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CHINA ENVIRONMENTAL TECHNOLOGY HOLDINGS LIMITED
中國環保科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 646)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2019	Year ended 31 December 2018	Percentage Change
	HK$'000	*HK$'000*	*%*
Revenue	**33,787**	49,443	(31.66)
Loss attributable to owners of the Company	**(260,883)**	(309,054)	(15.59)

The Board (the "Board") of Directors (the "Directors") of China Environmental Technology Holdings Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	4	**33,787**	49,443
Cost of sales		**(28,886)**	(39,395)
Gross profit		**4,901**	10,048
Other income	6	**3,921**	1,625
Other gain	7	**13,186**	4,666
Distribution costs		**(1,432)**	(1,368)
Net gain/(loss) on deconsolidation of subsidiaries		**2,142**	(126,306)
Impairment/write off of various assets		**(10,095)**	(111,470)
Provision for claims against cessation of lease contract	14(i)	**(180,713)**	—
Administrative expenses		**(50,496)**	(87,698)
Loss from operations		**(218,586)**	(310,503)
Finance costs	8	**(44,488)**	**(16,218)**
Loss before tax	9	**(263,074)**	(326,721)
Income tax credit	10	**634**	308
Loss for the year		**(262,440)**	(326,413)
Other comprehensive income/(expenses) for the year, net of tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**5,374**	3,794
Exchange differences reclassified to profit or loss on disposal of an associate		—	13
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**(1,220)**	526
Exchange differences reclassified to profit or loss on deconsolidation of subsidiaries		**41**	(12)
		4,195	4,321
Total comprehensive expenses for the year		**(258,245)**	(322,092)

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(260,883)**	(309,054)
Non-controlling interests		**(1,557)**	(17,359)
		(262,440)	(326,413)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(256,696)**	(305,200)
Non-controlling interests		**(1,549)**	(16,892)
		(258,245)	**(322,092)**
Loss per share	*12*		
— Basic (HK cent per share)		**(7.15)**	(8.47)
— Diluted (HK cent per share)		**(7.15)**	(8.47)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	*2019*	*2018*
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**1,514**	2,400
Right-of-use assets		**7,169**	—
Intangible assets		**1,071**	1,169
Construction in progress		**—**	62,313
Prepayment for construction in progress	13	**—**	14,233
Goodwill		**—**	2,937
Interests in an associate		**—**	—
		9,754	83,052
Current assets			
Inventories		**—**	561
Trade and other receivables	13	**27,312**	38,181
Contract assets and contract costs		**30,963**	19,582
Restricted and pledged bank deposits		**—**	343
Bank and cash balances		**3,351**	4,981
		61,626	63,648
Current liabilities			
Trade and other payables	14	**309,636**	213,921
Contract liabilities		**21,820**	14,060
Borrowings		**60,260**	76,678
Lease liabilities		**4,869**	—
Current tax liabilities		**—**	636
		396,585	305,295
Net current liabilities		**(334,959)**	(241,647)
Total assets less current liabilities		**(325,205)**	(158,595)

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current liabilities			
Trade and other payables	14	**23,568**	—
Borrowings		**61,058**	3,000
Convertible bonds		**53,200**	46,113
Lease liabilities		**2,194**	—
		140,020	49,113
NET LIABILITIES		**(465,225)**	(207,708)
Capital and reserves			
Share capital		**91,259**	91,259
Reserves		**(560,454)**	(301,498)
Equity attributable to owners of the Company		**(469,195)**	(210,239)
Non-controlling interests		**3,970**	2,531
TOTAL DEFICIT		**(465,225)**	(207,708)

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 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and Unit 1003-5, 10th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong respectively.

The principal activity of the Company is investment holding.

At 31 December 2019, the directors of the Company (the "Directors") consider the immediate 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 Zhong Ping, the chairman of the Company. The immediate and ultimate parent company do not produce consolidated financial statements available for public use.

In the opinion of the Directors, as at the date of issue of these consolidated financial statements, the Company received a petition (the "Petition") filed by Pacific Fertility Institutes Holding Company Limited (the "Petitioner") against the Company in the High Court of the Hong Kong Special Administrative Region (the "Court") for orders that the Company be wound up by the Court and provisional liquidator and/or interim manager be appointed to the Company on 12 August 2019. The Petition was filed against the Company on the ground that the Company's affairs had been conducted in an oppressive and unfairly prejudicial manner. Up to the date of these consolidated financial statements, the Petitioner had not yet obtained the Registrar Certificate and the Petitioner was still awaiting the outcome of whether the Court had satisfied with their answers and also whether further requisitions would be raised, which resulted to the hearing of the Petition and the Petitioner's application for leave to amend the Petition be adjourned. The Directors are of the view that the winding-up petition would not cause any material adverse impact to the operation of the Company.

2. BASIS OF PREPARATION

Going Concern

The Group incurred loss attributable to owners of the Company of approximately HK$260,883,000 for the year ended 31 December 2019 and the Group had net current liabilities and net liabilities of approximately HK$334,959,000 and approximately HK$465,225,000 respectively as at 31 December 2019. These conditions indicate the existence of a material uncertainty which may 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 2019. 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 2019. Accordingly, the consolidated financial statements have been prepared on a going concern basis;

(ii) there was an investor ("Investor") confirmed to provide an adequate financial support of amount not less than HK$180,000,000 to the Group as it is necessary to ensure its continuing operation for a period of at least fifteen months from 31 March 2020;

(iii) the Investor executed a letter agreeing not to demand for repayment for other loan principal of HK$800,000 and the accrued interest of approximately HK$106,000 as at 31 December 2019 before July 2021 under an loan agreement executed on 27 March 2019, and all interests accrued from this other loan are to be repaid on the maturity date under the loan agreement, which is on 31 March 2022 or if such date is not a business day, the next business day.

    The Investor also agreeing not to demand for repayment for other loan principal of approximately HK$17,058,000 and the accrued interest of approximately HK$794,000 as at 31 December 2019 before July 2021 under another loan agreement executed on 23 September 2019, and all interests accrued from this other loan are to be repaid on the repayment date under the loan agreement, which is on 31 December 2022 or if such date is not a business day, the next business day.

    The Investor also agreeing not to demand for repayment for working capital of approximately HK$18,234,000 lent to the Group by certain companies controlled by the Investor before July 2021;

(iv) China Daisy Finance Limited executed a letter agreeing not to demand for repayment for other loan principal of HK$40,000,000 and the accrued interest of approximately HK$4,434,000 as at 31 December 2019 before July 2021 under an loan agreement executed on 27 March 2019, and all interests accrued from this other loan are to be repaid on the repayment date under the loan agreement, which is on 27 March 2022 or if such date is not a business day, the next business day;

(v) the Group's entrusted loan of approximately RMB45,992,000 (approximately HK$51,448,000) as at 31 December 2019 was borrowed from an independent third party through commissioning a bank renewed on 26 March 2019. The lender had decided to extend the repayment schedule of this entrusted loan, for which in the outstanding amount of the entrusted loan as at 31 December 2019, approximately RMB20,992,000 (approximately HK$23,482,000) of the entrusted loan should be repaid on or before 31 December 2019 while the remaining RMB25,000,000 (approximately HK$27,966,000) of the entrusted loan shall be repaid on or before 31 December 2020. 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;

(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.

Deconsolidation of a subsidiary

The consolidated financial statements have been prepared based on the books and records maintained by the Group. Referred to the Company's announcement of 5 March 2019 regarding Interim Judicial Managers being appointed upon an application filed in the High Court of Singapore by Acromec Engineers Pte Ltd to place Pacific Fertility Institutes (Singapore) Pte Ltd ("PFI Singapore") under judicial management on 22 February 2019, the Group is no longer able to exercise control over the assets and operations over PFI Singapore. The Directors considered that the control over the PFI Singapore had been lost since 22 February 2019. The results, assets, liabilities and cash flows of this subsidiary was deconsolidated from the consolidated financial statements of the Group since 22 February 2019.

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 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

The following explains the impact of the adoption of HKFRS 16 "Leases" ("HKFRS 16") on the Group's financial information and the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior years.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting year, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 11.67%.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

— the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

— reliance on previous assessments on whether leases are onerous;

— the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

— the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

— the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

As a lessee, the Group's leases are mainly rentals of premises for operating hospital. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. The changes in the consolidated amounts reported in the consolidated financial statements as follows:

	HK$'000
At 1 January 2019	
Increase in right-of-use assets	**145,684**
Increase in lease liabilities	**156,597**
Decrease in trade and other payables	**10,913**

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**377,326**
Less: Recognition exemption - short-term leases	**(688)**
Gross operating lease obligations at 1 January 2019	**376,638**
Discounting at relevant incremental borrowing rates at 1 January 2019	**(220,041)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	**156,597**
Analysed as:	
Current	**387**
Non-current	**156,210**
	156,597

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

Land and buildings	**145,684**

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

4. REVENUE

The Group's revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Provision of wastewater treatment facilities and machineries' related services	**664**	502
Sales of goods	**33,123**	41,723
Wastewater treatment construction services	**—**	4,140
Healthcare products and services	**—**	3,078
	33,787	49,443

5. SEGMENT INFORMATION

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

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the executive Directors, being the chief operating decision-maker ("CODM") for the purposes of resources allocation and performance assessment. The Group has presented the following two reportable segments. No operating 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 products and services.

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 represents the loss from each segment without allocation of central administration costs such as directors' salaries and unallocated other income/losses. This is the measure reported to the CODM for purposes of resources allocation and performance assessment. Taxation credit 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 other than current and deferred tax liabilities, borrowings not attributable to individual segments and corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

(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:

	2019	2018
	HK$'000	*HK$'000*
Disaggregated by major products or service		
— Wastewater treatment	**33,787**	46,365
— Healthcare	**—**	3,078
Revenue from contracts with customers	**33,787**	49,443
Disaggregated by geographical location of customers		
— The PRC	**33,787**	46,365
— Singapore	**—**	3,078
	33,787	49,443

	Timing of revenue recognition					
	2019			2018		
	At a point in time	**Over time**	**Total**	At a point in time	Over time	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Wastewater treatment	**33,787**	**—**	**33,787**	41,723	4,642	46,365
Healthcare	**—**	**—**	**—**	3,078	—	3,078
Total	**33,787**	**—**	**33,787**	44,801	4,642	49,443

Wastewater treatment

Revenue from wastewater treatment includes construction services and equipment trading. Construction services is recognised when the services are rendered.

Wastewater treatment construction services are normally made with credit terms of 30 days. A receivable is recognised when the services are rendered to the customers as this is the over time that the consideration is unconditional because only the passage of time is required before the payment is due.

For trading of wastewater treatment facilities and machineries and 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.

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.

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

	Wastewater treatment	Healthcare	Subtotal	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2019					
Revenue from customers	**35,067**	**—**	**35,067**	**—**	**35,067**
Intersegment revenue	**(1,280)**	**—**	**(1,280)**	**—**	**(1,280)**
Revenue from external customers	**33,787**	**—**	**33,787**	**—**	**33,787**
Segment loss	**(16,612)**	**(201,308)**	**(217,920)**	**(45,154)**	**(263,074)**
Interest income	**23**	**2**	**25**	**1**	**26**
Finance costs	**7,012**	**19,398**	**26,410**	**18,078**	**44,488**
Depreciation of property, plant and equipment and right-of-use assets, and amortisation	**1,661**	**7,757**	**9,418**	**1,824**	**11,242**
Impairment loss of trade receivables	**366**	**—**	**366**	**—**	**366**
Reversal of impairment loss on trade receivables	**2**	**—**	**2**	**—**	**2**
Write-off of other receivables	**641**	**255**	**896**	**512**	**1,408**
Bad debts recovered from other receivables	**—**	**72**	**72**	**—**	**72**
Impairment loss on amount due from an associate	**159**	**—**	**159**	**—**	**159**
Impairment loss on right-of-use assets	**—**	**8,162**	**8,162**	**—**	**8,162**
Additions to property, plant and equipment and construction in progress	**30**	**4,213**	**4,243**	**—**	**4,243**
As at 31 December 2019					
Reportable segment assets	**65,844**	**929**	**66,773**		
Reportable segment liabilities	**167,512**	**226,786**	**394,298**		

	Wastewater treatment	Healthcare	Subtotal	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2018					
Revenue from customers	48,761	3,078	51,839	—	51,839
Intersegment revenue	(2,396)	—	(2,396)	—	(2,396)
Revenue from external customers	46,365	3,078	49,443	—	49,443
Segment loss	(26,018)	(278,676)	(304,694)	(22,027)	(326,721)
Interest income	89	105	194	1	195
Finance costs	7,463	—	7,463	8,755	16,218
Depreciation and amortisation	2,321	78	2,399	91	2,490
Write-down of inventories	4,371	—	4,371	—	4,371
Impairment loss of trade receivables	1,265	21	1,286	—	1,286
Reversal of impairment loss on trade receivables	2,491	—	2,491	—	2,491
Write-off of other receivables	25,047	44,346	69,393	450	69,843
Impairment loss on amount due from an associate	238	—	238	—	238
Write-off of property, plant and equipment	—	40,103	40,103	—	40,103
Additions to property, plant and equipment and construction in progress	136	99,099	99,145	—	99,145
As at 31 December 2018					
Reportable segment assets	47,583	96,765	144,348		
Reportable segment liabilities	144,991	135,753	280,744		

(c) Reconciliations of reportable segment profit or loss:

	2019	2018
	HK$'000	*HK$'000*
Total loss of reportable segments	**(217,920)**	(304,694)
Unallocated depreciation of property, plant and equipment and right-of-use assets, and amortisation	**(1,824)**	(91)
Unallocated head office and corporate expenses	**(43,330)**	(21,936)
Consolidated loss before tax	**(263,074)**	(326,721)

(d) Reconciliations of reportable segment assets and liabilities:

	2019	2018
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**66,773**	144,348
Unallocated		
— cash and cash equivalents	**789**	227
— corporate assets	**3,818**	2,125
Consolidated total assets	**71,380**	146,700
Liabilities		
Total liabilities of reportable segments	**394,298**	280,744
Unallocated		
— current tax liabilities	**—**	636
— corporate liabilities	**142,307**	73,028
Consolidated total liabilities	**536,605**	354,408

(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	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**—**	—	**2,156**	—
The PRC	**33,787**	46,365	**7,598**	83,052
Singapore	**—**	3,078	**—**	—
	33,787	49,443	**9,754**	83,052

(f) Revenue from major customers

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

	2019	2018
	HK$'000	*HK$'000*
Wastewater treatment equipment trading		
Customer A	**—**	14,421
Customer B	**—**	8,193
Customer C	**—**	7,057
Customer D	**6,302**	—
Customer E	**4,401**	—
Customer F	**9,785**	—
Customer G	**8,214**	—
Customer H	**3,785**	—

6. OTHER INCOME

	2019 *HK$'000*	2018 *HK$'000*
Interest income on bank deposits	**26**	195
Net foreign exchange gain	**3,157**	963
Waiver of trade and other payables	**306**	—
Others	**432**	467
	3,921	1,625

7. OTHER GAIN

	2019 *HK$'000*	2018 *HK$'000*
Net gain on the early cessation arrangement for the lease contract	**13,112**	—
Gain on disposal of an associate	**—**	2,175
Reversal of impairment loss on trade receivables	**2**	2,491
Bad debts recoverd from other receivables	**72**	—
	13,186	4,666

8. FINANCE COSTS

	2019 *HK$'000*	2018 *HK$'000*
Lease interests	**15,116**	—
Interest expenses on:		
— Bank loans	**47**	266
— Entrusted loan	**6,901**	7,197
— Other loans	**5,335**	—
— Bonds	**1,204**	1,592
— Convertible bonds	**11,455**	7,163
Default interest on construction contracts	**4,430**	—
Total borrowing costs	**44,488**	16,218

9. LOSS BEFORE TAX

The Group's loss before tax is stated after charging the following:

	2019	2018
	HK$'000	*HK$'000*
Amortisation of intangible assets*	**78**	1,313
Cost of inventories sold	**559**	532
Staff costs (including Directors' emoluments)		
— Salaries, wages and other benefits	**13,956**	29,145
— Pension costs-defined contribution plans	**1,599**	3,375
	15,555	32,520
Write-off of property, plant and equipment	**—**	40,103
Impairment loss on right-of-use assets	**8,162**	—
Impairment loss on trade receivables	**366**	1,286
Write-off of other receivables	**1,408**	69,843
Impairment loss on amount due from an associate	**159**	238
	10,095	111,470
Depreciation of property, plant and equipment and right-of-use assets	**11,164**	1,177
Write-down of obsolete inventories (included in cost of sales)	**—**	4,371
Net loss on disposal of property, plant and equipment	**6**	6
Auditors' remuneration	**1,380**	1,656
Legal and professional fee	**14,184**	2,006
Minimum lease payments under operating lease (under HKAS 17)	**—**	37,519
Expenses related to short-term leases	**1,423**	—

* The amortisation of intangible assets (other than club memberships) are included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

10. INCOME TAX CREDIT

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

	2019	2018
	HK$'000	*HK$'000*
Current tax — Corporate Income Tax in the PRC		
Over-provision in prior years	**634**	—
Deferred tax	**—**	308
Income tax credit	**634**	308

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 2019 and 2018.

Beijing Jingrui Kemai Water Purification Technology Company Limited, a wholly-owned subsidiary of the Company enjoys high-tech enterprise income tax benefit from 2018 to 2020 and the tax rate is 15%.

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

	2019	2018
	HK$'000	*HK$'000*
Loss before tax	**(263,074)**	(326,721)
Notional tax on loss before tax, calculated at the rates applicable to losses in the tax jurisdictions concerned	**(47,361)**	(60,951)
Tax effect of		
— non-deductible expenses	**43,167**	55,535
— non-taxable income	**(6,115)**	(2,403)
— tax losses not recognised	**9,031**	7,622
— utilisation of previously unrecognised tax losses	**(467)**	(568)
— temporary differences not recogrised	**1,745**	457
— over-provision in prior years	**(634)**	—
Income tax credit	**(634)**	(308)

As at 31 December 2019, subject to agreement by tax authority, the Group had estimated tax losses of approximately HK$145,856,000 (2018: 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. 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. The tax losses do not expire under the current Hong Kong tax legislation. Tax losses of approximately HK$105,912,000 (2018: approximately HK$93,080,000) in the PRC are available for offsetting against future profits that may be carried forward for five years for PRC enterprise income tax purpose.

11. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: HK$Nil).

12. 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:

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	**(260,883)**	(309,054)
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**3,650,359**	3,650,359

Basic and diluted loss per share for the years ended 31 December 2019 and 2018 were the same as the respective basic loss per share because all potential dilutive ordinary shares would decrease the loss per share, therefore, is anti-dilutive.

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**21,996**	20,779
Bills receivable	**1,812**	—
Less: allowance for doubtful debts	**(4,356)**	(4,898)
	19,452	15,881
Other receivables	**5,762**	13,850
Prepayments and deposits	**2,098**	8,150
Prepayment for construction in progress	**—**	14,233
Amounts due from directors	**—**	300
	27,312	52,414
Analysed as:		
Current assets	**27,312**	38,181
Non-current assets	**—**	14,233
	27,312	52,414

Trade receivables are due in accordance with contract terms.

The Group's bills receivable of approximately HK$1,812,000 (2018: Nil) were pledged to secure bank borrowings of approximately HK$1,812,000 (2018: Nil).

As at 31 December 2019 and 2018, the ageing analysis of the trade receivables, based on the invoice date, and net of allowance were as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**6,168**	6,800
More than 3 months but within 12 months	**3,386**	3,615
More than 12 months	**9,898**	5,466
	19,452	15,881

As at 31 December 2019, trade receivables of the Group amounting to approximately HK$4,356,000 (2018: approximately HK$4,898,000) 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

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**4,898**	28,405
Allowance for the year	**366**	1,286
Reverse of allowance for the year	**(2)**	(2,491)
Write off trade receivables	**(817)**	(11,400)
Disposal of subsidiaries	**—**	(9,968)
Deconsolidation of a subsidiary	**(21)**	—
Exchange adjustments	**(68)**	(934)
At 31 December	**4,356**	4,898

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 2019					
Weighted average expected loss rate	**—**	**—**	**—**	**31%**	
Receivable amount (HK$'000)	**4,176**	**1,992**	**3,386**	**14,254**	**23,808**
Loss allowance (HK$'000)	**—**	**—**	**—**	**(4,356)**	**(4,356)**
At 31 December 2018					
Weighted average expected loss rate	—	—	—	100%	
Receivable amount (HK$'000)	15,546	18	317	4,898	20,779
Loss allowance (HK$'000)	—	—	—	(4,898)	(4,898)

14. TRADE AND OTHER PAYABLES

	Note	**2019** *HK$'000*	2018 *HK$'000*
Trade payables		**36,064**	36,187
Other payables	(i)	**284,805**	163,530
Other tax payable		**11,324**	14,204
Amounts due to directors		**1,011**	—
		333,204	213,921
Analysed as:			
Current liabilities		**309,636**	213,921
Non-current liabilities		**23,568**	—
		333,204	213,921

Note:

(i) As at 31 December 2019, other payables included rent payable of approximately HK$8,382,000, non-contractual loan of approximately HK$39,564,000, amounts due to the Investor and companies controlled by the Investor of approximately HK$19,394,000, interest payables of approximately HK$9,838,000, and legal and professional fee payables of approximately HK$5,309,000.

As at 18 November 2019, the Group has undergone an early cessation arrangement for the lease contract with the lessor, who is entitled to bring legal actions against a subsidiary of the Company for the early cessation claims. The Directors estimated that a provision for claims in relation to the early cessation on arrangement of approximately HK$180,713,000 should be accounted for during the year ended 31 December 2019. Given the rental deposits paid of approximately HK$3,915,000, which could be directly deducted by lessor as stated in the lease, the probable exposure would be approximately HK$176,798,000.

As at 31 December 2018, other payables included rent payable of approximately HK$12,038,000, construction cost payable of approximately HK$52,347,000, non-contractual loan of approximately HK$51,556,000 and decoroation costs payable of approximately HK$12,158,000.

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**4,833**	11,628
After 1 month but within 3 months	**2,913**	3,348
After 3 months but within 4 months	**489**	775
After 4 months but within 1 year	**13,416**	11,295
After 1 year	**14,413**	9,141
	36,064	36,187

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of our Group for the financial year ended 31 December 2019, an extract of which is as follows:

Qualified 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 in the annual report of the Company, which comprise the consolidated statement of financial position as at 31 December 2019, 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 a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

1. ***Deconsolidation of Pacific Fertility Institutes Holding Company Limited ("PFI Cayman") and its subsidiaries (the "PFI Cayman Group")***

   As explained in note 2 to the consolidated financial statements for the year ended 31 December 2018, certain subsidiaries of the Group were deconsolidated from the Group since 1 January 2018. No sufficient evidence has been provided to satisfy ourselves as to whether the Group had lost control of those subsidiaries on 1 January 2018 or any dates afterwards. Furthermore, no sufficient evidence has been provided to satisfy ourselves as to the classification and amount of the remaining investment in the PFI Cayman Group as at 31 December 2018.

   No sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the years ended 31 December 2019 and 2018 and the Group's financial position as at 31 December 2018, and as to the accuracy of the loss on deconsolidation of subsidiaries of approximately HK$135,388,000 for the year ended 31 December 2018.

2. Limited accounting books and records of Pacific Fertility Institutes (Singapore) Pte Ltd. ("PFI Singapore")

Due to insufficient of supporting documentation and explanations for accounting books and records in respect of PFI Singapore for the year ended 31 December 2018, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the year ended 31 December 2018; the assets and liabilities as at 31 December 2018; and the segment information and other related disclosure notes in relation to the Group, which formed the basis for the corresponding figures presented in the current year's consolidated financial statements:

Income and expenses for the year ended 31 December 2018:

	2018 *HK$'000*
Revenue	3,078
Cost of sales	(1,155)
Gross profit	1,923
Other income	250
Administrative expenses	(5,369)
Write-off of property, plant and equipment	(40,103)
Impairment loss on other receivables	(4,486)
Loss and total comprehensive expenses for the year	(47,785)

Assets and liabilities as at 31 December 2018:

	2018 *HK$'000*
Current assets	
Trade and other receivables	104
Bank and cash balances	281
	385
Current liabilities	
Trade and other payables	6,313
Net current liabilities	(5,928)
Net liabilities	(5,928)

As explained in note 2 to the consolidated financial statements, PFI Singapore was deconsolidated from the Group since 22 February 2019. No sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiary, as to the completeness of the transactions of the Group for the period from 1 January 2019 to 22 February 2019, and as to the accuracy of the gain on deconsolidation of the subsidiary of approximately HK$27,564,000 for the year ended 31 December 2019.

3. Impairment loss on other receivables

For the year ended 31 December 2018, the Group has recorded an impairment loss amounted to approximately HK$23,728,000 on other receivables. We have not been provided with sufficient audit evidence as to whether the impairment loss should be recorded in the year 2018 or prior years. However, we are satisfied that such other receivables are fairly stated as at 31 December 2019 and 2018.

4. Onerous contract and provision for claims against cessation lease contract

Due to the inherent uncertainties in respect of the Group's restructuring during the year ended 31 December 2018 and lack of historical and practical reference on the Group's operating performance in its new business operation in women's and children's hospital as at 31 December 2018, we have been unable to obtain robust supportable evidence for us to assess whether the Group's 20-year long term non-cancellable lease contract (the "Lease Contract") with commitments of approximately HK$354,981,000 as at 31 December 2018 in relation to this new business constitute an onerous contract as defined under Hong Kong Accounting Standard 37. Should the execution of the Lease Contract constitute an onerous contract for the year ended 31 December 2018, a provision is required to an extent that is necessary for relevant unavoidable costs of meeting the obligations under the Lease Contract exceed the economic benefits expected to be received.

During the year ended 31 December 2019, the Group has undergone an early cessation arrangement for the Lease Contract (the "Cessation") with the lessor. We have not been provided with sufficient audit evidence on how the consequential accounting treatments of the Lease Contract would affect the consolidated profit or loss for the years ended 31 December 2018, including the net gain on the Cessation of approximately HK$13,112,000 for the year ended 31 December 2019.

Any adjustments to the figures as described from points 1 to 4 above might have consequential effects on the consolidated financial performance and consolidated cash flows for the two years ended 31 December 2019 and 2018 and the consolidated financial positions of the Group as at 31 December 2018, and the related disclosures thereof in the consolidated financial statements.

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 qualified 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$260,883,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities and net liabilities of approximately HK$334,959,000 and approximately HK$465,225,000 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.

Emphasis of Matter

We draw attention to note 1 to the consolidated financial statements which states that the Company received a petition filed by Pacific Fertility Institutes Holding Company Limited against the Company for orders that the Company be wound up.

Our opinion is not modified in respect of this matter.

RESULTS

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$33,787,000 (2018: approximately HK$49,443,000), representing a decrease of about 31.7% compared to that of 2018. The Group's loss attributable to owners of the Company was approximately HK$260,883,000 (2018: approximately HK$309,054,000), representing a decrease of about 15.6% as compared to that of 2018. Gross profit margin was approximately 14.5% as compared to 20.3% in last year.

BUSINESS REVIEW

FOR WASTEWATER TREATMENT

The business volume of Beijing Jingrui Kemai Water Purification Technology Co., Ltd., the core company of the Group's traditional environmental protection business segment, continued to maintain good growth. For the year of 2019, Beijing Jingrui Kemai Water Purification Technology Co., Ltd. won 22 orders in 14 cities across the country, of which 16 were magnetic coagulation supply orders and 6 other sales orders. The total daily treated water volume reached 645,500 tons and completed 12 construction projects. 22 new commercial contracts were signed, a year-on-year increase of 29.41% for new contracts signed. In 2019, the company applied for 11 new patents to the State Intellectual Property Office, of which 5 were invention patents, 6 were utility model patents, and 10 software copyrights were applied. The historical cumulative supply of equipment capacity reached 2.95 million tons. Beijing Jingrui Kemai Water Purification Technology Co., Ltd.'s current brand awareness, customer satisfaction, scale, and project distribution area have reached new heights. It has been invited to become the two industry standard preparation units organized by the China Engineering Construction Standardization Association and the Ministry of Housing and Urban-Rural Development.

FOR HEALTHCARE

The Group's medical sector business has undergone vigorous rectification and reorganization during the year. PFI Singapore and PFI Cayman have entered the liquidation process, and the Beijing INNOMED Women's and Children's Hospital project has been disposed. All these investments had stopped losses in time. After getting secure, the board of directors of the Company also carefully reviewed the risks arising from corporate management and control, and strengthened the establishment of internal control systems through the assistance of third-party consulting firms. Based on the company's board of directors' deeper understanding of the healthcare field, the Group still believes that opportunities to enter the healthcare sector are promising, and there are still a large number of high-quality projects in the healthcare field. Out of being responsible to all shareholders of the Group, the Group is still actively looking for opportunities in the sector. This year, we signed a framework cooperation agreement with Hope Bio-Technology (Suzhou) Company Limited, a leading stem cell and immune cell company in China, to actively promote project cooperation and business development in the field of stem cell and immune cell applications.

OUTLOOK

FOR WASTEWATER TREATMENT

Beijing Jingrui Kemai Water Purification Technology Co., Ltd., the core subsidiary of the Group's traditional environmental protection sector, has established a three-year action plan, which will fully integrate upstream and downstream resources based on the original core technology, and change its role as a comprehensive water technology service provider. In future, by increasing investment in research and development, building a highly cohesive management and technical team, broadening market pipeline construction, strengthening corporate image promotion, and improving customer service satisfaction, and many other measures, we will fully implement the corporate development concept of "Environmental technology builds beautiful life". Make environmental protection business the core business of the group. At the same time, we will coordinate the resources of the Group, support the focus of the environmental protection sector business, actively deploy in the field of energy conservation and environmental protection, and expand the scale of environmental protection business through investment and acquisition.

FOR HEALTHCARE

The Group had fully summarized and learnt from the past experience and lessons in healthcare investment. Based on the huge tuition fees paid in the healthcare sector, it will engage professionals and healthcare investment specialists, hospital management groups, medical technology companies to provide information of the latest development in medical sector. The Group will actively promote project cooperation in the field of stem cell and immune cell technology, promote the development of medical business with a prudent, rigorous and professional attitude, and improve the Company's overall image and shareholder value.

CONCLUSION

With the recurrence of global trade wars in 2019, China, as a major manufacturing power, is difficult to completely get rid of things, and the overall economic situation is complex and changeable. The Group continues to make progress by adapting to development, combining with its own business characteristics, timely reorganizing the healthcare sector, finding a balance between breaking and establishing, properly handling the remaining healthcare segment issues, and sorting out new investment opportunities. At the same time, benefiting from national policy support for environmental protection, the Group's environmental protection segment has increased research and development efforts and market development efforts, and has greatly improved brand recognition, market share, number of projects obtained, and customer satisfaction in segmented markets.

The Group will continue to focus on creating value for shareholders, customers, employees and society. We will continue to strengthen the competitive advantages of our existing businesses. At the same time, we will continue to actively seek suitable investment opportunities in the medical and environmental protection fields.

Looking into the future, although affected by the novel coronavirus (COVID-19) epidemic, the overall macroeconomic environment is not expected to be optimistic. However, for the Group, the existing environmental protection will be less affected. We will continue to pay attention to changes in the market, make proactive responses, grasp potential opportunities, strengthen risk awareness, and promote the continuous development of the two business segments of the Group.

EMOLUMENT POLICY

As at 31 December 2019, the Group had 62 employees (2018: 61 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 2019, the total cash and bank balances of the Group were approximately HK$3,351,000 (2018: approximately HK$4,981,000). The cash and bank balances consisted of about 25.52% in Hong Kong dollars, 74.45% in Renminbi and 0.03% in US dollars.

As at 31 December 2019, the Group had total assets of approximately HK71,380,000 (2018: approximately HK$146,700,000) and total liabilities of approximately HK$536,605,000 (2018: approximately HK$354,408,000). As at 31 December 2019, the current ratio was 0.16 (2018: 0.21), calculated on the basis of current assets of approximately HK$61,626,000 (2018: approximately HK$63,648,000) over current liabilities of approximately HK$396,585,000 (2018: approximately HK$305,295,000).

The Group's borrowings amounted to approximately HK$174,518,000 (2018: approximately HK$125,791,000). The Group's borrowings are denominated in Renminbi, Hong Kong dollars and United Stated dollars, bearing fixed interest rates / coupon rate. The Group's gearing ratio, being the ratio of the total debts to total assets, was 244.49% (2018: 85.75%).

CHARGE ON ASSETS

As at 31 December 2019 the restricted deposit of the Group amounting to approximately HK$Nil (2018: approximately HK$343,000) will be paid to customer once the Company breach of contract.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the years ended 31 December 2019 and 2018.

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 (the "CG Code") under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board is of the opinion that 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, including but not limited to, engage an external professional firm to review and provide recommendations to its current internal control systems and the formal establishment of internal audit department, 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.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

This results announcement will be published on the website of HKExnews of The Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.cethl.com.

The Company's annual report for the financial year ended 31 December 2019 containing all the information required under the Listing Rules will be despatched to the shareholders and will be published on the websites of the Company and The Stock Exchange in due course.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

AUDIT COMMITTEE

The audit committee of the Company has discussed with the independent auditor of the Company, Messrs. ZHONGHUI ANDA CPA Limited, and reviewed the Group's annual results for the year ended 31 December 2019, including the accounting principles and practices adopted by the Group.

The audit committee is of the opinion that the Group's annual results comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The audit committee therefore recommended for the Board's approval of the Group's annual results for the year ended 31 December 2019.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

By Order of the Board
China Environmental Technology Holdings Limited
Xu Zhong Ping
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the executive directors are Mr. Xu Zhong Ping, Mr. Yang Baodong and Ms. Hu Yueyue; the non-executive director is Mr. Ma Tianfu; and the independent non-executive directors are Mr. Tse Chi Wai, Professor Zhu Nan Wen and Professor Li Jun.