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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 2020**

**FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 December 2020 HK\$'000</b>	<b>Year ended 31 December 2019 HK\$'000</b>	<b>Percentage Change %</b>
Revenue	<b>53,500</b>	33,787	58.34
Loss attributable to owners of the Company	<b>(68,051)</b>	(260,883)	(73.92)

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 2020 together with the comparative figures for the year ended 31 December 2019.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>53,500</b>	33,787
Cost of sales		<u>(36,122)</u>	<u>(28,886)</u>
<b>Gross profit</b>		<b>17,378</b>	4,901
Other income	6	<b>1,426</b>	3,921
Other gains, net	7	<b>242</b>	13,186
Distribution costs		<b>(1,774)</b>	(1,432)
Net gain on disposal/deconsolidation of subsidiaries		<b>8,957</b>	2,142
Impairment/write off of various assets		<b>(3,202)</b>	(10,095)
Provision for claims against cessation of lease contract		—	(180,713)
Administrative expenses		<u>(58,674)</u>	<u>(50,496)</u>
<b>Loss from operations</b>		<b>(35,647)</b>	(218,586)
Finance costs	8	<u>(32,516)</u>	<u>(44,488)</u>
<b>Loss before tax</b>	9	<b>(68,163)</b>	(263,074)
Income tax credit	10	—	634
<b>Loss for the year</b>		<u>(68,163)</u>	<u>(262,440)</u>
<b>Other comprehensive (expenses)/income for the year, net of tax:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<b>898</b>	5,374
Exchange differences reclassified to profit or loss on disposal of subsidiaries		<b>(6,888)</b>	(1,220)
Exchange differences reclassified to profit or loss on deconsolidation of subsidiaries		—	41
		<u>(5,990)</u>	<u>4,195</u>
<b>Total comprehensive expenses for the year</b>		<u><b>(74,153)</b></u>	<u>(258,245)</u>

	<b>2020</b>	2019
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Loss for the year attributable to:</b>		
Owners of the Company	<b>(68,051)</b>	(260,883)
Non-controlling interests	<b>(112)</b>	(1,557)
	<u><b>(68,163)</b></u>	<u>(262,440)</u>
<b>Total comprehensive expenses for the year attributable to:</b>		
Owners of the Company	<b>(74,252)</b>	(256,696)
Non-controlling interests	<b>99</b>	(1,549)
	<u><b>(74,153)</b></u>	<u>(258,245)</u>
<b>Loss per share</b>	<i>12</i>	
— Basic (HK cent per share)	<u><b>(1.86)</b></u>	<u>(7.15)</u>
— Diluted (HK cent per share)	<u><b>(1.86)</b></u>	<u>(7.15)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		1,038	1,514
Right-of-use assets		2,514	7,169
Intangible assets		1,055	1,071
Interest in an associate		—	—
		<u>4,607</u>	<u>9,754</u>
<b>Current assets</b>			
Trade and other receivables	13	36,861	27,312
Contract assets and contract costs		32,908	30,963
Bank and cash balances		1,194	3,351
		<u>70,963</u>	<u>61,626</u>
<b>Current liabilities</b>			
Trade and other payables	14	371,799	309,636
Contract liabilities		15,940	21,820
Borrowings		77,203	60,260
Convertible bonds		64,910	—
Lease liabilities		2,408	4,869
		<u>532,260</u>	<u>396,585</u>
<b>Net current liabilities</b>		<u>(461,297)</u>	<u>(334,959)</u>
<b>Total assets less current liabilities</b>		<u>(456,690)</u>	<u>(325,205)</u>
<b>Non-current liabilities</b>			
Trade and other payables	14	19,933	23,568
Borrowings		61,058	61,058
Convertible bonds		—	53,200
Lease liabilities		—	2,194
		<u>80,991</u>	<u>140,020</u>
<b>NET LIABILITIES</b>		<u><u>(537,681)</u></u>	<u><u>(465,225)</u></u>

	<b>2020</b>	2019
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	<b>91,259</b>	91,259
Reserves	<b>(632,788)</b>	(560,454)
	<hr/>	<hr/>
Equity attributable to owners of the Company	<b>(541,529)</b>	(469,195)
Non-controlling interests	<b>3,848</b>	3,970
	<hr/>	<hr/>
<b>TOTAL DEFICIT</b>	<b>(537,681)</b>	(465,225)
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 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 901, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong respectively.

The principal activity of the Company is investment holding.

At 31 December 2020, 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 non-executive Director of the Company. The immediate 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\$68,051,000 for the year ended 31 December 2020 and the Group had net current liabilities and net liabilities of approximately HK\$461,297,000 and approximately HK\$537,681,000 respectively as at 31 December 2020. 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 2020. 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 2020. 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\$100,000,000 (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 2021 (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 2020 in aggregate principal amount of US\$7,000,000 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;

The Company accepted a loan agreement from the Investor, in which a term loan facility in the principal sum of up to RMB50,000,000 (approximately HK\$59,382,000), commencing from 25 January 2021 and ending on 31 January 2024. Interest will be charged at 15% per annum, all interest payments related to such loan shall be paid on 31 January 2022, 31 January 2023, and upon repayment date, if such date is not business day, the next business day.

- (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\$186,000 as at 31 December 2020 before July 2022 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 30 September 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\$2,607,000 as at 31 December 2020 before July 2022 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 RMB1,290,000 (approximately HK\$1,532,000) lent to the Group by certain companies controlled by the Investor and approximately HK\$1,160,000 lent to the Group by the Investor before July 2022;

- (iv) China Daisy Finance Limited (“China Daisy”) 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\$11,234,000 as at 31 December 2020 before July 2022 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 September 2022 or if such date is not a business day, the next business day;
- (v) 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
- (vi) 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 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current 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.

### 4. REVENUE

The Group’s revenue is as follows:

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trading of wastewater treatment facilities and machineries and the provision for related services	<b>360</b>	664
Sales of goods	<b>53,140</b>	33,123
	<b><u>53,500</u></b>	<u>33,787</u>



## 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 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Disaggregated by major products or service		
— Wastewater treatment	<u>53,500</u>	<u>33,787</u>
Revenue from contracts with customers	<u><u>53,500</u></u>	<u><u>33,787</u></u>
Disaggregated by geographical location of customers		
— The PRC (except for Hong Kong)	<u><u>53,500</u></u>	<u><u>33,787</u></u>

All products are recognised at a point in time.

**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 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 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.

**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 <i>HK\$'000</i>	Healthcare <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31 December 2020</b>					
Revenue from external customers	<u>53,500</u>	<u>—</u>	<u>53,500</u>	<u>—</u>	<u>53,500</u>
Segment loss	(13,199)	(42,713)	(55,912)	(12,251)	(68,163)
Interest income	1	2	3	—	3
Finance costs	7,220	—	7,220	25,296	32,516
Depreciation of property, plant and equipment and right-of-use assets, and amortisation	3,071	47	3,118	1,990	5,108
Impairment loss on trade receivables	3,054	—	3,054	—	3,054
Impairment loss on amount due from an associate	148	—	148	—	148
Additions to property, plant and equipment and construction in progress	<u>218</u>	<u>—</u>	<u>218</u>	<u>—</u>	<u>218</u>
<b>As at 31 December 2020</b>					
Reportable segment assets	<u>72,600</u>	<u>1,159</u>	<u>73,759</u>	<u>1,811</u>	<u>75,570</u>
Reportable segment liabilities	<u>175,935</u>	<u>206,786</u>	<u>382,721</u>	<u>230,530</u>	<u>613,251</u>

	<b>Wastewater treatment</b>	<b>Healthcare</b>	<b>Subtotal</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>For the year ended 31 December 2019</b>					
Revenue from customers	35,067	—	35,067	—	35,067
Intersegment revenue	(1,280)	—	(1,280)	—	(1,280)
Revenue from external customers	<u>33,787</u>	<u>—</u>	<u>33,787</u>	<u>—</u>	<u>33,787</u>
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 on 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	<u>30</u>	<u>4,213</u>	<u>4,243</u>	<u>—</u>	<u>4,243</u>
<b>As at 31 December 2019</b>					
Reportable segment assets	<u>65,844</u>	<u>929</u>	<u>66,773</u>	<u>4,607</u>	<u>71,380</u>
Reportable segment liabilities	<u>167,512</u>	<u>226,786</u>	<u>394,298</u>	<u>142,307</u>	<u>536,605</u>

(c) **Reconciliations of reportable segment profit or loss:**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total loss of reportable segments	(55,912)	(217,920)
Unallocated depreciation of property, plant and equipment, right-of-use assets, and amortisation	(1,990)	(1,824)
Unallocated head office and corporate expenses	<u>(10,261)</u>	<u>(43,330)</u>
Consolidated loss before tax	<u><u>(68,163)</u></u>	<u><u>(263,074)</u></u>

(d) **Reconciliations of reportable segment assets and liabilities:**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Assets</b>		
Total assets of reportable segments	73,759	66,773
Unallocated		
— cash and cash equivalents	446	789
— corporate assets	<u>1,365</u>	<u>3,818</u>
Consolidated total assets	<u><u>75,570</u></u>	<u><u>71,380</u></u>
<b>Liabilities</b>		
Total liabilities of reportable segments	382,721	394,298
Unallocated		
— corporate liabilities	<u>230,530</u>	<u>142,307</u>
Consolidated total liabilities	<u><u>613,251</u></u>	<u><u>536,605</u></u>

(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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	—	—	167	2,156
The PRC (except for Hong Kong)	<u>53,500</u>	<u>33,787</u>	<u>4,440</u>	<u>7,598</u>
	<u>53,500</u>	<u>33,787</u>	<u>4,607</u>	<u>9,754</u>

(f) **Revenue from major customers**

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Wastewater treatment		
Customer A	8,126	—
Customer B	7,200	—
Customer C	5,830	—
Customer D	6,712	6,302
Customer E	—	4,401
Customer F	—	9,785
Customer G	—	8,214
Customer H	<u>—</u>	<u>3,785</u>

## 6. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income on bank deposits	3	26
Net foreign exchange gain	—	3,157
Waiver of trade and other payables	401	306
Compensation received	780	—
Others	242	432
	<u>1,426</u>	<u>3,921</u>

## 7. OTHER GAINS, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net gain on the early cessation arrangement for the lease contract	—	13,112
Reversal of impairment loss on trade receivables	—	2
Bad debts recovered from other receivables	—	72
Reversal of impairment loss on obsolete inventory	242	—
	<u>242</u>	<u>13,186</u>

## 8. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Lease interests	424	15,116
Interest expenses on:		
— Bank loans	188	47
— Entrusted loan	6,320	6,901
— Other loans	9,016	5,335
— Bonds	490	1,204
— Convertible bonds	16,078	11,455
Default interest on construction contracts	—	4,430
	<u>32,516</u>	<u>44,488</u>

## 9. LOSS BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amortisation of intangible assets	77	78
Cost of inventories sold	—	559
Staff costs (including Directors' emoluments)		
— Salaries, wages and other benefits	12,936	13,956
— Pension costs-defined contribution plans	817	1,599
	13,753	15,555
Impairment loss on right-of-use assets	—	8,162
Impairment loss on trade receivables	3,054	366
Write-off of other receivables	—	1,408
Impairment loss on amount due from an associate	148	159
	3,202	10,095
Depreciation of property, plant and equipment and right-of-use assets	5,031	11,164
Net loss on disposal of property, plant and equipment	429	6
Auditor's remuneration	1,380	1,380
Legal and professional fee	7,067	14,184
Loss on foreign exchange difference	11,448	—
Share-based payment	1,918	—
Expenses related to short-term leases	762	1,423



## 10. INCOME TAX CREDIT

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax — Corporate Income Tax in the PRC		
Over-provision in prior years	—	634
	<u>—</u>	<u>634</u>
Income tax credit	<u>—</u>	<u>634</u>

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 2020 and 2019.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before tax	<u>(68,163)</u>	<u>(263,074)</u>
Notional tax on loss before tax, calculated at the rates applicable to losses in the tax jurisdictions concerned	(12,328)	(47,361)
Tax effect of		
— non-deductible expenses	21,596	43,167
— non-taxable income	(9,398)	(6,115)
— tax losses not recognised	—	9,031
— utilisation of previously unrecognised tax losses	(48)	(467)
— temporary differences not recognised	178	1,745
— over-provision in prior years	—	(634)
	<u>—</u>	<u>(634)</u>
Income tax credit	<u>—</u>	<u>(634)</u>

As at 31 December 2020, subject to agreement by tax authority, the Group had estimated tax losses of approximately HK\$145,856,000 (2019: 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\$101,293,000 (2019: approximately HK\$105,912,000) 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 2020 (2019: 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year for the purpose of calculating basic and diluted loss per share	<u>(68,051)</u>	<u>(260,883)</u>
<b>Number of shares</b>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>3,650,359</u>	<u>3,650,359</u>

The basic and diluted loss per share for the years ended 31 December 2020 and 2019 were the same as the Company had no dilutive potential ordinary shares in issue during the years.

## 13. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	27,627	21,996
Bills receivable	8,456	1,812
Less: allowance for doubtful debts	<u>(7,852)</u>	<u>(4,356)</u>
	28,231	19,452
Other receivables	7,030	5,762
Prepayments and deposits	<u>1,600</u>	<u>2,098</u>
	<u>36,861</u>	<u>27,312</u>

Trade receivables are due in accordance with contract terms.

The Group's bills receivable of approximately HK\$8,456,000 (2019:HK\$1,812,000) were pledged to secure bank borrowings of approximately HK\$8,456,000 (2019:HK\$1,812,000).

As at 31 December 2020 and 2019, the ageing analysis of the trade and bills receivable, based on the invoice date and bills receipt date respectively, and net of allowance were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	15,528	6,168
More than 3 months but within 12 months	3,003	3,386
More than 12 months	9,700	9,898
	<u>28,231</u>	<u>19,452</u>

As at 31 December 2020, trade receivables of the Group amounting to approximately HK\$7,852,000 (2019: approximately HK\$4,356,000) 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	4,356	4,898
Allowance for the year	3,054	366
Reverse of allowance for the year	—	(2)
Write off trade receivables	—	(817)
Deconsolidation of a subsidiary	—	(21)
Exchange adjustments	442	(68)
	<u>7,852</u>	<u>4,356</u>
At 31 December	<u>7,852</u>	<u>4,356</u>

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade and bills receivables. To measure the expected credit losses, trade and bills 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
<b>At 31 December 2020</b>					
Weighted average expected loss rate	—	—	—	45%	
Receivable amount (HK\$'000)	13,696	1,832	3,003	17,552	36,083
Loss allowance (HK\$'000)	—	—	—	(7,852)	(7,852)
<b>At 31 December 2019</b>					
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)

#### 14. TRADE AND OTHER PAYABLES

	Notes	2020 HK\$'000	2019 HK\$'000
Trade payables		46,602	36,064
Other payables	(i)	321,506	284,805
Other tax payable		13,099	11,324
Amounts due to directors		4,587	1,011
Loan borrowed from director	(ii)	5,938	—
		<u>391,732</u>	<u>333,204</u>
Analysed as:			
Current liabilities		371,799	309,636
Non-current liabilities		<u>19,933</u>	<u>23,568</u>
		<u>391,732</u>	<u>333,204</u>

*Note:*

- (i) As at 31 December 2020 other payables included rent payable of approximately HK\$10,419,000, non-contractual loan of approximately HK\$42,005,000, amounts due to the Investor and companies controlled by the Investor of approximately HK\$17,894,000, interest payables of approximately HK\$26,861,000, and legal and professional fee payables of approximately HK\$10,170,000.

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 a 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 after deducted the rental desposits would be approximately HK\$187,706,000 (2019:HK\$176,798,000).

- (ii) As at 31 December 2020, the loan borrowed from a director of approximately HK\$5,938,000 (2019: nil) carried a fixed interest rate of 4.469% per annum, which is secured by a subsidiary of the Company and the properties owned by a company controlled by the Investor.

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

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 1 month	<b>11,477</b>	4,833
After 1 month but within 3 months	<b>5,877</b>	2,913
After 3 months but within 4 months	<b>912</b>	489
After 4 months but within 1 year	<b>5,349</b>	13,416
After 1 year	<b>22,987</b>	14,413
	<hr/> <b>46,602</b> <hr/>	<hr/> 36,064 <hr/>

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE COMPANY’S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of our Group for the financial year ended 31 December 2020, 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 2020, 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 2020, 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, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the year ended 31 December 2019.

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

As explained in note 2 to the consolidated financial statements for the year ended 31 December 2019, 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. *Onerous contract and provision for claims against cessation lease contract***

During the year ended 31 December 2019, the Group has undergone an early cessation arrangement for the Group’s 20-year long term non-cancellable lease contract (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 year ended 31 December 2019, 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 3 above might have consequential effects on the consolidated financial performance and consolidated cash flows for the year ended 31 December 2019 and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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\$68,051,000 for the year ended 31 December 2020 and as at 31 December 2020 the Group had net current liabilities and net liabilities of approximately HK\$461,297,000 and approximately HK\$537,681,000 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.

## **RESULTS**

For the year ended 31 December 2020, the Group recorded a revenue of approximately HK\$53,500,000 (2019: approximately HK\$33,787,000), representing an increase of about 58.34% compared to that of 2019. The Group's loss attributable to owners of the Company was approximately HK\$68,051,000 (2019: approximately HK\$260,883,000), representing a decrease of about 73.92% as compared to that of 2019. Gross profit margin was significantly improved to approximately 32.48% as compared to 14.51% in last year.

## **BUSINESS REVIEW**

### **FOR WASTEWATER TREATMENT**

The wastewater treatment business of the Group has not been affected by the epidemic. Instead, its business volume has bucked the trend and achieved greater growth. Among them, newly signed orders in 2020 increased by 31.5% compared with the previous year, sales revenue increased by 58.3% compared with the previous year, gross profit increased by 254.6% compared with the previous year, and a total of 12 wastewater projects were actually delivered to customers in the whole year. In terms of continuous innovation, the Group applied for 15 new patents with the China National Intellectual Property Administration in 2020, of which 7 are invention patents and 8 are utility model patents. This year, the Group's core technology was selected into the "Major Environmental Protection Technology and Equipment Catalogue Encouraged by the State" by the Ministry of Industry and Information Technology. A standard organized by the China Engineering Construction Standardization Association that the Group participated in was promulgated, and a standard of the Ministry of Housing and Urban-Rural Development Standards Division, in which the Group was the only participant in respect of magnetic coagulation technology, entered the stage of submission for review. In addition, the Group is acting as the editor-in-chief of a standard that is being designated by the China Environmental Protection Machinery Industry Association. The Group further consolidated its technical and brand advantages in its market segments, and is becoming the core business platform of the group.

### **FOR HEALTHCARE**

The Group has reformed its healthcare sector business by re-positioning itself as biotechnology institute, emphasis on researches in immune cells, cell storage, macromolecular drugs and vaccine development, as well as other life science and technologies related clinical applications and development. The Group is completing its healthcare business platform and is expecting to gain new development opportunities in nearby future.



## **OUTLOOK**

### **FOR WASTEWATER TREATMENT**

The Group will rely on its technical and brand advantages, vigorously support the development plan of wastewater treatment business, and make the Group's wastewater treatment business bigger and stronger in respect of capital guarantee, resource integration and incentive mechanism construction, and strive to achieve leapfrog development in environmental protection business.

### **FOR HEALTHCARE**

The Group will adopt a prudent and pragmatic principle to introduce professional investment institutions on the new medical business platform, develop professional partners, and carry out investment and cooperation in the fields of major immune cell diagnosis and treatment, biological cell technology research, chronic disease management, and protein recombinant vaccines. To follow the future development trend, promote the commercialization of the project, and lay a solid foundation for the long-term development strategy of the Group in the future, in order to realize the transformation of the Group.

## **CONCLUSION**

In 2020, despite the raging COVID-19 pandemic, with the concerted efforts of the entire group, the Group managed to reduce losses substantially while the Groups wastewater treatment business continued to forge ahead and the healthcare business sector has repositioned itself in new areas after shocking the chaos.

The Group will continue to focus on shareholders, customers, employees and society, focus on value creation and social benefits, take risk control as a guarantee, be prudent and pragmatic, and build a sound development foundation for the business.

## **EMOLUMENT POLICY**

As at 31 December 2020, the Group had 70 employees (2019: 62 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 2020, the total cash and bank balances of the Group were approximately HK\$1,194,000 (2019: approximately HK\$3,351,000). The cash and bank balances consisted of about 42.03% in Hong Kong dollars, 57.89% in Renminbi and 0.08% in US dollars.

As at 31 December 2020, the Group had total assets of approximately HK\$75,570,000 (2019: approximately HK\$71,380,000) and total liabilities of approximately HK\$613,251,000 (2019: approximately HK\$536,605,000). As at 31 December 2020, the current ratio was 0.13 (2019: 0.16), calculated on the basis of current assets of approximately HK\$70,963,000 (2019: approximately HK\$61,626,000) over current liabilities of approximately HK\$532,260,000 (2019: approximately HK\$396,585,000).

The Group's borrowings amounted to approximately HK\$203,171,000 (2019: approximately HK\$174,518,000). 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 268.85% (2019: 244.49%).

### **CHARGE ON ASSETS**

As at 31 December 2020, the Group's bills receivable of approximately HK\$8,456,000 (2019: HK\$1,812,000) were pledged to secure bank borrowing of approximately HK\$8,456,000 (2019: HK\$1,812,000).

## **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 2020 and 2019.

## **SHARE OPTIONS**

### **2010 Share Option Scheme**

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

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

The total number of securities available for issue under the share option scheme as at 31 December 2020 was 223,200,000 shares which represents 6.10% of the issued share capital of the Company as at 31 December 2020. Among all the Options granted, 151,360,000 Options are vested from the Date of Grant and 71,840,000 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 may 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.

## **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, 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 2020 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 2020 (2019: 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 2020, 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 2020.

## **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 2020 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 2020. 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 Jing Ping**  
*Chairman*

Hong Kong, 31 March 2021

*As at the date of this announcement, the executive Directors are Mr. Xu Jingping, Mr. Yang Baodong and Ms. Hu Yueyue; the non-executive Directors are Mr. Xu Zhongping and Mr. Ma Tianfu; and the independent non-executive Directors are Mr. Tse Chi Wai, Professor Zhu Nan Wen and Professor Li Jun.*