwill, it is based on the location of the operation to which they are allocated.

	Revenue from external customers		Non-current assets	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Hong Kong	—	—	—	178
The PRC (except for Hong Kong)	28,229	15,721	2,685	1,388
	28,229	15,721	2,685	1,566

(f) Revenue from major customers

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	2024 HK\$'000	2023 HK\$'000
Wastewater treatment		
Customer A	4,611	—
Customer B	4,611	—
Customer C	4,611	—
Customer D	4,583	2,024
Customer E	3,718	—
Customer F	—	3,132
Customer G	—	2,585
Customer H	—	2,217
Customer I	—	1,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

11. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Lease interests	33	21
Interest expenses on:		
– Bank loans	653	540
– Entrusted loan	6,091	6,430
– Other loans	13,427	12,979
– Bonds	240	240
– Convertible bonds	5,548	7,941
Total borrowing costs	25,992	28,151

12. INCOME TAX EXPENSE

Income tax has been recognised in consolidated profit or loss as following:

	2024 HK\$'000	2023 HK\$'000
Current tax – Corporate Income Tax in the PRC		
Provision for the year	–	–

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the years ended 31 December 2024 and 2023. No provision for PRC Corporate Income Tax has been made since the Group did not generate any assessable profits in the PRC for the years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

12. INCOME TAX EXPENSE (Continued)

The reconciliation between the income tax expense and the product of loss before tax multiplied by the applicable tax rates is as follows:

	2024 HK\$'000	2023 HK\$'000
Loss before tax	(32,770)	(43,337)
Notional tax on loss before tax, calculated at the rates applicable to losses in the tax jurisdictions concerned	(6,904)	(7,099)
Tax effect of		
– non-deductible expenses	8,451	7,928
– non-taxable income	(2,300)	(869)
– temporary differences not recognised	753	40
Income tax expense	–	–

As at 31 December 2024, subject to agreement by tax authority, the Group had estimated tax losses of approximately HK\$145,856,000 (2023: approximately HK\$145,856,000) in Hong Kong which are available for offsetting against future taxable profits of the companies in which the losses arose. The tax losses do not expire under the current Hong Kong tax legislation. Tax losses of approximately HK\$77,109,000 (2023: approximately HK\$100,926,000) in the PRC are available for offsetting against future profits that be carried forward for five years for PRC enterprise income tax purpose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which the losses arose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. LOSS BEFORE TAX

The Group's loss before tax is stated after (crediting)/charging the following:

	2024 HK\$'000	2023 HK\$'000
Amortisation of intangible assets	75	79
Staff costs (including Directors' emoluments)		
– Salaries, wages and other benefits	14,887	12,737
– Pension costs-defined contribution plans	1,904	1,330
	16,791	14,067
Reversal of impairment on trade receivables	(505)	(229)
Reversal of impairment on amount due from an associate	–	(48)
	(505)	(277)
Depreciation of property, plant and equipment and right-of-use assets	642	728
Auditors' remuneration	1,100	1,050
Legal and professional fee	4,756	4,730
Expenses related to short-term leases	1,446	740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

The remuneration of each Director is as follows:

	Year ended 31 December 2024			
	Emoluments paid or receivable in respect of a person's services as a Director whether of the Company or its subsidiary undertaking			
	Directors' fees HK\$'000	Salaries HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors				
Mr. Xu Jingping	–	1,200	–	1,200
Mr. Xu Zhongping	–	1,200	–	1,200
Mr. Yang Baodong	–	1,352	42	1,394
	–	3,752	42	3,794
Non-executive Directors				
Ms. Hu Yueyue	240	–	12	252
Mr. Ma Tianfu	240	–	–	240
Mr. Wang Youming (note (a))	240	–	–	240
	720	–	12	732
Independent non-executive Directors				
Mr. Tse Chi Wai	120	–	–	120
Prof. Zhu Nanwen	120	–	–	120
Prof. Li Jun	120	–	–	120
	360	–	–	360
	1,080	3,752	54	4,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES (Continued)

(a) Directors' emoluments (Continued)

	Year ended 31 December 2023			
	Emoluments paid or receivable in respect of a person's services as a Director whether of the Company or its subsidiary undertaking			
	Directors' fees HK\$'000	Salaries HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors				
Mr. Xu Jinping	–	1,200	–	1,200
Mr. Xu Zhongping	–	1,201	5	1,206
Mr. Yang Baodong	–	1,361	42	1,403
	–	3,762	47	3,809
Non-executive Directors				
Ms. Hu Yueyue	240	–	12	252
Mr. Ma Tianfu	240	–	–	240
Mr. Wang Youming (note (a))	68	–	–	68
	548	–	12	560
Independent non-executive Directors				
Mr. Tse Chi Wai	120	–	–	120
Prof. Zhu Nanwen	120	–	–	120
Prof. Li Jun	120	–	–	120
	360	–	–	360
	908	3,762	59	4,729

Note:

(a) Appointed as a non-executive director on 19 September 2023.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES (Continued)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2023: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2023: two) individual are set out below:

	2024 HK\$'000	2023 HK\$'000
Salaries and other emoluments	1,228	1,320
Retirement scheme contributions	58	61
	1,286	1,381

The emoluments fell within the following band:

	Number of individuals	
	2024	2023
HK\$Nil — HK\$1,000,000	2	2

During the year, no emoluments were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend for the year ended 31 December 2024 (2023: HK\$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

16. 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:

	2024 HK\$'000	2023 HK\$'000
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	(30,741)	(43,163)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	279,307	221,480

Basic and diluted loss per share for the years ended 31 December 2024 and 2023 were the same as the Company had no dilutive potential shares during the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

17. PROPERTY, PLANT AND EQUIPMENT

	Machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At 1 January 2023	825	2,464	3,359	6,648
Exchange adjustments	(22)	(32)	(78)	(132)
Disposal	–	(6)	–	(6)
At 31 December 2023 and 1 January 2024	803	2,426	3,281	6,510
Exchange adjustments	(28)	(43)	(94)	(165)
Additions	42	200	–	242
At 31 December 2024	817	2,583	3,187	6,587
Accumulated depreciation and impairment losses				
At 1 January 2023	351	2,349	3,235	5,935
Exchange adjustments	(11)	(30)	(74)	(115)
Charge for the year	42	17	–	59
Disposals	–	(6)	–	(6)
At 31 December 2023 and 1 January 2024	382	2,330	3,161	5,873
Exchange adjustments	(14)	(36)	(90)	(140)
Charge for the year	41	23	–	64
At 31 December 2024	409	2,317	3,071	5,797
Carrying amount				
At 31 December 2024	408	266	116	790
At 31 December 2023	421	96	120	637

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For the year ended 31 December 2024

18. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2024 HK\$'000	2023 HK\$'000
At 31 December:		
Right-of-use assets		
– Land and buildings	1,243	178
Lease commitments of short-term leases	701	37

The maturity analysis based on undiscounted cash flows, of the Group's lease liabilities is as follows:

– Less than 1 year	828	187
– Between 1 and 2 years	444	–
– Between 2 and 5 years	35	–
	1,307	187

	2024 HK\$'000	2023 HK\$'000
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Land and buildings	578	669
Lease interests	33	21
Expenses related to short-term leases	1,446	740
Total cash outflow for leases	2,048	1,441
Additions to right-of-use assets	1,670	357

The Group leases land and buildings. Lease agreements are typically made for fixed periods of 2-3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. INTANGIBLE ASSETS

	Club memberships HK\$'000 (Note)	Patent HK\$'000	Total HK\$'000
Cost			
At 1 January 2023	1,757	58,185	59,942
Exchange adjustments	(47)	(1,567)	(1,614)
At 31 December 2023 and 1 January 2024	1,710	56,618	58,328
Exchange adjustments	(57)	(1,887)	(1,944)
At 31 December 2024	1,653	54,731	56,384
Accumulated amortisation and impairment losses			
At 1 January 2023	908	58,185	59,093
Exchange adjustments	(28)	(1,567)	(1,595)
Amortisation charge	79	–	79
At 31 December 2023 and 1 January 2024	959	56,618	57,577
Exchange adjustments	(33)	(1,887)	(1,920)
Amortisation charge	75	–	75
At 31 December 2024	1,001	54,731	55,732
Carrying amount			
At 31 December 2024	652	–	652
At 31 December 2023	751	–	751

Note: The Group holds a membership right in Sand River Golf Club with a useful life of 23 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

20. INTERESTS IN AN ASSOCIATE

	2024 HK\$'000	2023 HK\$'000
Share of net assets	—	—

The particulars of the associate of the Group, which is unlisted, as at 31 December 2024 and 2023, are as follows:

Name of associate	Particulars of paid up registered capital	Proportion of ownership interest indirectly held by the Company		Principal activity
		2024	2023	
Beijing CETH Asset Management Co., Ltd ("Beijing CETH Asset Management") 北京中環科資本管理有限公司	RMB1,000,000	49%	49%	Asset management

The Group has discontinued the recognition of its share of loss of the associate because the share of loss of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were approximately HK\$Nil (2023: approximately HK\$Nil) and approximately HK\$358,000 (2023: approximately HK\$358,000), respectively.

21. TRADE AND OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables	23,444	25,801
Bills receivables	364	—
Less: allowance for doubtful debts	(6,725)	(7,469)
	17,083	18,332
Other receivables	1,642	1,281
Prepayments and deposits	4,714	1,561
	23,439	21,174

Trade receivables are due in accordance with contract terms.

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For the year ended 31 December 2024

21. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2024 and 2023, the ageing analysis of the trade and bill receivables, based on the invoice date, and net of allowance were as follows:

	2024 HK\$'000	2023 HK\$'000
Within 3 months	2,623	3,243
More than 3 months but within 12 months	4,091	6,992
More than 12 months	10,369	8,097
	17,083	18,332

As at 31 December 2024, trade receivables of the Group amounting to approximately HK\$6,725,000 (2023: approximately HK\$7,469,000) were individually determined to be impaired. The individually impaired receivables were outstanding for more than 12 months at the end of the reporting period.

Movements in the allowance for doubtful debts

	2024 HK\$'000	2023 HK\$'000
At 1 January	7,469	7,901
Reversal of allowance for the year	(505)	(229)
Exchange adjustments	(239)	(203)
At 31 December	6,725	7,469

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Up to 3 months past due	3 to 12 months past due	Over 12 months past due	Total
At 31 December 2024					
Weighted average expected loss rate	–	–	–	39%	
Receivable amount (HK\$'000)	1,953	306	4,091	17,094	23,444
Loss allowance (HK\$'000)	–	–	–	(6,725)	(6,725)
At 31 December 2023					
Weighted average expected loss rate	–	–	–	48%	
Receivable amount (HK\$'000)	2,859	384	6,992	15,566	25,801
Loss allowance (HK\$'000)	–	–	–	(7,469)	(7,469)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

22. CONTRACT ASSETS, COSTS AND LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2024 HK\$'000	As at 31 December 2023 HK\$'000	As at 1 January 2023 HK\$'000
Total contract assets	1,939	2,611	3,758
Total contract costs	8,272	13,162	
Total contract assets and contract costs	10,211	15,773	
Total contract liabilities	11,572	15,006	2,181
Contract receivables (included in trade receivables)	16,719	18,332	20,534
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2024	–	38,879	
– 2025	17,400	–	
– 2026	3,302	–	
	20,702	38,879	
Year ended 31 December	2024 HK\$'000	2023 HK\$'000	
Revenue recognised in the year that was included in contract liabilities at beginning of year	13,103	1,962	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

22. CONTRACT ASSETS, COSTS AND LIABILITIES (Continued)

Significant changes in contract assets and contract liabilities during the year:

	2024 Contract assets HK\$'000	2024 Contract liabilities HK\$'000	2023 Contract assets HK\$'000	2023 Contract liabilities HK\$'000
Increase due to operations in the year	1,720	11,812	753	15,674
Transfer of contract assets to receivables	(2,316)	–	(1,846)	–
Transfer of contract liabilities to revenue	–	(14,807)	–	(2,217)

A contract asset represents the Group's right to consideration in exchange for products or services that the Group has transferred to a customer.

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

23. BANK AND CASH BALANCES

	2024 HK\$'000	2023 HK\$'000
Cash and bank balances	892	2,061

At 31 December 2024, the bank deposits and cash and bank balances of the PRC's subsidiaries denominated in RMB amounted to approximately HK\$758,000 (2023: approximately HK\$483,000). The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. TRADE AND OTHER PAYABLES

	Notes	2024 HK\$'000	2023 HK\$'000
Trade payables		32,291	36,417
Other payables	(i)	369,491	353,182
Other tax payable		12,038	13,420
Amounts due to directors	(ii)	16,276	10,875
Amounts due to a related party	(ii)	5,584	5,776
		435,680	419,670
Analysed as:			
Current liabilities		357,612	358,407
Non-current liabilities		78,068	61,263
		435,680	419,670

Notes:

- (i) As at 31 December 2024, other payables included rent payable of approximately HK\$7,832,000 (2023: HK\$8,087,000), non-contractual loan of approximately HK\$37,617,000 (2023: HK\$38,914,000), amounts due to the Investor and companies controlled by the Investor of approximately HK\$4,549,000 (2023: HK\$5,223,000), interest payables of approximately HK\$101,534,000 (2023: HK\$76,350,000), and legal and professional fee payables of approximately HK\$14,113,000 (2023: HK\$13,287,000).

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 31 December 2024, 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\$168,023,000 (2023: HK\$173,725,000).

- (ii) Amounts due to directors and a related party are unsecured, non-interest bearing and has no fixed repayment terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. TRADE AND OTHER PAYABLES (Continued)

The ageing analysis of the trade payables based on the date of receipt of goods/services, is as follows:

	2024 HK\$'000	2023 HK\$'000
Within 1 month	4,194	4,646
After 1 month but within 3 months	616	4,400
After 3 months but within 4 months	35	1,166
After 4 months but within 1 year	1,110	2,672
After 1 year	26,336	23,533
	32,291	36,417

25. BORROWINGS

The analysis of the carrying amount of borrowings is as follows:

	2024 HK\$'000	2023 HK\$'000
Bank loans (note (a))	24,052	15,404
Entrusted loan (note (b))	48,916	50,603
Other loans (note (c))	74,960	78,672
Bonds (note (d))	3,000	3,000
Total borrowings	150,928	147,679

The borrowings are repayable as follows:

Within one year	81,286	74,508
In the second year, inclusive	69,642	69,971
In the third to fifth years, inclusive	—	3,200
	150,928	147,679
Less: Amount due for settlement within 12 months (shown undercurrent liabilities)	(81,286)	(74,508)
Amount due for settlement after 12 months	69,642	73,171

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

25. BORROWINGS (Continued)

Notes:

- (a) The bank loans of approximately HK\$24,052,000 (2023: HK\$15,404,000) are secured by properties owned by a company controlled by the Investor and personal guarantees by an executive director of the Company, and the effective discount interest rate on the bank loans is from 2.45% to 3.95% (2023: 2.80% to 5.15%) per annum for the year ended 31 December 2024.
- (b) On 19 March 2013, Shenzhen CETH Environmental Technology Co., Ltd. ("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% (2023: 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 31 December 2024 (2023: RMB46,000,000). Up to the date of these consolidated financial statements, the Group is undergoing active and positive negotiation with the lender to renew the repayment schedule.
- (c) As at 31 December 2024, other loans of HK\$Nil (2023: HK\$3,200,000) is interest-free, approximately HK\$9,684,000 (2023: HK\$10,012,000) 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. The other loan were charged a additional fixed default interest rate of 5% per annum. Other loans of approximately HK\$5,318,000, HK\$40,000,000, HK\$800,000, approximately HK\$19,158,000, and approximately HK\$9,684,000 are matured on 30 September 2025, 27 September 2026, 30 September 2026, 31 December 2026, and 31 December 2026, respectively of which the other loan of approximately HK\$5,318,000 matured on 30 September 2025 has are payable on demand clause. All other loans are unsecured, except for approximately HK\$5,318,000 is secured by the Company.
- (d) As at 31 December 2024, the Group have issued one (2023: one) unlisted straight bonds to one (2023: one) independent investor in an aggregate principal amount of HK\$3,000,000 (2023: HK\$3,000,000) (the "Bonds") and interest of HK\$1,176,000 (2023: HK\$423,000). 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 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

26. 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 the independent third party. 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 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 element and equity component.

On 10 January 2021, the Company and the holder of the convertible bonds (the “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 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 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”), 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.

On 29 July 2024, the Company received a conversion notice from one of the Bondholder 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.

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For the year ended 31 December 2024

26. CONVERTIBLE BONDS (Continued)

On 30 July 2024, the Company received a conversion notice from one of the Bondholder 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, included extended 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 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 2023	66,089	19,307	85,396
Imputed interest expenses	7,941	–	7,941
Less: coupon payable	(4,368)	–	(4,368)
At 31 December 2023 and 1 January 2024	69,662	19,307	88,969
Imputed interest expenses	5,548	–	5,548
Less: coupon payable	(6,905)	–	(6,905)
Less: exercise convertible bond	(56,550)	(15,997)	(72,547)
Less: extinguishment resulted from the CB extension	–	(3,310)	(3,310)
Less: loss on amendments of terms of CB	(1,017)	1,116	99
At 31 December 2024	10,738	1,116	11,854

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. LEASE LIABILITIES

	Lease payments 2024 HK\$'000	Present value of lease payments 2024 HK\$'000	Lease payments 2023 HK\$'000	Present value of lease payments 2023 HK\$'000
Within one year	828	786	187	182
In the second to fifth years, inclusive	479	471	–	–
	1,307	1,257	187	182
Less: Future finance charges	(50)		(5)	
Present value of lease liabilities	<u>1,257</u>		<u>182</u>	
Less: Amount due for settlement within 12 months (shown under current liabilities)		(786)		(182)
Amount due for settlement after 12 months		<u>471</u>		<u>–</u>

At 31 December 2024, the effective borrowing rate was from 4.75%–5.675%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. SHARE CAPITAL

	Number of ordinary shares of '000	Share capital HK\$'000
Authorised		
Ordinary shares of HK\$0.5 (2023: HK\$0.5) each		
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	1,000,000	500,000
Issued and fully paid		
Ordinary shares of HK\$0.5 (2023: HK\$0.5) each		
At 1 January 2023	219,018	100,749
Issue of settlement shares (Note a)	4,200	2,100
At 31 December 2023 and 1 January 2024	223,218	102,849
Issue of settlement shares (Note b)	29,000	14,500
Exercise convertible bond (Note c)	90,480	54,000
At 31 December 2024	342,698	171,349

Notes:

- (a) On 30 May 2023, the Company entered into the subscription agreement with the subscriber pursuant to which the subscriber has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue 4,200,000 new shares at a market price of HK\$0.51. The subscription of shares was completed on 1 June 2023. The gross proceeds from the subscription shares are approximately HK\$2,142,000. The proceeds of approximately HK\$2,142,000 were used to settle the debt of approximately HK\$2,552,000 due to the subscriber, resulting in a gain of approximately HK\$410,000.
- (b) On 24 April 2024 and 25 April 2024, the Company entered into the subscription agreement with two subscribers pursuant to which the subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue 29,000,000 new shares at HK\$0.50 per share, while the prevailing market value of HK\$0.24 per share at completed date. The subscription of shares was completed on 3 May 2024. The share subscription amounted to HK\$14,500,000 were fully utilized to set off the outstanding debt of HK\$14,500,000 owed to subscribers, resulting in a gain of HK\$7,540,000 due to the difference between the debt settlement amount and the fair value of the issued shares, which was independently assessed at HK\$6,960,000 based on the market price at the transaction date.
- (c) On 5 August 2024, two of the Bondholders exercised the conversion right and the convertible bonds were converted into 54,600,000 and 35,880,000 ordinary shares of the Company of HK\$0.50 each, respectively. The conversion shares rank pari passu in all respects with shares of the Company.

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29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2024 HK\$'000	2023 HK\$'000
Non-current assets		
Right-of-use assets	–	177
Investments in and loans to subsidiaries	–	–
	–	177
Current assets		
Other receivables and deposits	1,042	1,042
Cash and cash equivalents	12	12
	1,054	1,054
Current liabilities		
Other payables	29,445	24,963
Amounts due to directors	11,703	10,875
Amounts due to subsidiaries	48,655	48,388
Lease liabilities	–	182
Borrowings	3,000	3,000
Convertible bonds	–	69,662
	92,803	157,070
Net current liabilities	(91,749)	(156,016)
Total assets less current liabilities	(91,749)	(155,839)
Non-current liabilities		
Other payables	69,092	56,993
Borrowings	69,642	73,170
Convertible bonds	10,738	–
	149,472	130,163
NET LIABILITIES	(241,221)	(286,002)
Capital and reserves		
Share capital	171,349	102,849
Reserves	(412,570)	(388,851)
TOTAL DEFICIT	(241,221)	(286,002)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Share-based payment reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2023	370,411	59,063	2,320	19,307	(806,170)	(355,069)
Issue of share on subscription	42	-	-	-	-	42
Effect of forfeiture of share option granted	-	-	(40)	-	40	-
Loss for the year	-	-	-	-	(33,824)	(33,824)
At 31 December 2023 and 1 January 2024	370,453	59,063	2,280	19,307	(839,954)	(388,851)
Issue of share on subscription for settlement of loans	(7,540)	-	-	-	-	(7,540)
Exercise convertible bond	18,547	-	-	(15,997)	-	2,550
Effect of forfeiture of share option granted	-	-	(5)	-	5	-
Modification of convertible bonds	-	-	-	(2,194)	3,310	1,116
Loss for the year	-	-	-	-	(19,845)	(19,845)
At 31 December 2024	381,460	59,063	2,275	1,116	856,484	(412,570)

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current year and prior period are presented in the consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium and contributed surplus

Under the Companies Law (Revised) of the Cayman Islands, the share premium account and contributed surplus account of the Company are distributable to the owners of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The contributed surplus of the Company arose from the difference between the consolidated net assets of the Group's subsidiaries acquired and the nominal value of the Company's ordinary shares issued pursuant to the Group reorganisation in 2002.

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30. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(ii) *Foreign currency transaction reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.

(iii) *Other reserves*

The other reserves mainly comprise the statutory reserve of subsidiaries in the PRC. Subsidiaries of the Group in the PRC follow the accounting principles and relevant financial regulations of the PRC, in the preparation of their accounting records and financial statements. Pursuant to the accounting regulations for business enterprises, the subsidiaries are required to appropriate 10% of the profit arrived at for each year to statutory reserve. The profit arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to owners. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in capital.

(iv) *Convertible bond reserve*

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policies adopted for convertible bonds in note 4 to the consolidated financial statements.

(v) *Share-based payment reserve*

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4 to the consolidated financial statements.

31. 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, unless otherwise cancelled or amended, will remain in force for ten years from that date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

The maximum number of shares in respect of which options may be granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not exceed such number of shares as equals 10% of the issued share capital of the Company at the date of approval of the Scheme. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting. Unless approved by the Company's shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue.

Each grant of options to any of the directors, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors (excluding the independent non-executive director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial shareholder of the Company or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the shares in issue; and
- (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by shareholders of the Company.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by each grantee. An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Scheme.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

The following share options were outstanding under the Scheme during the year:

Grantee	Date of grant	Exercisable period	Exercise price	Outstanding at 31 December 2024
Directors	11 May 2020	From 11 May 2020 to 10 May 2030	HK\$0.50	2,088,000
Directors	11 May 2020	From 11 May 2021 to 10 May 2030	HK\$0.50	1,044,000
Directors	11 May 2020	From 11 May 2022 to 10 May 2030	HK\$0.50	1,044,000
Employee	11 May 2020	From 11 May 2020 to 10 May 2030	HK\$0.50	648,000
Employee	11 May 2020	From 11 May 2021 to 10 May 2030	HK\$0.50	480,000
Employee	11 May 2020	From 11 May 2022 to 10 May 2030	HK\$0.50	480,000
Consultant	11 May 2020	From 11 May 2020 to 10 May 2030	HK\$0.50	4,832,000
Consultant	11 May 2020	From 11 May 2021 to 10 May 2030	HK\$0.50	96,000
Consultant	11 May 2020	From 11 May 2022 to 10 May 2030	HK\$0.50	96,000
				10,808,000
Exercisable at end of the year				10,808,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

Details of the share option outstanding during the year are as follows:

	2024		2023	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	10,832,000	0.50	11,016,000	0.50
Forfeited during the year	(24,000)	0.50	(184,000)	0.50
Outstanding at the end of the year	10,808,000	0.50	10,832,000	0.50
Exercisable at the end of the year	10,808,000	0.50	10,832,000	0.50

The option outstanding at 31 December 2024 had exercise prices of HK\$0.50 (2023: HK\$0.50) and the remaining contractual life of 5.36 years (2023: 6.36 years).

The Company has used the Binomial Option Pricing Model to assess the fair value of the share options granted under the Scheme and such fair value was HK\$2,346,574.

The inputs into the model are as follows:

Closing share price at date of grant	HK\$0.017
Exercise price	HK\$0.025
Risk free rate	0.502%
Expected volatility	99.645%
Expected dividend yield	0.000%

The fair value of the options will be amortised over the vesting period and expensed in the consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Convertible bonds HK\$'000	Borrowings HK\$'000	Lease liabilities HK\$'000	Total liabilities from financing activities HK\$'000
At 1 January 2023	66,089	148,935	497	215,521
Changes in cash flows	–	1,000	(701)	299
Non-cash changes				
– initial recognition on lease liabilities	–	–	357	357
– interest charged	7,941	–	21	7,962
– other payables	(4,368)	–	–	(4,368)
– exchange differences	–	(2,256)	8	(2,248)
At 31 December 2023 and 1 January 2024	69,662	147,679	182	217,523
Changes in cash flows	–	9,352	(602)	8,750
Non-cash changes				
– initial recognition on lease liabilities	–	–	1,670	1,670
– interest charged	5,548	–	33	5,581
– other payables	(6,905)	–	–	(6,905)
– exercise convertible bond	(56,550)	–	–	(56,550)
– modification of convertible bonds	(1,017)	–	–	(1,017)
– loan settlement	–	(3,200)	–	(3,200)
– exchange differences	–	(2,903)	(26)	(2,929)
At 31 December 2024	10,738	150,928	1,257	162,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

33. RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions during the reporting period:

Key management personnel remuneration

Remuneration for key management personnel including amounts paid to the Company's Directors and all of the highest paid employees as disclosed in note 14, is as follows:

	2024 HK\$'000	2023 HK\$'000
Short-term employee benefits	6,060	5,990
Post-employment benefits	112	120
	6,172	6,110

Total remuneration is included in "staff costs".

34. PENDING LITIGATION

As at 31 December 2024, the Company is involved in a pending litigation as follows:

On 30 June 2024, the lender of entrusted loan (the "Plaintiff") filed a lawsuit with SZ CETH shall repay the principal of approximately RMB 46,000,000 and interest of approximately RMB 22,000,000. The Plaintiff further asserts that the Company and other defendants shall bear joint liability for the aforementioned debt, with a total claimed amount of approximately RMB 68,000,000. The Plaintiff alleges that the Company executed documents on 19 December 2019, and 5 July 2022, undertaking an irrevocable joint guarantee obligation for SZ CETH's loan. Currently, the case is at the jurisdictional objection stage and may be transferred to the Guangdong Provincial High People's Court.

Based on currently available information and preliminary assessments, the Company has recognized a related liability in the financial statements. As the case has not yet proceeded to substantive trial, the ultimate outcome remains uncertain, and subsequent adjustments to the accounting treatment may be made depending on further developments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

35. PARTICULARS OF SUBSIDIARIES

(a) Particulars of the Company's subsidiaries which affected the results, assets and liabilities of the Group as at 31 December 2024 were as follows:

Name of subsidiary	Place of incorporation/ business	Particulars of issued share capital/paid up registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Golden Leo Development Limited 金獅發展有限公司	Hong Kong	1 ordinary share of HK\$1	100%	–	Inactive
Hugh Smart Investments Limited 鉅俊投資有限公司	Hong Kong	1 ordinary share of HK\$1	100%	–	Investment holding
Shenzhen CETH Environmental Technology Co. Limited [#] 深圳中環科環保科技有限公司*	PRC**	RMB 19,826,025	–	100%	Development of environmental protection related project
Great Champion Holdings Limited 大盛集團有限公司	Hong Kong	10,000,000 ordinary share of HK\$1	100%	–	Inactive
Winsum Investment Limited	British Virgin Islands	1 ordinary share of USD 1 each	100%	–	Investment holding
New Era Technology Development Limited 年代科技發展有限公司	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding
Beijing Jingrui Kemai Water Purification Technology Company Limited [#] 北京精瑞科邁淨水技術有限公司*	PRC**	RMB10,000,000	–	100%	Development of water purification technology and wastewater treatment equipment trading

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

35. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ business	Particulars of issued share capital/paid up registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Well Nation Holdings Limited	British Virgin Islands	1 ordinary share of USD 1 each	100%	–	Investment holding
Rich Channel International Limited 富欣國際有限公司	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding
Beijing Capital Environment Construction (Hong Kong) Company Limited 首創環保建設(香港)有限公司	Hong Kong	1 ordinary share of HK\$1	51%	–	Investment holding
Beijing Shouqiang Innovative Environmental Protection Technology Co., Limited# 北京首強創新環保科技有限公司*	PRC**	HK\$6,000,000	–	51%	Provision of environmental consultancy services
Beijing Jinrui Tongda Technology Company Limited# 北京金瑞通達科技有限公司*	PRC**	HK\$5,000,000	–	100%	Investment holding
Beijing Xinchuang Technology Development Company Limited# 北京興創科技發展有限公司*	PRC**	HK\$68,000,000	–	100%	Investment holding
INNOMED Group Limited 醫諾醫療集團有限公司	British Virgin Islands	1 ordinary share of US\$1 each	100%	–	Investment holding
Innomed (HK) Limited 醫諾醫療(香港)有限公司	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding
Innomed (Shenzhen) Limited# 深圳市醫諾醫療技術服務有限公司*	PRC**	RMB 0.00	–	100%	Development of medical information system and health care management consulting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

35. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ business	Particulars of issued share capital/paid up registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Shenzhen CETH Assets Management Co., Limited# 深圳中環科資產管理有限公司*	PRC**	RMB20,000,000	–	100%	Investment holding
Hainan Yinkai Medical Investment Co., Limited (“Hainan Yinkai”)* 海南銀開醫療投資有限公司	PRC**	RMB40,000,000	–	52.02%	Development of medical technology
Beijing INNOMED North Medical Technology Service Co., Limited# 北京醫諾北方醫療技術服務有限公司*	PRC**	RMB6,800,000	–	100%	Provision of health consultancy services
Hope Biotech (Hong Kong) Limited 厚樸生物科技(香港)有限公司	Hong Kong	204,081 ordinary share of HK\$1	–	51%	Investment holding
Lianhe Zhonghuan (Beijing) Energy Co., Ltd.# (“Lianhe Zhonghuan”) 鏈合中環(北京)能源有限公司	PRC**	RMB 0.00		51%	Provision of power generation, transmission and supply business

* a wholly foreign owned enterprise

** a limited liability enterprise

The company name in English is not the official name but a translation for reference only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

35. PARTICULARS OF SUBSIDIARIES (Continued)

(b) Details of non-wholly owned subsidiary that have material non-controlling interests ("NCI")

The following table shows information of the subsidiaries that has NCI material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Lianhe Zhonghuan PRC 2024	Hainan Yinkai PRC 2024	2023
Principal place of business/country of incorporation			
% of ownership interest/voting rights held by NCI	49%	47.98%	47.98%
	HK\$'000	HK\$'000	HK\$'000
As 31 December:			
Non-current assets	1,470	—	—
Current assets	1,314	9,492	9,856
Current liabilities	(6,008)	(396)	(409)
Non-current liabilities	(786)	—	—
Net (liabilities)/assets	(4,010)	9,096	9,447
Carrying amount of NCI	(1,965)	4,364	4,533
Year ended 31 December:			
Revenue	819	—	—
Loss for the year	(4,093)	(37)	(363)
Loss allocated to NCI	(2,011)	(18)	(174)
Total comprehensive expenses	(4,010)	(351)	(619)
Total comprehensive expenses allocated to NCI	(1,971)	(168)	(297)
Net cash general from/(used in) operating activities	1,282	(150)	58
Net cash used in investing activities	(241)	—	—
Net cash used in financing activities	(415)	—	—
Net increase/(decrease) in cash and cash equivalents	626	(150)	58

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 28 March 2025.

FIVE YEAR FINANCIAL SUMMARY

For year ended 31 December 2024

	As at 31 December				
	2024	2023	2022	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULT					
Continuing operation					
Revenue	28,229	15,721	38,400	44,611	53,500
(Loss)/profit from operations	(6,778)	(15,186)	2,877	(28,122)	(35,647)
Finance cost	(25,992)	(28,151)	(27,900)	(25,390)	(32,516)
Loss before tax	(32,770)	(43,337)	(25,023)	(53,512)	(68,163)
Income tax expenses	–	–	–	(132)	–
Loss for the year	(32,770)	(43,337)	(25,023)	(53,644)	(68,163)
Attributable to:					
– Owners of the Company	(30,741)	(43,163)	(25,016)	(53,787)	(68,051)
– Non-controlling interests	(2,029)	(174)	(7)	143	(112)
	(32,770)	(43,337)	(25,023)	(53,644)	(68,163)

FIVE YEAR FINANCIAL SUMMARY

For year ended 31 December 2024

	As at 31 December				
	2024	2023	2022	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES					
Non-current assets	2,685	1,566	2,045	3,498	4,607
Net current liabilities	(416,714)	(478,757)	(399,468)	(469,743)	(461,297)
Non-current liabilities	(158,919)	(134,434)	(178,493)	(98,832)	(80,991)
	(572,948)	(611,625)	(575,916)	(565,077)	(537,681)
Share capital	171,349	102,849	100,749	100,749	91,259
Reserves	(747,527)	(719,843)	(682,331)	(671,910)	(632,788)
Total equity attributable to owners of the Company	(576,178)	(616,994)	(581,582)	(571,161)	(541,529)
Non-controlling interests	3,230	5,369	5,666	6,084	3,848
Total deficit	(572,948)	(611,625)	(575,916)	(565,077)	(537,681)
Loss per share					Restated
Basic	(11.01 cents)	(19.49 cents)	(11.42 cents)	(28.23 cents)	(37.28 cents)
Diluted	(11.01 cents)	(19.49 cents)	(11.42 cents)	(28.23 cents)	(37.28 cents)