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中滔環保

CT ENVIRONMENTAL GROUP LIMITED

中滔環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1363)

QUARTERLY UPDATE ANNOUNCEMENT

PROGRESS OF FULFILLMENT OF RESUMPTION GUIDANCE

As at the date of this announcement, the Board is of the view that Company has already taken steps which it believes to have fulfilled all Resumption Guidance. Resumption of trading in the Shares on the Stock Exchange is subject to the satisfaction of the Company's fulfillment of the Resumption Guidance by the Stock Exchange.

CONTINUED SUSPENSION OF TRADING

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

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

Reference is made to (i) the announcements of the Company dated 29 March 2019, 1 April 2019, 25 April 2019, 25 June 2019 and 13 November 2019 (the “**Prior Announcements**”) in relation to, among other things, the suspension of trading in the shares of the Company (“**Shares**”) on the Stock Exchange pending the publication of the annual results of the Company and its subsidiaries for the year ended 31 December 2018 (the “**Annual Results**”), the reasons for such delay in publication and the resumption guidance issued by the Stock Exchange (“**Resumption Guidance**”); (ii) the quarterly update announcements dated 28 June 2019, 2 October 2019, 31 December 2019, 1 April 2020, 30 June 2020 and 30 September 2020 (the “**Previous Quarterly Update Announcements**”), and (iii) the announcements dated 27 June 2019 and 13 May 2020 in relation to certain legal proceedings against a number of subsidiaries of the Group (the “**Legal Update Announcements**”). Unless otherwise stated, capitalised term used in this announcement shall have the same meaning as those defined in the above relevant announcements.

PROGRESS OF FULFILLMENT OF RESUMPTION GUIDANCE

Summarised below are the Resumption Guidance and the status of the Company in fulfilling the Resumption Guidance:

| Resumption Guidance | | Status |
|----------------------------|---|---|
| 1. | Conduct an appropriate investigation into the Allegations, announce the findings and take appropriate remedial actions (“ Resumption Guidance 1 ”) | The Company has taken steps which it believes to have fulfilled Resumption Guidance 1. |
| 2. | Publish all outstanding financial results and address any audit modifications (“ Resumption Guidance 2 ”) | <p>The Company has taken steps which it believes to have fulfilled Resumption Guidance 2.</p> <p>The Company has already published the annual results announcement and annual reports for the year ended 31 December 2018 (the “FY2018”) and the year ended 31 December 2019 (the “FY2019”) and addressed the audit modifications to the Stock Exchange.</p> <p>The Company has also published the interim results announcement and interim report for the six months ended 30 June 2019 (the “HY2019”) and six months ended 30 June 2020 (the “HY2020”).</p> |

| Resumption Guidance | | Status |
|----------------------------|--|--|
| 3. | Announce all material information for the Company's shareholders and other investors to appraise the Company's position (" Resumption Guidance 3 ") | The Company has taken steps which it believes to have fulfilled Resumption Guidance 3. |
| 4. | Demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules (" Resumption Guidance 4 ") | The Internal Control Review has been completed including follow-up review of remedial actions taken and implementations undertaken by the Group. The Company has taken steps which it believes to have fulfilled Resumption Guidance 4. |
| 5. | Demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which will pose a risk to investors and damage market confidence (" Resumption Guidance 5 ") | The Company has taken steps which it believes to have fulfilled Resumption Guidance 5. |
| 6. | Demonstrate that all Directors meet a standard of competence commensurate with their position as directors of a listed issuer to fulfil duties of skill, care and diligence as required under Rules 3.08 and 3.09 (" Resumption Guidance 6 ") | The Company has taken steps which it believes to have fulfilled Resumption Guidance 6. |

RESUMPTION GUIDANCE

The Company has taken actions with a view to fulfilling the Resumption Guidance, a summary of which is set out below.

1. Resumption Guidance 1 – conduct an appropriate investigation into the Allegations, announce the findings and take appropriate remedial actions

The Company has conducted an appropriate investigation into the Allegations and the detailed findings of the investigation by an independent investigator of good standing were set out in Investigation Reports (which have been furnished to the Stock Exchange) and summary thereof were disclosed in the quarterly update announcement of the Company dated 30 September 2020. The Company has taken appropriate remedial actions recommended by Crowe Advisory under both the Investigation Reports and the Internal Control Review Report, details of which were also disclosed in the quarterly update announcement dated 30 September 2020. The Company has taken steps to comply with those independent professional advices, which it believes to have fulfilled Resumption Guidance 1.

2. Resumption Guidance 2 – publish all outstanding financial results and address any audit modifications

On 9 December 2020, the Company published the annual results announcements and annual reports of the Group for FY2018 and FY2019.

On 28 December 2020, the Company published the interim results announcements and interim reports of the Group for HY2019 and HY2020, after which all outstanding financial results have been published as at the date of this announcement.

For FY2018 and FY2019 annual results, the auditors of the Company had issued disclaimer of opinion. For details of the basis for such disclaimer of opinion, please refer to the annual results announcements of the Company for FY2018 and FY2019.

The Company has addressed the audit modifications to the Stock Exchange and is of the view that the audit modifications mainly resulted from the legal proceedings commenced against the Group since 2018 and the previous internal control weaknesses of the Group. Since (1) all the board members and senior management involved in the legal proceedings either have left the Group already or will no longer play any roles and responsibilities in the management or operations of any of the Company's subsidiaries; and (2) the Group has implemented proper internal control procedures on all the relevant matters following professional advice, in particular in respect of the guideline to maintain proper accounting records and authorization procedures, as well as hiring new senior management who are of suitable quality, the Board is of the view that the audit modifications would mainly affect the previous financial years (i.e. for FY2018 and FY2019), and it believes, after discussion with the auditors of the Company, that the annual results of the upcoming financial year ending on 31 December 2020 will have most of those qualifications removed. The Company is expecting an unqualified audit report eventually for the financial year ending 31 December 2021.

3. Resumption Guidance 3 – announce all material information for the Company's shareholders and other investors to appraise the Company's position

The Directors confirm that to the best of their knowledge, information and belief, save as disclosed in this announcement and the announcements and publications previously made by the Company including but not limited to the announcements in relation to the Resumption Guidance, the annual results/report for each of FY2018 and FY2019 and interim results/report for each of HY2019 and HY2020, there is no other material information that needs to be disclosed pursuant to any of the requirements set out in the Listing Rules, nor are there any other matters that need to be brought to the attention of the shareholders and potential investors of the Company in connection with the Resumption Guidance, and the Directors are not aware of any other inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as at the date of this announcement. The Company will continue to inform the market of all material information as and when appropriate.

4. Resumption Guidance 4 – demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules

In response to the internal control issues identified during the Investigation and to assist the Company in fulfilling Resumption Guidance 4, the Company engaged Crowe Advisory to conduct the Internal Control Review.

Crowe Advisory has completed follow-up review on the remedial actions of the Company and subsequently issued the draft internal control report and draft comfort letter. The final report will be issued subjected to Stock Exchange's comments.

Crowe Advisory has stated in the draft comfort letter that based on their inquiries, observations, discussions with the Company and group management and persons in charge, and the results of the review of documents and records, there is no evidence that the Group's financial reporting procedures and internal control systems have any major violations or errors for their attention.

The Board is of the view that the Group has adequate and reliable corporate governance, internal control and financial reporting systems to fulfill its obligations under the Listing Rules.

Based on the aforesaid, the Company has taken steps which it believes to have fulfilled Resumption Guidance 4.

5. Resumption Guidance 5 – demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which will pose a risk to investors and damage market confidence

As at the date of this announcement, the Board comprises four executive directors, Ms. Huang Qing, Mr. Lam Wai Tong, Mr. Li Yang and Mr. Wu Changbiao, and three independent non-executive directors, Mr. He Jingyong, Mr. Fong Wai Ho and Ms. Lai Pik Chi Peggy. All of the current Directors of the Company were appointed after the Allegations having taken place and were not involved in any of the Allegations.

The Company also confirmed that all the responsible personnel (including Mr. Tsui Cham To (“**Mr. Tsui**”), the former Chairman and executive director of the Company) involved in the Allegations either have left the Group already or will not have any participation in the daily operations of any subsidiaries of the Group.

It is noted that Emperor Securities Limited and Hammer Capital Private Investments Limited have enforced the security of the loans granted to Keen Vast Holdings Limited (“**Keen Vast**”), an entity controlled by Mr. Tsui and as a result, the voting rights of 951,620,000 Shares and 835,000,000 Shares originally owned by Keen Vast were transferred to Emperor Securities Limited and Hammer Capital Private Investments Limited respectively. Given that Mr. Tsui and his associates now only control approximately 25.42% of the voting right of the Company, his influence to the Group on the shareholder level is not considered as material and determined.

Since (i) no current Directors were involved when the Allegations took place and there has been no evidence to date implicating any of the members of the Board of the Company may have involved in the Allegations and the other issues identified in the Investigation conducted by Crowe Advisory, (ii) all the responsible personnel involved in the Allegations either have left the Group or will not have any participation in the daily operations of any subsidiaries of the Group, and (iii) the influence of Mr. Tsui to the Group on the shareholder level is not considered as material and determined, the Board therefore considered that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company’s management and operations.

6. demonstrate that all Directors meet a standard of competence commensurate with their position as directors of a listed issuer to fulfil duties of skill, care and diligence as required under Rules 3.08 and 3.09

The Board and the nomination committee, after taking into account of their experience, skill and background, are of the view that the current Directors possess the character, experience and integrity and are able to demonstrate a standard of competence commensurate with their positions as a director of a listed issuer as required under Rule 3.08 and 3.09. The composition of the Board consists of experienced management from different backgrounds including, amongst others, management in the environmental protection industry, capital market and corporate restructuring, business administration, accounting and finance. The Board is of the view that each member of the Board would be able to individually and collectively fulfill their duties of skill, care and diligence as required under Rules 3.08 and 3.09 of the Listing Rules.

In addition, a director training session in relation to the Listing Rules and director's responsibilities has been conducted on 11 December 2020 by an external professional legal consultant in order to enhance the Board's knowledge in respect of the Listing Rules and director's responsibilities for fulfilling their director's duties. Continuous training on an ongoing basis will be conducted to update the management of compliance requirements, as and when needed.

As mentioned above, all the responsible personnel involved in the Allegations either have left the Company already or will not have any participation in the daily operations of any subsidiaries of the Group and no current Directors were involved when the Allegations took place. The Board is of the view that each member of the Board had been able to fulfil such duties of skill, care and diligence as required under Rules 3.08 and 3.09 of the Listing Rules. In particular, the current Directors have always been acting in the proper purpose to facilitate the Group's business operations.

On the basis of the above, the Board is of the view that the Company has taken steps which it believes to have fulfilled Resumption Guidance 6.

The Board considers that the actions taken by the Company as disclosed above are in the best interest of the Company and the Shareholders as a whole. The Company will continue to work with its professional and legal advisors to advance the resumption progress.

The Company believes that it has taken all reasonable steps to demonstrate its fulfillment of the Resumption Guidance. Resumption of trading in the Shares on the Stock Exchange is subject to the satisfaction of the Company's fulfillment of the Resumption Guidance by the Stock Exchange. The Company is of the view that the outcome would have significant impact on the existing Shareholders. It would be in the best interest of the Shareholders if resumption of trading in the Shares on the Stock Exchange could take place as soon as possible.

BUSINESS OPERATIONS

The Group is a professional environmental plan and solution provider, which offers one-stop centralized and customized environmental protection services. The Group is engaged in services in the whole chain, inclusive of industrial wastewater treatment, industrial water supply, general and industrial solid waste treatment and hazardous waste disposal and treatment, urban and domestic waste detoxification, and environmental inspection. The Group had continued its normal business operations since the suspension of the trading of the Shares.

On 28 September 2020, the Group entered into a land resumption and compensation agreement with a local government pursuant to which the Group agrees to surrender certain land and items erected on the land in return for a cash compensation amounted to RMB1,237,884,000, details of which were disclosed in the announcement of the Company dated 30 September 2020. In November 2020, the Group received the first payment of RMB247,577,000 under the land resumption and compensation agreement and up to the date of this announcement, the Group has utilized part of such proceeds to repay bank loans and other borrowings.

On 25 December 2020, the Group received a judgment from the Intermediate People's Court of Guangzhou ordering the Group to repay the outstanding amounts under a bank loan agreement. For details, please refer to the interim report of the Company for the six months ended 30 June 2020.

The Group is continuing its active and constructive discussions with certain local governments on the potential handover of some land parcels of the Group to the government in return for compensation. As of the date of this announcement, no legally binding agreement has been reached in respect of the above.

The Group also engages in negotiations with potential investors to raise additional funding for the purpose of the repayment of certain bank loans and other indebtedness and for general working capital purpose of the Group. As of the date of this announcement, no legally binding agreement has been reached in respect of the above.

The Company will keep the Shareholders and the public informed of the progress of the above.

CONTINUED SUSPENSION OF TRADING

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

By Order of the Board
CT Environmental Group Limited
Huang Qing
Chairman and Executive Director

Hong Kong, 30 December 2020

As at the date of this announcement, the executive directors of the Company are Ms. Huang Qing, Mr. Lam Wai Tong, Mr. Li Yang and Mr. Wu Changbiao, and the independent non-executive directors of the Company are Mr. He Jingyong, Mr. Fong Wai Ho and Ms. Lai Pik Chi Peggy.