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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)

**INSIDE INFORMATION
UPDATE ABOUT ALLEGATIONS AGAINST
GUANGZHOU HAITAO**

This announcement is made by CT Environmental Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

Reference is made to the announcements of the Company dated 29 October 2018, 25 April 2019 and 27 June 2019 (collectively the “**Guangzhou Haitao Announcements**”) in relation to, among others, the Guangzhou Haitao Action; the quarterly update announcement of the Company dated 30 September 2020 (the “**Quarterly Update Announcement**”) in relation to, among others, the key findings of the Investigation; and the 2019 Annual Report and the 2020 Interim Report.

GUANGZHOU HAITAO ACTION

It was disclosed in the 2019 Annual Report and the 2020 Interim Report that on 23 April 2019, a bill of indictment was filed against Guangzhou Haitao, certain individual senior management of Guangzhou Haitao, and Mr. Tsui Cham To, the former chairman and former executive director of the Company alleging that they had committed certain criminal offences, including the deliberate non-performance of certain procedures when providing sludge treatment services; disposing of sludge illegally in various cities in Guangdong; and fabrication and falsification of certain contracts and other documents during the period from 1 January 2016 to 31 March 2018.

Guangzhou Haitao was charged for, among others, (i) having recognised sludge treatment service fee income of RMB174,261,000 (equivalent to approximately HK\$209,650,000) but without completing all necessary sludge treatment procedures and disposed of the sludge illegally during the period from 1 January 2016 to 31 March 2018; (ii) issuing of false documents for illegally claiming environmental subsidy totalling RMB7,770,000 (equivalent to approximately HK\$9,348,000); and (iii) receiving illegal sludge treatment service fee of RMB9,051,000 (equivalent to approximately HK\$10,890,000).

A sum of RMB75,000,000 (equivalent to approximately HK\$90,231,000) was paid to the local government authority subject to the outcome of the investigation and subsequent court decision. Based on the understanding of the then officer of the Company responsible for liaising with the Guangzhou Haitao Legal Advisers, the above charges against Guangzhou Haitao were not conclusively adjudicated.

As disclosed in the Quarterly Update Announcement, the then members of the Board engaged Crowe Advisory as an independent risk advisory consultant to assist the Investigation into the Allegations conducted by the then Independent Investigation Committee and as the internal control consultant of the Company to advise, assist and give recommendations to the Company to put in place adequate internal controls and procedures to comply with the Listing Rules. The key findings of the Investigation were set out in the Quarterly Update Announcement and the then Independent Investigation Committee concurred with Crowe Advisory that the Group should strengthen the internal control measures.

CURRENT UPDATES

After the current members of the Board took the initiative delegating the current management to follow up with the Guangzhou Haitao Legal Advisers on the status of the Guangzhou Haitao Action, the Company would like to provide the recent update on the Guangzhou Haitao Action to the Shareholders as follows.

The current members of the Board have been recently informed by the Guangzhou Haitao Legal Advisers that the first instance hearing was conducted in September 2019 and the court has subsequently decided that Guangzhou Haitao was liable to pay an aggregate sum of approximately RMB170,312,000 (equivalent to approximately HK\$204,899,000) (after deduction of RMB75,000,000 (equivalent to approximately HK\$90,231,000) paid to the local government authority by Guangzhou Haitao before the court hearing), which includes: –

- (i) to refund the alleged sludge treatment service fee of RMB174,261,000 (equivalent to approximately HK\$209,650,000);
- (ii) to refund the alleged illegal sludge treatment service fee of RMB9,051,000 (equivalent to approximately HK\$10,890,000); and
- (iii) to pay fines in the sum of RMB62,000,000 (equivalent to approximately HK\$74,591,000).

Further, according to the decision of the first instance hearing, Guangzhou Haitao was not liable for the charge of issuing false documents for illegally claiming environmental subsidy totalling RMB7,770,000 (equivalent to approximately HK\$9,348,000).

The current members of the Board are consulting the Guangzhou Haitao Legal Advisers about the status of the second instance hearing. According to the Guangzhou Haitao Legal Advisers, the timing for the second instance hearing has not yet been confirmed as of the date of this announcement.

As set out in the Quarterly Update Announcement and the 2019 Annual Report, the current members of the Board would review the internal control measures following the recommendation of Crowe Advisory after assessing the findings in the Investigation. As of the date of this announcement, the Board has enhanced its internal control measures and taken initiatives in various follow-up actions in relation to issues arising from the then management under the supervision of the then members of the Board.

Pending the final adjudication of the Guangzhou Haitao Action, the current members of the Board are assessing the financial impact of the decisions of the first instance hearing to the Group and may seek advice from the auditor.

The Company will keep the Shareholders and the public informed of the above as and when appropriate.

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.

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

DEFINITIONS

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

“2019 Annual Report”	the annual report of the Company for the year ended 31 December 2019 published on 9 December 2020;
“2020 Interim Report”	the interim report of the Company for the six months ended 30 June 2020 published on 28 December 2020;
“Allegations”	the allegations against Guangzhou Haitao involving illegal disposal of sludge, fraudulent receipt of fees for disposal of sludge and suspected forgery of the seals of state authorities;
“Board”	the board of Directors;
“Company”	CT Environmental Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange;
“Crowe Advisory”	Crowe (HK) Risk Advisory Limited;
“Directors”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Guangzhou Haitao”	Guangzhou Haitao Environmental Protection Technology Company Limited * (廣州海滔環保科技有限公司), an indirect wholly-owned subsidiary of the Company incorporated in the PRC;
“Guangzhou Haitao Action”	legal proceedings against Guangzhou Haitao, certain individual senior management of Guangzhou Haitao, and Mr. Tsui Cham To, the former chairman and former executive director of the Company;

“Guangzhou Haitao Legal Advisers”	the PRC legal advisers of Guangzhou Haitao from time to time;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Investigation Committee”	the independent investigation committee consisting of the then independent non-executive Directors of the Company;
“Investigation”	the investigation into the Allegations;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
“RMB”	Chinese Yuan, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Share(s)”	the ordinary shares of HK\$0.025 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;

“Stock Exchange”

The Stock Exchange of Hong Kong Limited;

“%”

per cent.

* *For indication purpose only*

By Order of the Board
CT Environmental Group Limited
Lu Zhiji
Chairman and Executive Director

Hong Kong, 30 July 2021

As at the date of this announcement, the executive directors of the Company are Mr. Lu Zhiji (Chairman), Mr. Cheung Siu Fai, Mr. Wu Changbiao and Mr. Chung Yuk Lun; and the independent non-executive directors of the Company are Mr. Fong Wai Ho, Ms. Lai Pik Chi Peggy and Mr. Wang Zhigao.

Unless otherwise specified, in this announcement, conversions of RMB into HK\$ are based on the exchange rate of RMB1.00 = HK\$1.20308 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rate or any other rates at all.