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)

PROFIT WARNING IN RELATION TO IMPAIRMENT OF RIGHTS-OF-USE ASSETS

This announcement is made by China Environmental Technology Holdings Limited (the "**Company**") under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of the Company dated 2 November 2019 in relation to the disposal of Target Group (the "**Announcement**"). Unless the context required otherwise, terms shall have the same meaning as ascribed to them in the Announcement.

The Company wishes to advise that the Disposal has been completed.

Further, the Group has a 20-year long term non-cancellable lease contract which leases a premises for the use of the Target Group (the "**Lease Contract**"). The Lease Contract was signed by one of the Company's subsidiary, Innomed Group Limited (the "**Tenant**"). As such, all rights and obligations under the Lease Contract shall remain with the Group upon completion of the Disposal. However, on completion of the Disposal, the Tenant has ceased paying rent to the landlord of the Lease Contract ("**Landlord**").

At this moment, the Landlord and the Target Group are negotiating a new lease agreement, which will result in the cancellation of the original lease contract and release the Tenant from all future obligations under the Lease Contract ("**Negotiation**").

However, since the rights-of-use assets under the Lease Contract created by adoption of HKFRS 16 no longer contributes to future economic benefits to the Group, the rights-of-use asset with a carrying amount as at 31 October 2019 of HK$ 163 million shall be fully impaired, which shall result to a decrease in the consolidated net income for the year ending 31 December 2019.

The Directors are confident that there will be a successful outcome from the Negotiation, which will result in a reduction of liabilities to mitigate the impact to the consolidated net income for the year ending 31 December 2019 from the impairment of rights-of-use assets as mentioned above. The directors shall make future announcements and filings to Stock Exchange in accordance to the Listing Rules based on future developments and the outcome of the Negotiation.

Please be advised that the information contained in this announcement is only a preliminary assessment by the Board based on the management accounts with reference to the information currently available and have not been reviewed or audited by the auditor of the Company.

The Company will keep its shareholders and public informed of any material development in connection with the Negotiation and will make further announcement(s) as and when appropriate in accordance with the Listing Rules.

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

By order of the Board
China Environmental Technology Holdings Limited
XU Zhong Ping
Chairman

Hong Kong, 18 November 2019

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 nonexecutive directors are Mr. Tse Chi Wai, Professor Zhu Nan Wen and Professor Li Jun.