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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)

INSIDE INFORMATION

(1) UPDATE ON LEGAL PROCEEDINGS; AND (2) FINANCIAL IMPACT OF THE CONVERTIBLE BONDS

This announcement is made by China Environmental Technology Holding Limited (the “**Company**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules).

References are made to the announcements of the Company dated (i) 16 May 2018 in relation to the proposed issue of convertible bonds due 2021 in the aggregate principal amount of US\$7,000,000 (the “**Convertible Bonds**”); (ii) 19 July 2018 in relation to the completion of subscription of the Convertible Bonds; (iii) 12 April 2019 in relation to the invalidity of the issuance of the Convertible Bonds; (iv) 1 April 2026 in relation to the judgement (the “**Judgement**”) made by the High Court of Hong Kong which granted a declaration that the Subscription Agreement, the Convertible Bonds, the terms and conditions of the Convertible Bonds and the Side Letter Agreement are valid and enforceable; and (v) 29 April 2026 and 5 June 2026 in relation to the update on the legal proceedings related to the Convertible Bonds (collectively, the “**Announcements**”); and the Company’s 2025 annual report (the “**Annual Report**”) published on 29 April 2026. Unless otherwise defined, capitalized terms used herein shall have the same meanings as used in the Announcements and the Annual Report.

UPDATE ON THE LEGAL PROCEEDINGS RELATED TO THE CONVERTIBLE BONDS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of the Company announces that, on 29 June 2026, the Company received an order made by the Court of Appeal of the High Court officially dismissing the Notice of Appeal with no order as to costs in the appeal based on a consent summons jointly filed by the Company and Sure Fast. The Company and Sure Fast now are negotiating a settlement agreement for the settlement of the Convertible Bonds. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules to keep its shareholders and potential investors informed of the material development in this matter.

FINANCIAL IMPACT OF THE CONVERTIBLE BONDS

As disclosed in the Annual Report, Sure Fast, i.e. the Subscriber, paid US\$1.5 million to PFI Singapore’s bank account in Singapore, and the Designated Payer paid approximately RMB35.4 million to the Jointly Controlled Account opened by Beijing Innomed, as consideration for the subscription of Convertible Bonds according to the Confirmation Letter and the Side Letter Agreement, both of which were signed by the then CEO of the Company, who was also an executive Director at that time, purportedly on behalf of the Company. However, neither the Confirmation Letter nor the Side Letter Agreement had ever been submitted to the Board for discussion and approval, and no Directors of the Company, except for the then CEO, had any knowledge about the Confirmation Letter or the Side Letter Agreement until they were discovered by the Board in early 2019. Therefore, as stated in the announcement of the Company dated 12 April 2019, upon obtaining preliminary legal advice and having considered all relevant circumstances, the Company’s position was that the Side Letter Agreement and the Subscription Agreement were unenforceable due to illegality and should be rescinded and/or set aside, and as a result, the Convertible Bonds were not valid from the date of its issuance and should be rescinded and set aside. Based on this position, the Controvertible Bonds were not recognised in the Company’s consolidated financial statements for the year ended 31 December 2025 or any prior years. On the other hand, the approximately RMB35.4 million paid by the Designated Payer was recognised as a liability owed by Beijing Innomed to the Designated Payer, while the US\$1.5 million paid by Sure Fast was recognised as a liability owed by PFI Singapore to Sure Fast which was deconsolidated from the Company’s consolidated financial statements when PFI Singapore was deconsolidated from the Group in February 2019 due to the appointment of interim judicial managers by the Singapore Court. The Group has never accrued any interests on the aforesaid amounts due to the Designated Payer and Sure Fast.

However, based on the Judgement, as advised by the Company's lawyer, the terms of the Subscription Agreement and the Convertible Bonds should be regarded as effective to the full force and effect, but Sure Fast currently only has the right to require the Company to redeem the Convertible Bonds and to pay interest according to the terms of the Convertible bonds because the conversion period has already been expired. In this connection, the Board has agreed with the Company's auditor that the Group's consolidated financial statements for the year ended 31 December 2025 should be restated to reflect the financial impact of the Convertible Bonds.

The effect of the aforesaid restatements on the Company's consolidated financial statements for the year ended 31 December 2025 by line items is as follows:

		Previously reported	Restatement adjustments	Restated
	<i>Notes</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<i>As at 1 January 2025</i>				
<i>Consolidated Statement of Financial Position</i>				
Trade and other payables	(1)	357,612	64,251	421,863
Current liabilities		451,256	64,251	515,507
Net current liabilities		(416,714)	(64,251)	(480,965)
Total assets less current liabilities		(414,029)	(64,251)	(478,280)
NET LIABILITIES		(572,948)	(64,251)	(637,199)
Reserves		(747,527)	(64,251)	(811,778)
- Foreign currency translation reserve	(2)	26,243	(5,283)	20,960
- Accumulated losses		(1,165,883)	(58,968)	(1,224,851)
Equity attributable to owners of the Company		(576,178)	(64,251)	(640,429)
TOTAL DEFICIT		(572,948)	(64,251)	(637,199)

For the year ended 31 December 2025
Consolidated Statement of Profit or Loss
and Other Comprehensive Income

Finance costs	(3)	(24,196)	(7,428)	(31,624)
Loss before tax		(54,390)	(7,428)	(61,818)
Loss for the year		(54,390)	(7,428)	(61,818)
Exchange differences on translation of financial statements of foreign operations		(9,614)	1,435	(8,179)
Total comprehensive expenses for the year		(64,004)	(5,993)	(69,997)
Loss for the year attributable to owners of the Company		(52,398)	(7,428)	(59,826)
Total comprehensive expenses for the year attributable to owners of the Company		(61,732)	(5,993)	(67,725)

As at 31 December 2025
Consolidated Statement of Financial
Position

Trade and other payables	(4)	386,987	70,244	457,231
Current liabilities		484,560	70,244	554,804
Net current liabilities		(451,737)	(70,244)	(521,981)
Total assets less current liabilities		(449,918)	(70,244)	(520,162)
NET LIABILITIES		(633,640)	(70,244)	(703,884)
Reserves		(809,259)	(70,244)	(879,503)
- Foreign currency translation reserve	(2)	16,909	(3,848)	13,061
- Accumulated losses		(1,218,281)	(66,396)	(1,284,677)
Equity attributable to owners of the Company		(637,910)	(70,244)	(708,154)
TOTAL DEFICIT		(633,640)	(70,244)	(703,884)

Note:

- (1) The restatement adjustment on the trade and other payables as at 1 January 2025 amounting to approximately HK\$64,251,000 is resulted from:*
 - (i) the recognition of the amount due to Sure Fast as at 1 January 2025, which includes the amount for redeeming the Convertible Bonds at 112% of the principal, i.e. HK\$61,152,000 (the “Redemption Amount”), the bond interest at the rate of 8% per annum from the issue date to the maturity date of approximately HK\$13,128,000 (the “Bond Interest”) and the default interest accrued at the rate of 10% per annum on the overdue Redemption Amount and Bond Interest of approximately HK\$27,588,000; and*
 - (ii) the derecognition of the approximately RMB35,368,000 (equal to approximately HK\$37,617,000 as at 1 January 2025) paid by the Designated Payer to Beijing Innomed as a liability due to the Designated Payer, since this amount is now be regarded as received by Beijing Innomed on behalf of the Company which leads to a intra-group balance between the Company and Beijing Innomed.*
- (2) The restatement adjustment on the foreign currency translation reserve amounting to approximately HK\$5,283,000 as at 1 January 2025 and approximately HK\$3,848,000 as at 31 December 2025 is the foreign currency translation reserve generated by elimination of the above-mentioned intra-group balance between the Company and Beijing Innomed, namely, the gap between the amount due from BJ Innomed from the aspect of the Company, i.e. HK\$42,900,000, and the amount in HK\$ equivalent to RMB35,368,000 as at 1 January 2025 and 31 December 2025 respectively.*
- (3) The restatement adjustment on the finance cost for the year ended 31 December 2025 represents the default interest accrued at the rate of 10% per annum on the overdue Redemption Amount and Bond Interest for 2025.*
- (4) The restatement adjustment on the trade and other payables as at 31 December 2025 amounting to approximately HK\$70,244,000 is resulted from:*
 - (i) the recognition of the amount due to Sure Fast as at 31 December 2025 of approximately HK\$109,296,000, which includes the Redemption Amount of HK\$61,152,000, the Bond Interest of approximately HK\$13,128,000 and the default interest of approximately HK\$35,016,000; and*
 - (ii) the derecognition of the approximately RMB35,368,000 (equal to approximately HK\$39,052,000 as at 31 December 2025) paid by the Designated Payer to Beijing Innomed as a liability due to the Designated Payer.*

The above restatement adjustments have been preliminarily agreed by the Company's auditor, but remain subject to change as they have not yet been audited. The Board is of the view that, when the restatement adjustments have been audited and agreed by the auditor, such restatement adjustments would be sufficient and appropriate to ensure the accuracy and completeness of the Company's consolidated financial statements, provided that there are no other issues outstanding.

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 Jinping
Chairman

Hong Kong, 2 July 2026

As at the date of this announcement, the executive Directors are Mr. Xu Jinping, Mr. Xu Zhongping and Mr. Yang Baodong; the non-executive Director are Ms. Hu Yueyue, Mr. Ma Tianfu and Mr. Wang Youming; and the independent non-executive Directors are Mr. Tse Chi Wai, Professor Zhu Nanwen and Professor Li Jun.