



China Environmental Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 646



Environmental, Social and Governance Report 2019

ABOUT THIS REPORT

China Environmental Technology Holdings Limited and its subsidiaries (the “Group”) is principally engaged in the environmental protection and healthcare business including the provision of technology, products, equipment and system integration related to wastewater treatment as well as health and life related technologies and services. The Group strive continuously to incorporate sustainability initiatives into our daily operations and management. While sharing the vision of becoming the preferred choice of our stakeholders, China Environmental Technology Holdings Limited (the “Company”) is committed to improving our Environmental, Social and Governance (“ESG”) performance by upholding good corporate governance standards, protecting our environment, engaging the community and promoting social integration.

This Environmental, Social and Governance Report (“ESG Report”) aims to share our key sustainability performances and outline our milestones on our sustainability journey during the reporting period 1 January 2019 to 31 December 2019. Our reporting boundary is limited to business operation in Hong Kong and Mainland China unless other specified. The operation in Saipan was deconsolidated and the operation in Singapore was under judicial management in FY2019, therefore both are excluded from the scope of this report. We endeavour to provide a balanced, honest and transparent account of our performance.

This ESG Report is complied with the “comply or explain” provisions in the “Environmental, Social and Governance Reporting Guide” under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Disclosed content of the report has been endorsed and confirmed by the Board of Directors of the Company. We value your feedback regarding the review and our overall sustainability practices. Please provide your comments by email to info@cethl.com.

STAKEHOLDER ENGAGEMENT

As a responsible business, we have the responsibility to build a thriving future where we can create long-term value for our stakeholders. The stakeholders of the Group include shareholders, investors, customers, employees, business partners, industry practitioners, etc.

To understand the full spectrum of ESG aspects of the operation covers, the Group has engaged both the internal and external stakeholders about its potential environmental and social impacts. We engaged our stakeholders through meetings, interviews, direct phone calls, mails and staff performance appraisal interviews.

ENVIRONMENTAL PERFORMANCE

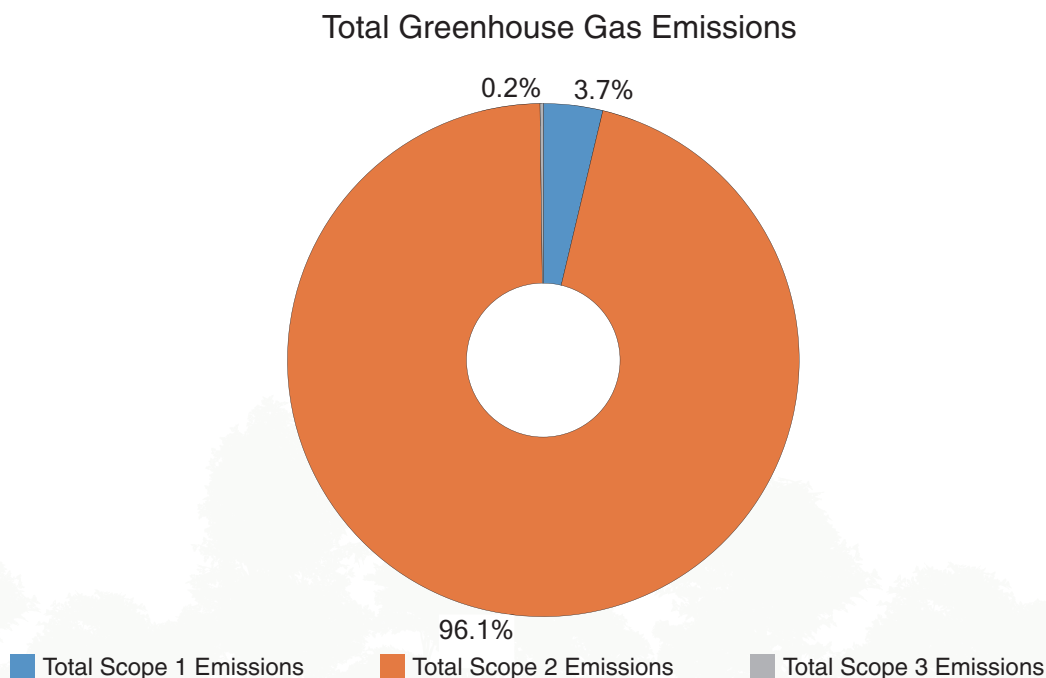
We are committed to the long-term sustainability of the environment and communities in which we operate. To our best knowledge, we have complied with all relevant laws and regulations regarding environmental issues during the reporting year. This includes but not limited to the PRC Environmental Protection Law and the Law on the Prevention and Control of Water Pollution. During the year, the Company was not aware of any non-compliance with relevant standards, rules and regulations that have a significant impact on the Group. In 2019, we measured and managed our environmental performance in several aspects throughout our operations.

GREENHOUSE GAS EMISSIONS AND ENERGY CONSERVATION

The impact of global climate change is a challenge that businesses and organisations around the world must face and address. The Group is committed to minimising the adverse impact that its operations may have on the environment. Using energy efficiently will help us conserve resources and tackle climate change.

Greenhouse gas (“GHG”) emissions pose severe impact on our climate that we shall never neglect. We are motivated to cultivate awareness and behavioural changes in employee to cut GHG emission through daily practices such as powering off electrical ware after usage and selecting energy-efficient products. We schedule regular maintenance and repairing of appliances to ensure high efficiency of engine units.

In this reporting year, we consumed 1,337,602 kWh of electricity. The following table shows our GHG emissions and energy consumption in this reporting year.



| GHG Emissions | Unit | |
|-------------------------|-------------|--------|
| Total Scope 1 Emissions | tCO2e | 32.57 |
| Total Scope 2 Emissions | tCO2e | 835.69 |
| Total Scope 3 Emissions | tCO2e | 1.77 |
| Total GHG Emissions | tCO2e | 870.03 |

| Energy Consumption | Unit | |
|---------------------------|-------------|--------------|
| Petrol Consumption | L | 12,027.00 |
| Electricity Consumption | kWh | 1,337,602.40 |

WATER MANAGEMENT

Water shortage and pollution have become global issues, which lead to health, food supply, ecological and other crises. To preserve our precious water resource, we strive to reduce water usage and conserve water resources in our daily operations. We have been exploring every possible means to better utilise and preserve water resources.

We are devoted to using water resources wisely and efficiently. We advise our customers to cut down water usage and promote water recycling by sewage treatment and water purification. Within our operating locations, we emphasise on water conservation practices. Employees are reminded to close water taps after use. In this reporting year, we consumed 4.56 cubic metres of fresh water in our office operations.

Wastewater discharge

Wastewater treatment is one of our businesses and we are committed to guaranteeing up-to-standard wastewater discharge. We keep close monitoring of our treatment facilities and undergo testing on quality of water treated. Illegal water emission is strictly forbidden. All treated water is channelled and air-tight before discharge. We promote water recycling and thus wastewater discharge is avoided. Moreover, we advise our customers and develop new technology to reduce wastewater discharge to the environment to minimise water pollution. At the same time, we increase our research and development expenses year over year to emphasize on new technology to serve our customers in a more energy-saving and environment-friendly way. In 2019, we invested approximately HK\$3 million in research and development. And during the year, we applied 5 patents for invention, 6 patents for utility model, and 10 software copyrights.

WASTE MANAGEMENT AND REDUCTION

In wastewater treatment plant, sludge containing heavy metals or pollutants are generated during water treatment and purification. Hence, disposal and management of waste are of utmost importance in the Group. We guarantee air-tight enclosed channelling and storage of waste without exposure to environment, followed by complete detoxification and dehydration of waste upon discharge point. In 2019, 8910 tonnes of sludge were generated from all sewage plants for which the Group provided technologies and services. All hazardous waste discharge complies with national standards and has been disposed strictly based on related regulations.

In this reporting year, 0.154 tonnes of general waste were generated from our office operations. The group is dedicated to promoting waste reduction and separation at source. Unavoidable wastes are recycled and reused as far as possible, landfill disposal is only our least preferred solution.

MATERIAL CONSUMPTION

The Group is committed to upholding high standards of environmental stewardship and to minimising its impact on the environment and the community. We work diligently to reduce material consumption in our operations.

In office operations, we promote green workflow by prioritising the use of digital files over hardcopies. In case of unavoidable printings, we encourage printing on both sides of paper and reusing blank pages.

At our water treatment sites, chemicals and installation tools are the major consumables. Polyaluminium chloride (PAC) and polyacrylamide (PAM) are two types of chemicals commonly applied in water treatment works. In 2019, the year over year increase in the usage of these two chemicals was mostly due to increased water equipment we have provided and the expanding size of our projects. For example in this year, we have successfully delivered the project of the biggest industry sewage plant in China, which used our technology to treat sewage more effectively. They are used in prescribed dosage as recommended by manufacturer. Other materials, such as temporary pipes and supports are reused in subsequent projects whenever possible.

The following table shows the figures of material consumption in our business operations:

| MATERIAL CONSUMPTION AND WASTE | UNIT | |
|--------------------------------|------|--------------|
| Paper Consumption | Kg | 367.50 |
| Paper Recycling | Kg | 72.00 |
| Toner Consumption | Kg | 10.21 |
| Polyaluminium chloride (PAC) | Kg | 1,792,000.00 |

Note the figures of PAC and PAM is the accumulated usage from project delivery as at 31 December 2019. Based on our high efficient planning and system technical synergy, the usage of these two chemicals has been reduced as much as possible. Compare with other similar projects, our usages are at a lower level.

NATURAL RESOURCES AND ENVIRONMENT

While benefiting from the natural environment and resources, we should bear the responsibilities and fulfil the obligations of protecting them and making appropriate use. We have taken considerable efforts to minimise the impact generated from our business operations to our natural environment.

The Group possess advanced sewage treatment technology in treating wastewater. Various techniques have been developed for effective and efficient processes to increase energy efficiency. We comply with national standards strictly by stringent monitoring of emission standards before discharge. Regular on-site inspection has been launched according to national requirements to minimise disturbance to the environment. We make our every effort in research and development of more energy-saving technologies and operations to further reduce the impact on nature.

One major market of our operation is water quality enhancement of rivers and lakes. We would like to cleanse and restore natural environment during our business by providing high quality water bodies. During 2019, 59,628,000 cubic metres of sewage were treated by the sewage plants in Zhejiang, Guangxi, Tianjin and other cities, for which the Group provided technologies and services.

We consistently modify our environmental process and technological design to further develop ourselves into a sustainable operator. We deployed our independent innovated magnetic separation based integrated technology, which occupies small floor areas for operation, supports highly-efficient separation of waste, and realizes high level of automation. It shortens treatment process time and reduces energy consumption. By these, the negative impact to the environment is minimized.

SOCIAL PERFORMANCE

EMPLOYMENT AND LABOUR PRACTICES

Employment

As key enablers in achieving its economic, environmental, and social objectives of the Group, our staff is among our most valuable assets. In the Group, we believe that creating a workplace that offers a strong sense of belonging may inspire our employees to champion our core values. We strive to create an environment where every employee can develop to their full potential and work happily.

We are committed to offering equal opportunities to all applicants and employees irrespective of inherent background. We also support human and labour rights, as well as ethical practice in our workplace. The Group strictly complies with relevant laws and regulations, including but not limited to the Employment Ordinance (Chapter 57 of the laws of Hong Kong), anti-discrimination ordinances implemented by The Equal Opportunities Commission, and the Labour Law of the PRC.

Implementation of policies is reinforced by guidelines addressing recruitment, discrimination and performance management. In terms of diversity, we not only hire high-calibre local applicants for local positions, but also give opportunities to candidates from other regions. Female and male employees are assigned with appropriate jobs according to their ability and talent without discrimination. The Group would also investigate accusations of discrimination and take action to prevent any prohibited conduct when necessary. During the year ended 31 December 2019, the Group is not aware of any non-compliance with relevant rules and regulations on employment, discrimination and welfare.

Health and Safety

Ensuring health and safety of our employees is one of our prime responsibilities. The Group abides by the Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong), Law of the PRC on Work Safety. We strive to provide with our employees a safe working environment and reinforce their safety awareness by sharing safety information.

The management shares the commitment of the Group to provide a safe and healthy environment for all individuals associated with the Group including staff, contractors and all persons working within its premises. It is the responsibility of all to comply with established processes and procedures and to seek clarification or assistance if no such processes and procedures available. All individuals are required to report accidents, injuries, and unsafe conditions to their supervisor. Above the basic insurance required by the government, we also purchased additional insurance for our employees to protect them in a better way.

Our suppliers should also comply with occupational health and safety regulations. Minimisation of potential risks in workplace is crucial to avoid injuries by all means. We assessed the risk management input of all suppliers regularly and required them to purchase commercial insurance for their employees and necessary assets.

Development and Training

At the Group, staff training and development is considered as investment to our future, enabling them to acquire knowledge and skills in line with business needs.

We pay high attention to life-long learning and training to improve employees' educational levels and capabilities, at the same time to spot the potential future talents. We believe in the profound benefits from experiential learning and on-job experiences.

To enable our talents to develop themselves to their fullest potential and to provide them with the essential skill sets to deliver the best, a comprehensive development plan has been established. We offer a wide range of internal training. In 2019, we had 10 sessions of trainings for our employees in environmental protection business, in total 46.5 hours with 113 attendees. There are three types of trainings: 1) safety and health, 2 sessions, 20 attendees(female 9, male 11), 8.5hours; 2) working skills, 5 sessions, 51 attendees(female 11, male 40), 15.5hours; 3) management and policy, 3 sessions, 42attendees(female 18, male 24), 22.5hours. We also organized outward bound to improve the team spirit.

On the other hand, we offer special training for managers and technicians with job duties based on the needs of respective positions involving environmental risk management, safety, and quality assurance.

Employees are the valuable assets to the Group. We encourage them to pursue professional development and participate in individual continuing education programs which are related to their job duties. Knowledge acquisition of our staff through training and learning not only achieves a better workplace and operation efficiency, but also creates values to our company eventually.

Labour Standard

As a responsible company, the Group strictly complies with all labour-related laws and regulations, including but not limited to the Employment Ordinance (Chapter 57 of the laws of Hong Kong), the Provisions of Child Labour of the PRC. We prohibit the use of child labour and forced or compulsory labour at all its units and suppliers. Identification check is needed during hiring process to ensure the employee reaches legal minimum age for working. No employee is made to work against his/her will or work as forced labour, or subject to corporal punishment or coercion of any type related to work.

The Group has zero-tolerance to employment of child labour and forced labour within our supply chain. During the year ended 31 December 2019, the Group has not identified any non-compliance in relation to child or forced labour-related laws and regulations. If suppliers are found to have any employment of child labour and forced labour, immediate cessation of business would be conducted.

OPERATING PRACTICE

Supply Chain Management

The Group is aware of the broader impact of our operations from every stage of our supply chain. In addition to commercial considerations, we also emphasise on social and environmental considerations during the selection of suppliers. Addressing the sustainability risks in our supply chain is one of our major ways of minimising potential negative environmental and social impacts of our procurement decisions.

Our business partners are expected to strive for efficiency and full compliance within their operations in terms of environmental and social risks. During cooperation with our sourcing partners, we adopt multiple tools and strategies to improve factory standards. In prior to making agreements with domestic and foreign cooperative partners, monitoring visits and checks are conducted.

These policies come up to an open, equitable and ethical purchasing process for all parties by offering equal opportunities to our suppliers and contractors from various geographical locations. We would like to identify significant potential suppliers or partners based on their environmental vision and possible impacts on both our operations and the environment.

SERVICE RESPONSIBILITY

As a responsible company, the Group is fully aware of the importance to comply with relevant laws and regulations concerning the provision of our services.

Personal Data Protection

The Group strictly follows the Personal Data (Privacy) Ordinance (Chapter 486 of the laws of Hong Kong) and the Law of the PRC on Protection of Customer Rights and Interests to protect the privacy of individuals in relation to personal data accessed by the Company. The Group has its internal procedures to prevent customers' personal information from being misused. Personal data is collected only for lawful and relevant purposes.

During the year ended 31 December 2019, the Group did not record any personal data breach or leakage case.

Anti-corruption

The Group is committed to maintaining high standard of integrity when doing business as we strongly believe that it is essential to meeting the expectations of our stakeholders.

The Group strictly complies with relevant laws and regulations, including but not limited to the Prevention of Bribery Ordinance (Chapter 201 of the laws of Hong Kong), “Anti-Money Laundering Law of the People’s Republic of China”, and upholds requirements addressing anti-corruption, anti-bribery, and conflict of interest. It is mandatory for all employees to comply with Code of Conduct. Any violation of regulations could result in disciplinary actions. The guidelines are delivered and clearly stated during employees’ orientation to ensure they are acquainted with the Code of Conduct.

Our employees are expected to carry out their work in a responsible and honest manner. All staff must avoid receiving any money or in-kind donation or gifts from either clients or any third parties. If there is any donation of significant amount, employee should immediately report to the senior. Integrity violation will result in serious penalty depending on the corruption cases.

During the year ended 31 December 2019, the Group discovered 1) fraud, misrepresentation and misappropriation of funds by Mr. Leon Li, the 2nd largest shareholder of the Group and director of certain subsidiaries and 2) certain misconducts by Mr. Xu Xiaoyang, our ex-CEO and director of the Group, which might result in breach of his conflict of interest and his fiduciary duties. Accordingly, the Group had started a civil litigation to Mr. Leon Li and Mr. Xu Xiaoyang in Hong Kong. Apart from incidents related to Mr. Leon Li and Mr. Xu Xiaoyang, the Group did not observe or receive any legal cases regarding corrupt practices, bribery, conflicts of interest, extortion, fraud, money laundering brought against the Group or its employees.

COMMUNITY

Community Investment

In China Environmental Technology Holdings Limited, we recognized the importance of our communities to the continued success and growth of our business. The Group pursue sustainable development of our community by assessing and managing the social impact of our operations on the marketplace and by supporting initiatives that create effective and lasting benefits to communities in our operating boundaries.

We strive to be a trusted and responsible member of the communities in which we work and live; and to exert positive impacts on our society amidst business operation. By aligning our businesses with partner charities to create brands purposely, we encourage our teams to engage in their communities through donations, volunteering activities and fundraising work. We hope that our contributions can inspire and influence our employees, cooperative partners as well as customers to participate in community work.

ESG GUIDE CONTENT INDEX

| Disclosure, Aspects, General Disclosure and KPIs | Description | FY 2019 ESG Report |
|--|---|--|
| A. Environmental | | |
| Aspect A1: Emissions | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Environmental Performance |
| KPI A1.1 | The types of emissions and respective emissions data. | Environmental Performance - Greenhouses Gas Emissions and Energy Conservation |
| KPI A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Environmental Performance - Greenhouses Gas Emissions and Energy Conservation |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Environmental Performance - Waste Management and Reduction |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Environmental Performance - Waste Management and Reduction |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | Environmental Performance - Greenhouses Gas Emissions and Energy Conservation |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | Environmental Performance - Waste Management and Reduction |
| Aspect A2: Use of Resources | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Environmental Performance |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Environmental Performance - Greenhouses Gas Emissions and Energy Conservation |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Environmental Performance - Water Management |

| Disclosure, Aspects, General Disclosure and KPIs | Description | FY 2019 ESG Report |
|--|---|---|
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | Environmental Performance - Greenhouses Gas Emissions and Energy Conservation |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | Environmental Performance - Water Management |
| KPI A2.5 | Total packaging material used for finished products. | We do not report on this issue as the disclosure is not material to our business. Our business does not manufacture or sell any physical product. |

Aspect A3: The Environment and Natural Resources

| | | |
|--------------------|---|--|
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | Environmental Performance |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Environmental Performance - Natural Resources and Environment |

B. Social

Aspect B1: Employment

| | | |
|--------------------|---|---|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Social Performance - Employment and Labour Practices |
|--------------------|---|---|

Aspect B2: Health and Safety

| | | |
|--------------------|---|---|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Social Performance - Health and Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Social Performance - Health and Safety |

| Disclosure, Aspects, General Disclosure and KPIs | Description | FY 2019 ESG Report |
|--|---|--|
| Aspect B3: Development and Training | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Social Performance - Development and Training |
| Aspect B4: Labour Standards | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | Social Performance - Labour Standard |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Social Performance - Labour Standard |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | Social Performance - Labour Standard |
| Aspect B5: Supply Chain Management | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Social Performance - Supply Chain Management |
| Aspect B6: Product Responsibility | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Social Performance - Service Responsibility |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Social Performance - Service Responsibility |
| Aspect B7: Anti-corruption | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Social Performance - Anti-corruption |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Social Performance - Anti-corruption |

| Disclosure, Aspects, General Disclosure and KPIs | Description | FY 2019 ESG Report |
|--|--|--|
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Social Performance - Anti-corruption |
| <i>Aspect B8: Community Investment</i> | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Social Performance - Community Investment |