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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)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 December 2021 HK\$'000</b>	<b>Year ended 31 December 2020 HK\$'000</b>	<b>Percentage Change %</b>
Revenue	<b>44,611</b>	53,500	(16.61)
Loss attributable to owners of the Company	<b>(53,787)</b>	(68,051)	(20.96)

The Board (the “Board”) of Directors (the “Directors”) of China Environmental Technology Holdings Limited (the “Company”) announces the audited consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>44,611</b>	53,500
Cost of sales		<u>(28,307)</u>	<u>(36,122)</u>
<b>Gross profit</b>		<b>16,304</b>	17,378
Other income	6	67	1,426
Other (loss)/gain, net	7	<b>(6,047)</b>	242
Distribution costs		<b>(2,764)</b>	(1,774)
Net (loss)/gain on disposal of subsidiaries		<b>(591)</b>	8,957
Impairment of various assets		<b>(61)</b>	(3,202)
Administrative expenses		<u><b>(35,030)</b></u>	<u>(58,674)</u>
<b>Loss from operations</b>		<b>(28,122)</b>	(35,647)
Finance costs	8	<u><b>(25,390)</b></u>	<u>(32,516)</u>
<b>Loss before tax</b>	9	<b>(53,512)</b>	(68,163)
Income tax expense	10	<u><b>(132)</b></u>	<u>—</u>
<b>Loss for the year</b>		<u><b>(53,644)</b></u>	<u>(68,163)</u>
<b>Other comprehensive (expenses)/income for the year, net of tax:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<b>(5,493)</b>	898
Exchange differences reclassified to profit or loss on disposal of subsidiaries		<u><b>654</b></u>	<u>(6,888)</u>
		<u><b>(4,839)</b></u>	<u>(5,990)</u>
<b>Total comprehensive expenses for the year</b>		<u><u><b>(58,483)</b></u></u>	<u><u>(74,153)</u></u>

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
Owners of the Company		(53,787)	(68,051)
Non-controlling interests		<u>143</u>	<u>(112)</u>
		<u><b>(53,644)</b></u>	<u><b>(68,163)</b></u>
<b>Total comprehensive expenses for the year attributable to:</b>			
Owners of the Company		(58,779)	(74,252)
Non-controlling interests		<u>296</u>	<u>99</u>
		<u><b>(58,483)</b></u>	<u><b>(74,153)</b></u>
<b>Loss per share</b>	<i>12</i>		Restated
— Basic ( <i>HK cent per share</i> )		<u><b>(28.23)</b></u>	<u><b>(37.28)</b></u>
— Diluted ( <i>HK cent per share</i> )		<u><b>(28.23)</b></u>	<u><b>(37.28)</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>910</b>	1,038
Right-of-use assets		<b>1,582</b>	2,514
Intangible assets		<b>1,006</b>	1,055
Interests in an associate		—	—
		<hr/> <b>3,498</b>	<hr/> 4,607
<b>Current assets</b>			
Trade and other receivables	<i>13</i>	<b>23,689</b>	36,861
Contract assets and contract costs		<b>22,446</b>	32,908
Bank and cash balances		<b>1,108</b>	1,194
		<hr/> <b>47,243</b>	<hr/> 70,963
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>382,816</b>	371,799
Contract liabilities		<b>7,956</b>	15,940
Borrowings		<b>125,514</b>	77,203
Convertible bonds		—	64,910
Lease liabilities		<b>700</b>	2,408
		<hr/> <b>516,986</b>	<hr/> 532,260
<b>Net current liabilities</b>		<hr/> <b>(469,743)</b>	<hr/> (461,297)
<b>Total assets less current liabilities</b>		<hr/> <b>(466,245)</b>	<hr/> (456,690)
<b>Non-current liabilities</b>			
Trade and other payables	<i>14</i>	<b>10,820</b>	19,933
Borrowings		<b>26,710</b>	61,058
Convertible bonds		<b>60,410</b>	—
Lease liabilities		<b>892</b>	—
		<hr/> <b>98,832</b>	<hr/> 80,991
<b>NET LIABILITIES</b>		<hr/> <b>(565,077)</b>	<hr/> (537,681)

	<b>2021</b>	2020
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	<b>100,749</b>	91,259
Reserves	<b>(671,910)</b>	(632,788)
	<hr/>	<hr/>
Equity attributable to owners of the Company	<b>(571,161)</b>	(541,529)
Non-controlling interests	<b>6,084</b>	3,848
	<hr/>	<hr/>
<b>TOTAL DEFICIT</b>	<b><u>(565,077)</u></b>	<b><u>(537,681)</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 1. GENERAL INFORMATION

China Environmental Technology Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 31 August 2001 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office and principal place of business of the Company are located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and Unit 901, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong respectively.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of wastewater treatment plants construction and operation services, as well as the trading of wastewater treatment facilities and machineries and the provision for related services, and provision of healthcare services.

At 31 December 2021, the directors of the Company (the “Directors”) consider the immediate parent of the Company to be Gentle International Holdings Limited, which is incorporated in the British Virgin Islands; and the ultimate parent of the Company to be Classy Jade Limited, which is incorporated in the Republic of Seychelles and controlled by Mr. Xu Zhongping, the Executive Director of the Company. The immediate and ultimate parent company do not produce consolidated financial statements available for public use.

## 2. BASIS OF PREPARATION

### **Going Concern**

The Group incurred loss attributable to owners of the Company of approximately HK\$53,787,000 for the year ended 31 December 2021 and the Group had net current liabilities and net liabilities of approximately HK\$469,743,000 and approximately HK\$565,077,000 respectively as at 31 December 2021. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have been undertaking a number of plans and measures to improve the Group’s liquidity and financial position, including:

- (i) the Directors have reviewed the Group’s cash flow projection prepared by management, which covered a period of not less than twelve months from 31 December 2021. In the opinion of the Directors, the Group will have sufficient working capital to meet its financial obligations as and when they fall due and carry on its business without a significant curtailment of operations not less than twelve months from 31 December 2021. Accordingly, the consolidated financial statements have been prepared on a going concern basis;
- (ii) there was an investor (“Investor”) confirmed to provide an adequate financial support of amount not less than HK\$100,000,000 (including the amounts for which loan agreements had been entered by the date of the letter of support) to the Group as it is necessary to ensure its continuing operation for a period of at least fifteen months from 31 March 2022 (the “Relevant Period”);

the Investor also confirms that during the Relevant Period, when the Company is required to make any payment to the holder of the 8% 3-year convertible bond due 2024 in aggregate principal amount of US\$2,330,000 issued by and convertible into ordinary shares of the Company (“CB1”) according to the terms of CB1, the Investor would fund the Company to enable the Company to make such payment at the time and in the amount specified in the relevant terms of CB1;

- (iii) the Investor executed a letter agreed to extend the maturity date of other loan principal of HK\$800,000 under a loan agreement executed on 27 March 2019 to 30 September 2023 and not to demand for repayment for other loan principal of HK\$800,000 and the accrued interest of approximately HK\$24,000 as at 31 December 2021 before July 2023, and all interests accrued from this other loan are to be repaid on the new maturity day or if such date is not a business day, the next business day;

the Investor also agreed to extend the maturity date of other loan principal of approximately HK\$18,058,000 executed on 23 September 2019 to 31 December 2023 and not to demand for repayment for other loan principal of approximately HK\$18,058,000 and the accrued interest of approximately HK\$541,000 as at 31 December 2021 before July 2023, and all interests accrued from this other loan are to be repaid on the new maturity date or if such date is not a business day, the next business day;

the Investor also agreed not to demand for repayment for other loan principal of approximately HK\$4,562,000 and the accrued interest of approximately HK\$149,000 as at 31 December 2021 before July 2023 under another loan agreement executed on 25 January 2021, and all interests accrued from this other loan are to be repaid on the repayment date under the loan agreement, which is on 31 January 2024 or if such date is not a business day, the next business day;

the Investor also agreed not to demand for repayment for a car rental fee of approximately RMB1,350,000 (approximately HK\$1,656,000) before July 2023;

the Investor also agreed not to demand for repayment for the 8% 3-year convertible bond due 2024 in aggregate principal amount of US\$4,670,000 issued and the relevant interest before July 2023;

the Investor also agreed not to demand for repayment for working capital of approximately RMB4,170,000 (approximately HK\$5,116,000) lent to the Group by certain companies controlled by the Investor and approximately HK\$954,000 lent to the Group by the Investor before July 2023;

the Investor also agreed not to demand repayment of the amount of approximately HK\$4,641,000 before July 2023 which was paid by the Investor to a bondholder of the unlisted straight bonds issued by the Company to settle the claim raised by the bondholder against the Company;

after the reporting period, other loan principal of HK\$40,000,000 was transferred from China Daisy Finance Limited to the Investor. The Investor executed a letter agreed to extend the repayment date of other loan principal of HK\$40,000,000 under a loan agreement executed on 27 March 2019 to 27 September 2023 and not to demand repayment for other loan principal of HK\$40,000,000 and the accrued interest of approximately HK\$18,034,000 as at 31 December 2021 before July 2023, and all interests accrued from this other loan are to be repaid on the new repayment day or if such date is not a business day, the next business day;

- (iv) Clicfield Holdings Limited executed an agreement agreed to extend the repayment date of other loan principal of HK3,200,000 under a loan agreement executed on 9 January 2019 to 8 January 2024 or if such date is not a business day, the next business day;
- (v) the Directors will consider to carry out debt and group restructuring for the Company's certain subsidiaries in capital deficiencies to release the certain level of liabilities when necessary; and
- (vi) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

Based on the cash flow projection of the Group and having taken into account the available financial resources of the Group and the above measures, the Directors consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

### 4. REVENUE

The Group's revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trading of wastewater treatment facilities and machineries and the provision for related services	2,208	360
Sales of goods	42,403	53,140
	<u>44,611</u>	<u>53,500</u>

## 5. SEGMENT INFORMATION

The Group manages its business by divisions which are organised from the products/services perspective.

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the executive Directors, being the chief operating decision-maker (“CODM”) for the purposes of resources allocation and performance assessment. The Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments:

### i. Wastewater treatment

This segment engages in the provision of wastewater treatment plants construction and operation services, as well as the trading of wastewater treatment facilities and machineries and the provision for related services.

### ii. Healthcare

This segment engages in the provision of healthcare services.

For the purposes of assessing segment performance and allocating resources between segments, the Group’s CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments follow the Group’s accounting policies. Segment loss represents the loss from each segment without allocation of central administration costs such as directors’ salaries and unallocated other income/losses. This is the measure reported to the CODM for purposes of resources allocation and performance assessment. Taxation credit is not allocated to reportable segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

All assets are allocated to reportable segments other than unallocated cash and cash equivalents and corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than current and deferred tax liabilities, borrowings not attributable to individual segments and corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

(a) **Disaggregation of revenue from contracts with customers:**

Disaggregation of revenue from contracts with customers by major products or service and geographical location of customers is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Disaggregated by major products or service		
— Wastewater treatment	<u>44,611</u>	<u>53,500</u>
Revenue from contracts with customers	<u><u>44,611</u></u>	<u><u>53,500</u></u>
Disaggregated by geographical location of customers		
— The PRC (except for Hong Kong)	<u><u>44,611</u></u>	<u><u>53,500</u></u>

All products are recognised at a point in time.

***Wastewater treatment***

Revenue from wastewater treatment includes construction and operation services and equipment trading.

Wastewater treatment services are normally made with credit terms of 30 days. A receivable is recognised when the services are rendered to the customers as this is the over time that the consideration is unconditional because only the passage of time is required before the payment is due.

For construction services and trading of wastewater treatment facilities and machineries and the provision for related services to the customers, the customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. Sales are recognised when the acceptance is passed. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

The contract price is allocated to the performance obligations based on the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are determined by applying the expected cost plus a margin approach.

***Healthcare***

Revenue from healthcare is recognised when the services are rendered.

Healthcare services are normally made with credit terms of 30 days. A receivable is recognised when the services are provide to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Information about reportable segment profit or loss, assets and liabilities:

	Wastewater treatment <i>HK\$'000</i>	Healthcare <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31 December 2021</b>					
Revenue from external customers	<u>44,611</u>	<u>—</u>	<u>44,611</u>	<u>—</u>	<u>44,611</u>
Segment loss	(11,423)	(6,378)	(17,801)	(35,843)	(53,644)
Interest income	3	1	4	—	4
Finance costs	8,486	—	8,486	16,904	25,390
Depreciation of property, plant and equipment and right-of-use assets, and amortisation	2,936	51	2,987	324	3,311
Impairment loss on amount due from an associate	61	—	61	—	61
Additions to property, plant and equipment	<u>5</u>	<u>—</u>	<u>5</u>	<u>—</u>	<u>5</u>
<b>As at 31 December 2021</b>					
Reportable segment assets	<u>49,058</u>	<u>580</u>	<u>49,638</u>	<u>1,103</u>	<u>50,741</u>
Reportable segment liabilities	<u>188,194</u>	<u>247,752</u>	<u>435,946</u>	<u>179,872</u>	<u>615,818</u>
<b>For the year ended 31 December 2020</b>					
Revenue from customers	<u>53,500</u>	<u>—</u>	<u>53,500</u>	<u>—</u>	<u>53,500</u>
Segment loss	(13,030)	(12,420)	(25,450)	(42,713)	(68,163)
Interest income	1	2	3	—	3
Finance costs	7,220	—	7,220	25,296	32,516
Depreciation of property, plant and equipment and right-of-use assets, and amortisation	3,071	47	3,118	1,990	5,108
Impairment loss on trade receivables	3,054	—	3,054	—	3,054
Impairment loss on amount due from an associate	148	—	148	—	148
Additions to property, plant and equipment and construction in progress	<u>218</u>	<u>—</u>	<u>218</u>	<u>—</u>	<u>218</u>
<b>As at 31 December 2020</b>					
Reportable segment assets	<u>72,600</u>	<u>1,159</u>	<u>73,759</u>	<u>1,811</u>	<u>75,570</u>
Reportable segment liabilities	<u>196,273</u>	<u>241,551</u>	<u>437,824</u>	<u>175,427</u>	<u>613,251</u>

(c) Reconciliations of reportable segment profit or loss:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total loss of reportable segments	(17,801)	(25,450)
Unallocated depreciation of property, plant and equipment, right-of-use assets, and amortisation	(324)	(1,990)
Unallocated head office and corporate expenses	<u>(35,519)</u>	<u>(40,723)</u>
Consolidated loss before tax	<u><u>(53,644)</u></u>	<u><u>(68,163)</u></u>

(d) Reconciliations of reportable segment assets and liabilities:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Assets</b>		
Total assets of reportable segments	49,638	73,759
Unallocated		
— cash and cash equivalents	377	446
— corporate assets	<u>726</u>	<u>1,365</u>
Consolidated total assets	<u><u>50,741</u></u>	<u><u>75,570</u></u>
<b>Liabilities</b>		
Total liabilities of reportable segments	435,946	437,824
Unallocated		
— corporate liabilities	<u>179,872</u>	<u>175,427</u>
Consolidated total liabilities	<u><u>615,818</u></u>	<u><u>613,251</u></u>

(e) **Geographical information**

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The geographical location of property, plant and equipment is based on the physical location of the asset under consideration. In the case of the intangible assets and goodwill, it is based on the location of the operation to which they are allocated.

	Revenue from external customers		Non-current assets	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	—	—	158	167
The PRC (except for Hong Kong)	44,611	53,500	3,340	4,440
	<u>44,611</u>	<u>53,500</u>	<u>3,498</u>	<u>4,607</u>

(f) **Revenue from major customers**

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	—	8,126
Customer B	6,993	7,200
Customer C	—	5,830
Customer D	—	6,712
Customer E	12,357	N/A*
Customer F	5,173	—
Customer G	4,925	—

\* The revenue from Customer E contributed not over 10% of the Group's revenue for wastewater treatment segment in 2020, therefore the amounts are not disclosed.

6. **OTHER INCOME**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income on bank deposits	4	3
Waiver of trade and other payables	24	401
Compensation received	—	780
Others	39	242
	<u>67</u>	<u>1,426</u>

## 7. OTHER (LOSS)/GAIN, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss due to modification of convertible bonds	(14,807)	—
Gain on loan settlement	8,760	—
Reversal of impairment loss on obsolete inventory	—	242
	<u>(6,047)</u>	<u>242</u>

## 8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Lease interests	71	424
Interest expenses on:		
— Bank loans	778	188
— Entrusted loan	6,740	6,320
— Other loans	10,585	9,016
— Bonds	490	490
— Convertible bonds	6,726	16,078
	<u>25,390</u>	<u>32,516</u>

## 9. LOSS BEFORE TAX

The Group's loss before tax is stated after charging the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amortisation of intangible assets	83	77
Staff costs (including Directors' emoluments)		
— Salaries, wages and other benefits	14,706	12,936
— Pension costs-defined contribution plans	1,692	817
	<u>16,398</u>	<u>13,753</u>
Impairment loss on trade receivables	—	3,054
Impairment loss on amount due from an associate	61	148
	<u>61</u>	<u>3,202</u>
Depreciation of property, plant and equipment and right-of-use assets	3,228	5,031
Net loss on disposal of property, plant and equipment	—	429
Auditors' remuneration	1,280	1,380
Legal and professional fee	4,414	7,067
Loss on foreign exchange difference	6,519	11,448
Share-based payment	350	1,918
Expenses related to short-term leases	847	762

## 10. INCOME TAX EXPENSE

Income tax has been recognised in consolidated profit or loss as following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Corporate Income Tax in the PRC		
Provision for the year	<u>132</u>	<u>—</u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the years ended 31 December 2021 and 2020.

Beijing Jingrui Kemai Water Purification Technology Company Limited, a wholly-owned subsidiary of the Company enjoys high-tech enterprise income tax benefit from 2020 to 2023 and the tax rate is 15%.

The reconciliation between the income tax credit and the product of loss before tax multiplied by the applicable tax rates is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before tax	<u>(53,512)</u>	<u>(68,163)</u>
Notional tax on loss before tax, calculated at the rates applicable to losses in the tax jurisdictions concerned	(9,100)	(12,328)
Tax effect of		
— non-deductible expenses	10,751	21,596
— non-taxable income	(2,452)	(9,398)
— utilisation of previously unrecognised tax losses	—	(48)
— temporary differences not recognised	<u>933</u>	<u>178</u>
Income tax expense	<u>132</u>	<u>—</u>

As at 31 December 2021, subject to agreement by tax authority, the Group had estimated tax losses of approximately HK\$145,856,000 (2020: approximately HK\$145,856,000) in Hong Kong which are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which the losses arose. The tax losses do not expire under the current Hong Kong tax legislation. Tax losses of approximately HK\$92,834,000 (2020: approximately HK\$101,293,000) in the PRC are available for offsetting against future profits that may be carried forward for five years for PRC enterprise income tax purpose.

## 11. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: HK\$nil).

## 12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year for the purpose of calculating basic and diluted loss per share	<u>(53,787)</u>	<u>(68,051)</u>
<b>Number of shares</b>	<i>'000</i>	<i>'000</i>
		restated
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>190,518</u>	<u>182,518</u>

Basic and diluted loss per share for the years ended 31 December 2021 and 2020 were the same as the Company had no dilutive potential shares in during the years.

## 13. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	27,294	27,627
Bills receivable	—	8,456
Less: allowance for doubtful debts	<u>(8,422)</u>	<u>(7,852)</u>
	18,872	28,231
Other receivables	4,241	7,030
Prepayments and deposits	<u>576</u>	<u>1,600</u>
	<u>23,689</u>	<u>36,861</u>

Trade receivables are due in accordance with contract terms.

The Group's bills receivable of approximately HK\$nil (2020:HK\$8,456,000) were pledged to secure bank borrowings of approximately HK\$nil (2020:HK\$8,456,000).

As at 31 December 2021 and 2020, the ageing analysis of the trade and bills receivable, based on the invoice date and bills receipt date respectively, and net of allowance were as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	<b>2,747</b>	15,528
More than 3 months but within 12 months	<b>9,654</b>	3,003
More than 12 months	<b>6,471</b>	9,700
	<u><b>18,872</b></u>	<u>28,231</u>

As at 31 December 2021, trade receivables of the Group amounting to approximately HK\$8,422,000 (2020: approximately HK\$7,852,000) were individually determined to be impaired. The individually impaired receivables were outstanding for more than 12 months at the end of the reporting period.

Movements in the allowance for doubtful debts

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	<b>7,852</b>	4,356
Allowance for the year	—	3,054
Exchange adjustments	<b>570</b>	442
At 31 December	<u><b>8,422</b></u>	<u>7,852</u>

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade and bills receivables. To measure the expected credit losses, trade and bills receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	<b>Current</b>	<b>Up to 3 months past due</b>	<b>3 to 12 months past due</b>	<b>Over 12 months past due</b>	<b>Total</b>
<b>At 31 December 2021</b>					
Weighted average expected loss rate	—	—	—	57%	
Receivable amount ( <i>HK\$'000</i> )	<b>963</b>	<b>1,784</b>	<b>9,654</b>	<b>14,893</b>	<b>27,294</b>
Loss allowance ( <i>HK\$'000</i> )	—	—	—	<b>(8,422)</b>	<b>(8,422)</b>
<b>At 31 December 2020</b>					
Weighted average expected loss rate	—	—	—	45%	
Receivable amount ( <i>HK\$'000</i> )	13,696	1,832	3,003	17,552	36,083
Loss allowance ( <i>HK\$'000</i> )	—	—	—	<b>(7,852)</b>	<b>(7,852)</b>

#### 14. TRADE AND OTHER PAYABLES

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Trade payables		<b>40,657</b>	46,602
Other payables	<i>(i)</i>	<b>324,515</b>	321,506
Other tax payable		<b>14,379</b>	13,099
Amounts due to directors	<i>(ii)</i>	<b>7,644</b>	4,587
Amounts due to a related party	<i>(ii)</i>	<b>6,441</b>	—
Loan borrowed from director	<i>(iii)</i>	—	5,938
		<b>393,636</b>	391,732
Analysed as:			
Current liabilities		<b>382,816</b>	371,799
Non-current liabilities		<b>10,820</b>	19,933
		<b>393,636</b>	391,732

*Note:*

- (i) As at 31 December 2021 other payables included rent payable of approximately HK\$9,018,000 (2020:HK\$10,419,000), non-contractual loan of approximately HK\$43,395,000 (2020:HK\$42,005,000), amounts due to the Investor and companies controlled by the Investor of approximately HK\$7,727,000 (2020:HK\$17,894,000), interest payables of approximately HK\$33,541,000 (2020:HK\$26,861,000), and legal and professional fee payables of approximately HK\$10,818,000 (2020:HK\$10,170,000).

As at 18 November 2019, the Group has undergone an early cessation arrangement for a lease contract with the lessor, who is entitled to bring legal actions against a subsidiary of the Company for the early cessation claims. As at 31 December 2021, the Directors estimated that a provision for claims in relation to the early cessation on arrangement after deducted the rental deposits would be approximately HK\$193,917,000 (2020:HK\$187,706,000).

- (ii) Amount due to directors and a related party are unsecured, non-interest bearing and has no fixed repayment terms.
- (iii) As at 31 December 2020, the loan borrowed from a director of approximately HK\$5,938,000 carried a fixed interest rate of 4.469% per annum, which is secured by a subsidiary of the Company and the properties owned by a company controlled by the Investor.

The ageing analysis of the trade payables based on the date of receipt of goods/services, is as follows:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 1 month	<b>4,862</b>	11,477
After 1 month but within 3 months	<b>4,186</b>	5,877
After 3 months but within 4 months	<b>1,092</b>	912
After 4 months but within 1 year	<b>10,019</b>	5,349
After 1 year	<b>20,498</b>	22,987
	<hr/>	<hr/>
	<b>40,657</b>	46,602
	<hr/> <hr/>	<hr/> <hr/>

# **EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

## **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **Material Uncertainty Related to the Going Concern**

We draw attention to note 2 to this result announcement which states that the Group incurred loss attributable to owners of the Company of approximately HK\$53,787,000 for the year ended 31 December 2021 and as at 31 December 2021 the Group had net current liabilities and net liabilities of approximately HK\$469,743,000 and approximately HK\$565,077,000 respectively. These conditions indicate a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **RESULTS**

For the year ended 31 December 2021, the Group recorded a revenue of approximately HK\$44,611,000 (2020: approximately HK\$53,500,000), representing a decrease of about 16.61% compared to that of 2020. The Group's loss attributable to owners of the Company was approximately HK\$53,787,000 (2020: approximately HK\$68,051,000), representing a decrease of about 20.96% as compared to that of 2020. Gross profit margin was significantly improved to approximately 36.55% as compared to 32.48% in last year.

## **BUSINESS REVIEW**

### **FOR WASTEWATER TREATMENT**

The Group's sewage treatment business has signed 10 new projects, completed the delivery of 8 projects and the acceptance of 15 projects during the year. Affected by the epidemic, the sales revenue decreased by 16.61% compared with the previous year. With project cost reduction and efficiency improvement measures, the gross profit margin of the projects increased during the year. Based on the Group's long-term strategic requirements for scientific and technological innovation, the Group has obtained 14 utility model patents from the National Intellectual Property Administration during the year and applied for 9 new patents to the National Intellectual Property Administration during the same period, of which 3 are invention patents. During the year, Chinese Society for Environmental Sciences

awarded the honor of Innovation Demonstration Project to the project implemented by the Group in Shaoxing and promoted it in the environmental protection industry. The “Magnetic Coagulation Sedimentation Water Treatment Equipment” standard, which was initiated by China Association of Machinery Industry for Environmental Protection and edited by the Group, was officially promulgated and implemented on 13 December 2021. The Group continued to maintain its technological leadership and brand advantages in the field of advanced sewage treatment technology and received favorable comments from customers.

## **FOR HEALTHCARE**

The Group continued to conduct research and discussions on the development strategies and business opportunities in healthcare, promoted the negotiation of cooperation opportunities in the cell storage business during the year, and conducted due diligence and acquisitions of the business of Cambodia-CHN Biological Research Holdings Co., Limited, laid a new foundation for the development of the Group’s healthcare business.

## **OUTLOOK**

### **FOR WASTEWATER TREATMENT**

Based on the proposal of the national 3060 carbon peaking and carbon neutrality goals and the continuous in-depth development of the environmental protection industry, the Group will focus on supporting the development of sewage treatment business in the future, and continue to make efforts in brand building, market channel build-up and business synergy to expand the scale and competitiveness of the Group’s environmental protection business, and strive to achieve breakthroughs in the development and application of the synergistic combination technology of magnetic coagulation technology and the application of comprehensive sewage treatment technology, and develop into a comprehensive environmental protection technology provider.

### **FOR HEALTHCARE**

The Group will use the newly acquired Cambodia-CHN Biological Research Holdings Co., Limited as a business platform to carefully deploy and expand the market in the fields of cell storage, cold chain logistics, large animal bases, etc., so as to generate income from the healthcare business as soon as possible. The Group will adopt flexible incentive measures to promote the rapid development of the healthcare business and form a new business growth point for the Group.

## **CONCLUSION**

In 2021, although the epidemic still deeply affects everyone and the challenges remain, the Group will never forget its original intention, exert collective wisdom, and focus on the two core businesses of sewage treatment and healthcare, actively respond to market

changes and development opportunities and seek progress while maintaining stability. In the future, the Group will better optimize the allocation of internal and external resources, adhere to the purpose of win-win cooperation, closely focus on the theme direction of the 14th Five-Year Plan of the country, forge ahead with determination, have the courage to undertake social responsibilities, and contribute to economic development, shareholder value and the well-being of our stakeholders.

## **EMOLUMENT POLICY**

As at 31 December 2021, the Group had 58 employees (2020: 70 employees). The remuneration policy and packages are reviewed annually by the management and the Remuneration Committee. The Group remunerates its employees based on their performance, work experience and the prevailing market rate. The remuneration packages include basic salary, double pay, commission, insurance and mandatory provident fund. The Group operates a share option scheme for the purpose of providing incentives and rewards to (among others) eligible Directors and employees of the Group to recognise their contribution to the result of the Group.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **LIQUIDITY**

As at 31 December 2021, the total cash and bank balances of the Group were approximately HK\$1,108,000 (2020: approximately HK\$1,194,000). The cash and bank balances consisted of about 39.17% in Hong Kong dollars, 60.80% in Renminbi and 0.03% in US dollars.

As at 31 December 2021, the Group had total assets of approximately HK\$50,741,000 (2020: approximately HK\$75,570,000) and total liabilities of approximately HK\$615,818,000 (2020: approximately HK\$613,251,000). As at 31 December 2021, the current ratio was 0.09 (2020: 0.13), calculated on the basis of current assets of approximately HK\$47,243,000 (2020: approximately HK\$70,963,000) over current liabilities of approximately HK\$516,986,000 (2020: approximately HK\$532,260,000).

The Group's borrowings amounted to approximately HK\$212,634,000 (2020: approximately HK\$203,171,000). The Group's borrowings are denominated in Renminbi, Hong Kong dollars and United States dollars, bearing fixed interest rates/coupon rate. The Group's gearing ratio, being the ratio of the total debts to total assets, was 419.06% (2020: 268.85%).

### **CHARGE ON ASSETS**

As at 31 December 2021, the Group's bills receivable of approximately HK\$nil (2020: HK\$8,456,000) were pledged to secure bank borrowing of approximately HK\$nil (2020: HK\$8,456,000).

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the years ended 31 December 2021 and 2020.

## **SHARE OPTIONS**

### **2010 SHARE OPTION SCHEME**

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), adopted a share option scheme (the "2010 Share Option Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 10 September 2010. The Directors are given a general mandate to invite eligible participants to take up options at the subscription price as prescribed under the 2010 Share Option Scheme to subscribe for shares of the Company. The purpose of the share option scheme is to enable the Group to grant options to the eligible participants including employees, executive and non-executive Directors, suppliers and customers and shareholders of any members of the Group and any persons or entities that provided research, development or other technical support to the Group or any other group or classes of participants determined by the Directors as incentive or rewards for their contribution to the Group. The share option scheme has become valid and effective for a period of ten years ending on 9 September 2020.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer. Each option gives the holder the right to subscribe for one ordinary share in the Company.

The total number of securities available for issue under the share option scheme as at 31 December 2021 was 11,064,000 shares which represents 5.05% of the issued share capital of the Company as at 31 December 2021. Among all the Options granted, 7,568,000 Options are vested from the Date of Grant and 3,496,000 Options are vested in two equal installments with the first and second installments to be vested in one and two years from the Date of Grant, respectively. The Options are exercisable after the vesting date but within a period of ten years from the Date of Grant. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

Offer of an option shall have been accepted when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance of HK\$1 is received within such time as may be specified in the offer, which shall not be later than 21 days from the date of offer. The share option scheme had expired on 9 September 2020.

## **CORPORATE GOVERNANCE PRACTICES**

The Board recognises that corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. The Company is committed to achieving and maintaining a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Board is of the opinion that the Company has complied with all the code provisions.

The Board is of the view that this management structure is effective for the Group’s operations and sufficient checks and balances are in place. The Board will continue to review its corporate governance practices, in order to enhance its corporate governance standard, to comply with regulatory requirements and to meet the growing expectations of the shareholders of the Company and investors.

## **PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT**

This results announcement will be published on the website of HKExnews of The Stock Exchange at <http://www.hkexnews.hk> and the Company’s website at <http://www.cethl.com>.

The Company’s annual report for the financial year ended 31 December 2021 containing all the information required under the Listing Rules will be despatched to the shareholders and will be published on the websites of the Company and The Stock Exchange in due course.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## **AUDIT COMMITTEE**

As at 31 December 2021, the Audit Committee comprised three members, namely Mr. Tse Chi Wai (Chairman), Prof. Zhu Nanwen and Prof. Li Jun, all of them are independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company’s existing external auditor.

The main duties of the Audit Committee include the following:

- (a) to review the consolidated financial statements and reports and consider any significant or unusual items raised by staff responsible for the accounting and financial reporting function or external auditor before submission to the Board;
- (b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor;
- (c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures; and
- (d) to monitor the corporate governance of the Group including compliance with statutory and Listing Rules requirement.

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2021. The Audit Committee has also discussed with management and reviewed the accounting principles and practices adopted by the Group, as well as risk management, internal control and financial reporting matters, and found them to be satisfactory.

#### **SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

By Order of the Board  
**China Environmental Technology Holdings Limited**  
**Xu Jingping**  
*Chairman*

Hong Kong, 31 March 2022

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