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中滔環保

CT ENVIRONMENTAL GROUP LIMITED

中滔環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1363)

QUARTERLY UPDATE ANNOUNCEMENT

This announcement is made by the board of directors (the “**Board**”) of CT Environmental Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2)(a) and 13.24A of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to (i) the announcements of the Company dated 29 March 2019, 1 April 2019, 25 April 2019 and 25 June 2019 (the “**Prior Announcements**”) in relation to, among other things, the suspension of trading in the shares of the Company (“**Shares**”) on the Stock Exchange pending the publication of the annual results of the Company and its subsidiaries for the year ended 31 December 2018 (the “**Annual Results**”), the reasons for such delay in publication and resumption guidance issued by the Stock Exchange, (ii) quarterly update announcement dated 28 June 2019 (the “**Previous Quarterly Update Announcement**”), and (iii) the announcement dated 27 June 2019 in relation to certain legal proceedings against a number of subsidiaries of the Group (the “**Legal Update Announcement**”). Unless otherwise stated, capitalised term used in this announcement shall have the same meaning as those defined in the above relevant announcements.

BUSINESS OPERATIONS

The Group is a professional environmental plan and solution provider, which offers one-stop centralized and customized environmental protection services. The Group is engaged in services in the whole chain, inclusive of industrial wastewater treatment, industrial water supply, general and industrial solid waste treatment and hazardous waste disposal and treatment, urban and domestic waste detoxification, and environmental inspection. The Group had continued its normal business operations since the suspension of the trading of the Shares and there is no major change in the business operations of the Group since the suspension of the trading of the Shares.

As disclosed in the Previous Quarterly Update Announcement, the Company is either considering or negotiating with various independent third parties in relation to disposal of certain non-core assets and non-core subsidiaries in order to improve the cashflow position. Up to the date of this announcement, an agreement had been signed for the disposal of 49% equity stake of a non-core subsidiary but the transaction has not completed yet. The Group will continue to put efforts in order to reach similar agreements for other non-core subsidiaries.

UPDATE ON RESUMPTION PROGRESS

For the resumption guidance issued by the Stock Exchange in June 2019, the latest updates are as follows:

- (a) *conduct an appropriate investigation into the Allegations, announce the findings and take appropriate remedial actions.*

Since all the Allegations are now in the legal process in the PRC, the Board regarded that it would be appropriate to conduct the investigations until the time judgments had been obtained from the PRC courts since the publication of any findings in public may affect the subsequent judgments from court and since it is sensitive for discussion of the Allegations at the time the legal proceedings are in process.

(b) publish all outstanding financial results and address any audit modifications

As mentioned in the section headed “Business Operations” in this announcement, the Group strive to improve the cashflow position by disposal of certain non-core assets and non-core subsidiaries. However, the whole exercise had not completed and the Group will continue to explore different ways to improve the working capital position including but not limited to cost savings and potential new bank borrowings or re-financing of existing banking facilities.

Guangzhou Haitao had engaged ShineWing Certified Public Accountants Guangzhou Branch to act as an independent internal control consultant to conduct an internal control review on the Allegations and to prepare a report adopting the agreed-upon procedure (“**AUP Report**”) specification. The scope of engagement also covered certain other subsidiaries of the Company to assess if the Incident is a one-off and isolated case.

As of the date of this announcement, the AUP Report has been in its advanced form, major findings of which included: 1) numerous internal control weaknesses being identified in respect of the workflow of sludge treatment process and in respect of certain internal authorization procedures; 2) no irregularities were discovered (for the other subsidiaries covered by the report) similar to those allegations currently faced by Guangzhou Haitao; and 3) no conclusion can be drawn on whether Guangzhou Haitao had been involved in the allegations in the Incident due to the deficiency of internal control procedures about sludge treatment operations as mentioned in (1) above.

The above advanced form of AUP report has been reviewed by the audit committee of the Company. The Group will follow-up the implication from the findings of the AUP report and will consider possible ways to improve the current internal central procedures in relation to the sludge treatment operation.

Due to the situation mentioned in the preceding paragraphs, this advanced form of the AUP report cannot fully address the audit matters as disclosed in the Prior Announcements so that, the timeframe for publication of all outstanding financial results cannot be determined until a later stage.

(c) announce all material information for the Company’s shareholders and other investors to appraise the Company’s position.

The Company has kept monitoring if there is any material information in which an announcement is required. The Company will inform the public of such information as and when appropriate.

OTHER UPDATES

As disclosed in the Legal Update Announcement, a number of legal proceedings had been made against three subsidiaries of the Group (namely, Guangzhou Haitao, Guangzhou Liangang and Zhongshan Haitao), alleged that these subsidiaries (and some of the executive Directors) has been involved in criminal offences.

As of the date of this announcement, the hearing of the proceedings against Zhongshan Haitao and Guangzhou Haitao had been completed and are now waiting for the judgments to be issued. There is no information as to the expected date of the issue of such judgements. There are no material developments regarding the status on the Guangzhou Liangang cases since the Legal Update Announcement.

The Company will keep the shareholders of the Company and the public informed of the progress of all the legal proceedings mentioned above as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2019. Trading in the Shares will remain suspended until further notice.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares and other securities of the Company.

By order of the Board
CT Environmental Group Limited
Tsui Cham To
Chairman

Hong Kong, 2 October 2019

As at the date of this announcement, the executive directors of the Company are Mr. Tsui Cham To, Mr. Lu Xiao'an, Mr. Liang Qilin, Mr. Liang Zhenjie, Mr. Xu Juwen and Mr. Yuan Guanghua and the independent non-executive directors of the Company are Mr. He Jingyong, Dr. Ng Wai Kuen, Mr. Yu Chung Leung and Mr. Zhang Lu Fu.