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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 2022**

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2022 HK\$'000	Year ended 31 December 2021 HK\$'000	Percentage Change %
Revenue	38,400	44,611	(13.92)
Loss attributable to owners of the Company	(25,016)	(53,787)	(53.49)

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 2022 together with the comparative figures for the year ended 31 December 2021.

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

For the year ended 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Revenue	4	38,400	44,611
Cost of sales		<u>(24,790)</u>	<u>(28,307)</u>
Gross profit		13,610	16,304
Other income	6	2,638	67
Other gain/(loss), net	7	16,881	(12,566)
Distribution costs		(1,817)	(2,764)
Net loss on disposal of subsidiaries		–	(591)
Reversal of impairment/(impairment) loss on various assets	9	2	(61)
Administrative expenses		<u>(28,437)</u>	<u>(28,511)</u>
Profit/(loss) from operations		2,877	(28,122)
Finance costs	8	<u>(27,900)</u>	<u>(25,390)</u>
Loss before tax	9	(25,023)	(53,512)
Income tax expense	10	<u>–</u>	<u>(132)</u>
Loss for the year		<u>(25,023)</u>	<u>(53,644)</u>
Other comprehensive income/(expenses) for the year, net of tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		14,108	(5,493)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		<u>–</u>	<u>654</u>
		14,108	(4,839)
Total comprehensive expenses for the year		<u>(10,915)</u>	<u>(58,483)</u>

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit for the year attributable to:			
Owners of the Company		(25,016)	(53,787)
Non-controlling interests		<u>(7)</u>	<u>143</u>
		<u>(25,023)</u>	<u>(53,644)</u>
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		(10,497)	(58,779)
Non-controlling interests		<u>(418)</u>	<u>296</u>
		<u>(10,915)</u>	<u>(58,483)</u>
Loss per share			
	<i>12</i>		
– Basic (HK cent per share)		<u>(11.42)</u>	<u>(28.23)</u>
– Diluted (HK cent per share)		<u>(11.42)</u>	<u>(28.23)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		713	910
Right-of-use assets		483	1,582
Intangible assets		849	1,006
Interests in an associate		–	–
		<u>2,045</u>	<u>3,498</u>
Current assets			
Trade and other receivables	13	24,499	23,689
Contract assets and contract costs		7,545	22,446
Bank and cash balances		790	1,108
		<u>32,834</u>	<u>47,243</u>
Current liabilities			
Trade and other payables	14	353,137	382,816
Contract liabilities		2,181	7,956
Borrowings		76,487	125,514
Lease liabilities		497	700
		<u>432,302</u>	<u>516,986</u>
Net current liabilities		<u>(399,468)</u>	<u>(469,743)</u>
Total assets less current liabilities		<u>(397,423)</u>	<u>(466,245)</u>
Non-current liabilities			
Trade and other payables	14	39,956	10,820
Borrowings		72,448	26,710
Convertible bonds		66,089	60,410
Lease liabilities		–	892
		<u>178,493</u>	<u>98,832</u>
NET LIABILITIES		<u><u>(575,916)</u></u>	<u><u>(565,077)</u></u>

	2022	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves		
Share capital	100,749	100,749
Reserves	(682,331)	(671,910)
	<hr/>	<hr/>
Equity attributable to owners of the Company	(581,582)	(571,161)
Non-controlling interests	5,666	6,084
	<hr/>	<hr/>
TOTAL DEFICIT	<u>(575,916)</u>	<u>(565,077)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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 Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, 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 provisions for related services, and provision of healthcare services.

At 31 December 2022, 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\$25,016,000 for the year ended 31 December 2022 and the Group had net current liabilities and net liabilities of approximately HK\$399,468,000 and approximately HK\$575,916,000 respectively as at 31 December 2022. 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 2022. 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 2022. Accordingly, the consolidated financial statements have been prepared on a going concern basis;
- (ii) An investor (“Investor”) confirmed to provide an adequate financial support 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 2023 (the “Relevant Period”);

the Investor also confirmed 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\$7,000,000 issued by the Company and convertible into ordinary shares of the Company (“CBI”) according to the terms of CBI, 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 CBI;

- (iii) the Investor executed a letter and 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 2024 and not to demand for repayment for other loan principal of HK\$800,000 and the accrued interest of approximately HK\$160,000 as at 31 December 2022 before July 2024, 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 to extend the maturity date of other loan principal of approximately HK\$18,158,000 executed on 23 September 2019 to 31 December 2024 and not to demand for repayment for other loan principal of approximately HK\$18,158,000 and the accrued interest of approximately HK\$3,613,000 as at 31 December 2022 before July 2024, 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 to extend the maturity date of other loan principal of approximately HK\$10,290,000 executed on 25 January 2021 to 31 December 2024 and not to demand for repayment for other loan principal of approximately HK\$10,290,000 and the accrued interest of approximately HK\$2,038,000 as at 31 December 2022 before July 2024, 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 to extend the maturity date of other loan principal of approximately HK\$40,000,000 executed on 27 March 2019 to 27 September 2024 and not to demand for repayment for other loan principal of approximately HK\$40,000,000 and the accrued interest of approximately HK\$24,834,000 as at 31 December 2022 before July 2024, 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 a car rental fee of approximately RMB200,000 (approximately HK\$226,000) before July 2024;

the Investor also agreed not to demand for repayment for the 8% 3-year convertible bond due 2024 in aggregate principal amount of US\$7,000,000 issued and the relevant interest before July 2024;

the Investor also agreed not to demand for repayment for working capital of approximately RMB3,330,000 (approximately HK\$3,765,000) 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 2024;

- (iv) Clicfield Holdings Limited executed an agreement and agreed to extend the repayment date of other loan principal of HK\$3,200,000 under a loan agreement executed on 9 January 2019 to 8 January 2025 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 2022. 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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of complete sets of equipment	37,867	42,403
Sales of wastewater treatment consumables, equipment accessories, and related services	533	2,208
	<u>38,400</u>	<u>44,611</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Disaggregated by major products or service		
– Wastewater treatment	<u>38,400</u>	<u>44,611</u>
Revenue from contracts with customers	<u><u>38,400</u></u>	<u><u>44,611</u></u>
Disaggregated by geographical location of customers		
– The PRC (except for Hong Kong)	<u><u>38,400</u></u>	<u><u>44,611</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>
For the year ended 31 December 2022					
Revenue from external customers	<u>38,400</u>	<u>–</u>	<u>38,400</u>	<u>–</u>	<u>38,400</u>
Segment (loss)/profit	(11,753)	15,809	4,056	(29,079)	(25,023)
Interest income	4	1	5	–	5
Finance costs	8,260	–	8,260	19,640	27,900
Depreciation of property, plant and equipment and right-of-use assets, and amortisation	1,057	30	1,087	158	1,245
Impairment loss on trade receivables	148	–	148	–	148
Reversal of impairment loss on amount due from an associate	<u>150</u>	<u>–</u>	<u>150</u>	<u>–</u>	<u>150</u>
As at 31 December 2022					
Reportable segment assets	<u>32,680</u>	<u>701</u>	<u>33,381</u>	<u>1,498</u>	<u>34,879</u>
Reportable segment liabilities	<u>174,441</u>	<u>228,332</u>	<u>402,773</u>	<u>208,022</u>	<u>610,795</u>
	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>
For the year ended 31 December 2021					
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>
As at 31 December 2021					
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>

(c) Reconciliations of reportable segment profit or loss:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total profit/(loss) of reportable segments	4,056	(17,801)
Unallocated depreciation of property, plant and equipment, right-of-use assets, and amortisation	(158)	(324)
Unallocated head office and corporate expenses	<u>(28,921)</u>	<u>(35,519)</u>
Consolidated loss after tax	<u><u>(25,023)</u></u>	<u><u>(53,644)</u></u>

(d) Reconciliations of reportable segment assets and liabilities:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Assets		
Total assets of reportable segments	33,381	49,638
Unallocated		
– cash and cash equivalents	486	377
– corporate assets	<u>1,012</u>	<u>726</u>
Consolidated total assets	<u><u>34,879</u></u>	<u><u>50,741</u></u>
Liabilities		
Total liabilities of reportable segments	402,773	435,946
Unallocated		
– corporate liabilities	<u>208,022</u>	<u>179,872</u>
Consolidated total liabilities	<u><u>610,795</u></u>	<u><u>615,818</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	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	–	–	–	158
The PRC (except for Hong Kong)	<u>38,400</u>	<u>44,611</u>	<u>2,045</u>	<u>3,340</u>
	<u>38,400</u>	<u>44,611</u>	<u>2,045</u>	<u>3,498</u>

(f) **Revenue from major customers**

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Wastewater treatment		
Customer A	13,662	–
Customer B	N/A*	6,993
Customer C	6,167	–
Customer D	4,218	–
Customer E	–	12,357
Customer F	–	5,173
Customer G	<u>N/A*</u>	<u>4,925</u>

* The revenue from Customer B and Customer G contributed not over 10% of the Group's revenue for wastewater treatment segment in 2022, therefore the amounts are not disclosed.

6. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income on bank deposits	5	4
Compensation received (<i>note a</i>)	2,568	–
Waiver of trade and other payables	–	24
Others	65	39
	<u>2,638</u>	<u>67</u>

Note a: On 7 December 2022, the High Court of Hong Kong (the “Court”) issued an allocatur that the Company’s Bill of Cost against Sure Fast Enterprises (“Sure Fast”) Limited on indemnity basis (Bill No.1) has been taxed pursuant to the order issued by the Court on 8 May 2020. The indemnity basis allowed is HK\$2,215,400 in total, on which interest should be accrued at 8% per annum since 8 May 2020 until it is settled by Sure Fast. On 14 December 2022, the Company received the cheque of amount of approximately HK\$2,568,000 from Sure Fast.

7. OTHER GAIN/(LOSS), NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain/(loss) on foreign exchange difference	16,881	(6,519)
Loss due to modification of convertible bonds	–	(14,807)
Gain on loan settlement	–	8,760
	<u>16,881</u>	<u>(12,566)</u>

8. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Lease interests	49	71
Interest expenses on:		
– Bank loans	654	778
– Entrusted loan	6,666	6,740
– Other loans	12,757	10,585
– Bonds	264	490
– Convertible bonds	7,510	6,726
	<u>27,900</u>	<u>25,390</u>
Total borrowing costs	<u>27,900</u>	<u>25,390</u>

9. LOSS BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amortisation of intangible assets	82	83
Staff costs (including Directors' emoluments)		
– Salaries, wages and other benefits	14,206	14,706
– Pension costs-defined contribution plans	1,616	1,692
	<u>15,822</u>	<u>16,398</u>
Impairment loss on trade receivables	148	–
(Reversal of impairment)/impairment loss on amount due from an associate	(150)	61
	<u>(2)</u>	<u>61</u>
Depreciation of property, plant and equipment and right-of-use assets	1,163	3,228
Auditors' remuneration	1,100	1,280
Legal and professional fee	4,536	4,414
Share-based payment	76	350
Expenses related to short-term leases	317	847

10. INCOME TAX EXPENSE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – Corporate Income Tax in the PRC		
Provision for the year	<u>–</u>	<u>132</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 2022 and 2021.

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 expense and the product of loss before tax multiplied by the applicable tax rates is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before tax	<u>(25,023)</u>	<u>(53,512)</u>
Notional tax on loss before tax, calculated at the rates applicable to losses in the tax jurisdictions concerned	(4,908)	(9,100)
Tax effect of		
– non-deductible expenses	7,238	10,751
– non-taxable income	(2,638)	(2,452)
– temporary differences not recognised	<u>308</u>	<u>933</u>
Income tax expense	<u>–</u>	<u>132</u>

As at 31 December 2022, subject to agreement by tax authority, the Group had estimated tax losses of approximately HK\$145,856,000 (2021: 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\$101,640,000 (2021: approximately HK\$92,834,000) 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 does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	<u>(25,016)</u>	<u>(53,787)</u>
Number of shares	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>219,018</u>	<u>190,518</u>

Basic and diluted loss per share for the years ended 31 December 2022 and 2021 were the same as the Company had no dilutive potential shares in during the year.

13. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	28,450	27,294
Less: allowance for doubtful debts	<u>(7,901)</u>	<u>(8,422)</u>
	20,549	18,872
Other receivables	3,435	4,241
Prepayments and deposits	<u>515</u>	<u>576</u>
	<u>24,499</u>	<u>23,689</u>

Trade receivables are due in accordance with contract terms.

As at 31 December 2022 and 2021, the ageing analysis of the trade receivables, based on the invoice date, and net of allowance were as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	7,457	2,747
More than 3 months but within 12 months	8,604	9,654
More than 12 months	4,488	6,471
	<u>20,549</u>	<u>18,872</u>

As at 31 December 2022, trade receivables of the Group amounting to approximately HK\$7,901,000 (2021: approximately HK\$8,422,000) 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	8,422	7,852
Allowance for the year	148	–
Exchange adjustments	(669)	570
	<u>7,901</u>	<u>8,422</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 receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Up to 3 months past due	3 to 12 months past due	Over 12 months past due	Total
At 31 December 2022					
Weighted average expected loss rate	–	–	–	64%	
Receivable amount (<i>HK\$'000</i>)	6,252	1,205	8,604	12,389	28,450
Loss allowance (<i>HK\$'000</i>)	–	–	–	(7,901)	(7,901)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2021					
Weighted average expected loss rate	–	–	–	57%	
Receivable amount (<i>HK\$'000</i>)	963	1,784	9,654	14,893	27,294
Loss allowance (<i>HK\$'000</i>)	–	–	–	(8,422)	(8,422)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

14. TRADE AND OTHER PAYABLES

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables		34,303	40,657
Other payables	<i>(i)</i>	329,589	324,515
Other tax payable		15,233	14,379
Amounts due to directors	<i>(ii)</i>	8,032	7,644
Amounts due to a related party	<i>(ii)</i>	5,936	6,441
		393,093	393,636
Analysed as:			
Current liabilities		353,137	382,816
Non-current liabilities		39,956	10,820
		393,093	393,636

Note:

- (i) As at 31 December 2022, other payables included rent payables of approximately HK\$8,311,000 (2021: HK\$9,018,000), non-contractual loan of approximately HK\$39,991,000 (2021: HK\$43,395,000), amounts due to the Investor and companies controlled by the Investor of approximately HK\$4,945,000 (2021: HK\$7,727,000), interest payables of approximately HK\$53,239,000 (2021: HK\$33,541,000), and legal and professional fee payables of approximately HK\$12,425,000 (2021: HK\$10,818,000).

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 2022, 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\$178,709,000 (2021: HK\$193,917,000).

- (ii) Amount due to directors and a related party are unsecured, non-interest bearing and has no fixed repayment terms.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	5,890	4,862
After 1 month but within 3 months	189	4,186
After 3 months but within 4 months	803	1,092
After 4 months but within 1 year	6,690	10,019
After 1 year	20,731	20,498
	34,303	40,657

**EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2022**

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRSs issued by 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\$25,016,000 for the year ended 31 December 2022 and as at 31 December 2022 the Group had net current liabilities and net liabilities of approximately HK\$399,468,000 and approximately HK\$575,916,000 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 2022, the Group recorded a revenue of approximately HK\$38,400,000 (2021: approximately HK\$44,611,000), representing a decrease of about 13.92% compared to that of 2021. The Group's loss attributable to owners of the Company was approximately HK\$25,016,000 (2021: approximately HK\$53,787,000), representing a decrease of about 53.49% as compared to that of 2021. Gross profit margin was slightly decreased to approximately 35.44% as compared to 36.55% in last year.

BUSINESS REVIEW

FOR WASTEWATER TREATMENT

In the third year of the epidemic, the entire environmental protection industry has been greatly affected. There are generally problems of declining revenue, declining profits, and expanding losses. The Group's new orders for water treatment decreased, and the project cycle for implementation was lengthened. The overall revenue decreased by 13.92% compared with the previous year, the gross profit decreased by 16.52%, and the gross profit margin was basically the same. The core subsidiary of the environmental protection business still maintains a high reputation and influence in the segmented market, and continues to apply for a number of patents and participate in the compilation of industry standards. During the year, the complete set of technical equipment developed and applied on a large scale jointly by the Group and Beijing University of Technology and other institutions won the first prize of the 2022 Environmental Protection Equipment Science and Technology Award of the China Environmental Protection Machinery Industry Association.

FOR HEALTHCARE

This year, the Group sold all the shares of Cambodia-CHN Biological Research Holdings Co., Ltd., a subsidiary of the medical and health business. The Group decided not to invest in the business and projects of the medical and health industry, and will concentrate the resources of the Group on the environmental protection business in the future.

OUTLOOK

According to statistics from the China Environmental Protection Industry Association, the revenue of the entire environmental protection industry was about RMB2.22 trillion in 2022. As the industry develops in depth and standards improve, industry opportunities are still thriving. In the future, in addition to continuing to work hard in the traditional sewage treatment business and expanding its scale, the Group will strive to seek multi-faceted cooperation, integrate external resources, and expand new environmental protection fields, such as business opportunities in the field of solid waste resource utilization, reserve and integrate solid waste disposal technologies at home and abroad, explore and practice waste recycling and high-value utilization business. After divesting the medical and health business, we will focus on and expand the main business of environmental protection.

CONCLUSION

In 2022, the global epidemic is coming to an end, and everything is returning to normal. The epidemic has not only had a profound impact on personal health, but also made many companies stand a severe test. The crisis is receding, and crisis brings opportunities which are brewing. In the future, the Group will focus on the main business of environmental protection and work hard to establish the main line of future development, follow the overall strategic direction of 3060, grasp the development of the environmental protection industry, make the environmental protection industry bigger and stronger with a single-minded enterprising spirit and united efforts, improve the industrial chain, practice the requirements of environmental, social and governance concepts, and create more value for shareholders, customers, employees, and society.

EMOLUMENT POLICY

As at 31 December 2022, the Group had 49 employees (2021: 58 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 2022, the total cash and bank balances of the Group were approximately HK\$790,000 (2021: approximately HK\$1,108,000). The cash and bank balances consisted of about 68.86% in Hong Kong dollars, 31.13% in Renminbi and 0.01% in United States dollars.

As at 31 December 2022, the Group had total assets of approximately HK\$34,879,000 (2021: approximately HK\$50,741,000) and total liabilities of approximately HK\$610,795,000 (2021: approximately HK\$615,818,000). As at 31 December 2022, the current ratio was 0.08 (2021: 0.09), calculated on the basis of current assets of approximately HK\$32,834,000 (2021: approximately HK\$47,243,000) over current liabilities of approximately HK\$432,302,000 (2021: approximately HK\$516,986,000).

The Group's borrowings amounted to approximately HK\$215,024,000 (2021: approximately HK\$212,634,000). 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 616.49% (2021: 419.06%).

CHARGE ON ASSETS

As at 31 December 2022, the Group did not have any charge on its assets (31 December 2021: Nil).

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 2022.

SHARE OPTIONS

2002 SHARE OPTION SCHEME

The Company's 2002 Share Option Scheme was adopted on 28 March 2002 and was terminated by a resolution passed by shareholders on 10 September 2010.

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 2022 was 11,016,000 shares which represents 5.03% of the issued share capital of the Company as at 31 December 2022. Among all the options granted, 7,568,000 options are vested from the date of grant and 3,448,000 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 Listing Rules. The Board is of the opinion that, save as disclosed in the annual report, 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 2022 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.

AUDIT COMMITTEE

As at 31 December 2022, 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.

During the year under review, the Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2021; and the interim results for the period ended 30 June 2022, the financial reporting and compliance procedures, risk management review and processes and the re-appointment of the external auditor.

There is no different view taken by the Audit Committee regarding the selection, appointment and resignation of the external auditor.

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2022. 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 2022 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 2022. 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 2023

As at the date of this announcement, the executive directors are Mr. Xu Jingping, 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.