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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 2023**

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2023 HK\$'000	Year ended 31 December 2022 HK\$'000	Percentage Change %
Revenue	15,721	38,400	(59.06%)
Loss attributable to owners of the Company	(43,163)	(25,016)	72.54%

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 2023 together with the comparative figures for the year ended 31 December 2022.

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

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	15,721	38,400
Cost of sales		<u>(9,195)</u>	<u>(24,790)</u>
Gross profit		6,526	13,610
Other income	6	65	2,638
Other gain, net	7	6,024	16,881
Distribution costs		(1,363)	(1,817)
Reversal of impairment loss on various assets	9	277	2
Administrative expenses		<u>(26,715)</u>	<u>(28,437)</u>
(Loss)/profit from operations		(15,186)	2,877
Finance costs	8	<u>(28,151)</u>	<u>(27,900)</u>
Loss before tax	9	(43,337)	(25,023)
Income tax expense	10	<u>–</u>	<u>–</u>
Loss for the year		<u>(43,337)</u>	<u>(25,023)</u>
Other comprehensive income 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		<u>5,486</u>	<u>14,108</u>
		<u>5,486</u>	<u>14,108</u>
Total comprehensive expenses for the year		<u><u>(37,851)</u></u>	<u><u>(10,915)</u></u>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(43,163)	(25,016)
Non-controlling interests		<u>(174)</u>	<u>(7)</u>
		<u>(43,337)</u>	<u>(25,023)</u>
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(37,554)	(10,497)
Non-controlling interests		<u>(297)</u>	<u>(418)</u>
		<u>(37,851)</u>	<u>(10,915)</u>
Loss per share			
	<i>12</i>		
– Basic (HK cent per share)		<u>(19.49)</u>	<u>(11.42)</u>
– Diluted (HK cent per share)		<u>(19.49)</u>	<u>(11.42)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		637	713
Right-of-use assets		178	483
Intangible assets		751	849
Interests in an associate		—	—
		<u>1,566</u>	<u>2,045</u>
Current assets			
Trade and other receivables	13	21,174	24,499
Contract assets and contract costs		15,773	7,545
Bank and cash balances		2,061	790
		<u>39,008</u>	<u>32,834</u>
Current liabilities			
Trade and other payables	14	358,407	353,137
Contract liabilities		15,006	2,181
Borrowings		74,508	76,487
Convertible bonds		69,662	—
Lease liabilities		182	497
		<u>517,765</u>	<u>432,302</u>
Net current liabilities		<u>(478,757)</u>	<u>(399,468)</u>
Total assets less current liabilities		<u>(477,191)</u>	<u>(397,423)</u>
Non-current liabilities			
Trade and other payables	14	61,263	39,956
Borrowings		73,171	72,448
Convertible bonds		—	66,089
		<u>134,434</u>	<u>178,493</u>
NET LIABILITIES		<u><u>(611,625)</u></u>	<u><u>(575,916)</u></u>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Capital and reserves			
Share capital		102,849	100,749
Reserves		(719,843)	(682,331)
		<hr/>	<hr/>
Equity attributable to owners of the Company		(616,994)	(581,582)
Non-controlling interests		5,369	5,666
		<hr/>	<hr/>
TOTAL DEFICIT		<u>(611,625)</u>	<u>(575,916)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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.

At 31 December 2023, the Directors consider the direct 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 direct 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\$43,163,000 for the year ended 31 December 2023 and the Group had net current liabilities and net liabilities of approximately HK\$478,757,000 and approximately HK\$611,625,000 respectively as at 31 December 2023. 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 2023. 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 2023. Accordingly, the consolidated financial statements have been prepared on a going concern basis;
- (ii) an investor (“Investor”) confirmed to provide an adequate financial support of amount not less than HK\$160,000,000 (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 2024 (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\$7,000,000 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 2025 and not to demand for repayment for other loan principal of HK\$800,000 and the accrued interest of approximately HK\$296,000 as at 31 December 2023 before July 2025, 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\$19,158,000 executed on 23 September 2019 to 31 December 2025 and not to demand for repayment for other loan principal of approximately HK\$19,158,000 and the accrued interest of approximately HK\$6,791,000 as at 31 December 2023 before July 2025, 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\$10,012,000 executed on 25 January 2021 to 31 December 2025 and not to demand for repayment for other loan principal of approximately HK\$10,012,000 and the accrued interest of approximately HK\$3,610,000 as at 31 December 2023 before July 2025, 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 2025 and not to demand for repayment for other loan principal of approximately HK\$40,000,000 and the accrued interest of approximately HK\$31,634,000 as at 31 December 2023 before July 2025, 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\$220,000) before July 2025;

the Investor also agreed not to demand for repayment for the 8% 3-year convertible bond due 2024 in aggregate principal amount of US\$3,500,000 issued and the relevant interest before July 2025;

the Investor also agreed not to demand for repayment for working capital of approximately RMB3,680,000 (approximately HK\$4,049,000) 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 2025;

- (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 2026 or if such date is not a business day, the next business day.

Clicfield Holdings Limited also agreed not to demand for repayment for working capital of approximately HK\$4,611,000 lent to the Group before July 2025;

- (v) Classy Jade Limited agreed not to demand for repayment for the 8% 3-year convertible bond due 2024 in aggregate principal amount of US\$2,300,000 issued and the relevant interest before July 2025;
- (vi) 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
- (vii) 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 2023. 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of complete sets of equipment	14,570	37,867
Sales of wastewater treatment consumables, equipment accessories, and related services	<u>1,151</u>	<u>533</u>
	<u><u>15,721</u></u>	<u><u>38,400</u></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 related 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)/profit represents the (loss)/profit from each segment without allocation of central administration costs such as Directors' salaries and unallocated other income. 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:

	2023	2022
	HK\$'000	HK\$'000
Disaggregated by major products or service		
– Wastewater treatment	<u>15,721</u>	<u>38,400</u>
Revenue from contracts with customers	<u><u>15,721</u></u>	<u><u>38,400</u></u>
Disaggregated by geographical location of customers		
– The PRC (except for Hong Kong)	<u><u>15,721</u></u>	<u><u>38,400</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 related services is recognised when the services are rendered.

Healthcare related 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 2023					
Revenue from external customers	<u>15,721</u>	<u>–</u>	<u>15,721</u>	<u>–</u>	<u>15,721</u>
Segment (loss)/profit	(14,917)	4,162	(10,755)	(32,582)	(43,337)
Interest income	1	–	1	–	1
Finance costs	7,840	–	7,840	20,311	28,151
Depreciation of property, plant and equipment and right-of-use assets, and amortisation	628	1	629	178	807
Reversal of impairment loss on trade receivables	(229)	–	(229)	–	(229)
Reversal of impairment loss on amount due from an associate	<u>(48)</u>	<u>–</u>	<u>(48)</u>	<u>–</u>	<u>(48)</u>
As at 31 December 2023					
Reportable segment assets	<u>37,503</u>	<u>330</u>	<u>37,833</u>	<u>2,741</u>	<u>40,574</u>
Reportable segment liabilities	<u>191,262</u>	<u>222,091</u>	<u>413,353</u>	<u>238,846</u>	<u>652,199</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 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>

(c) Reconciliations of reportable segment profit or loss:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total (loss)/profit of reportable segments	(10,755)	4,056
Unallocated depreciation of property, plant and equipment, right-of-use assets, and amortisation	(178)	(158)
Unallocated head office and corporate expenses	(32,404)	(28,921)
Consolidated loss after tax	<u>(43,337)</u>	<u>(25,023)</u>

(d) Reconciliations of reportable segment assets and liabilities:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Assets		
Total assets of reportable segments	37,833	33,381
Unallocated		
– cash and cash equivalents	1,519	486
– corporate assets	1,222	1,012
	<u> </u>	<u> </u>
Consolidated total assets	<u>40,574</u>	<u>34,879</u>
Liabilities		
Total liabilities of reportable segments	413,353	402,773
Unallocated		
– corporate liabilities	238,846	208,022
	<u> </u>	<u> </u>
Consolidated total liabilities	<u>652,199</u>	<u>610,795</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	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	–	–	178	–
The PRC (except for Hong Kong)	15,721	38,400	1,388	2,045
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>15,721</u>	<u>38,400</u>	<u>1,566</u>	<u>2,045</u>

(f) Revenue from major customers

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Wastewater treatment		
Customer A	3,132	–
Customer B	2,585	–
Customer C	2,217	–
Customer D	2,024	–
Customer E	1,892	–
Customer F	–	13,662
Customer G	–	6,167
Customer H	–	4,218
	<u> </u>	<u> </u>

6. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income on bank deposits	1	5
Compensation received (<i>note a</i>)	–	2,568
Others	64	65
	<u> </u>	<u> </u>
	<u>65</u>	<u>2,638</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 Limited (“Sure Fast”) 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 HKD2,568,000 from Sure Fast.

7. OTHER GAIN, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gain on foreign exchange difference	5,614	16,881
Gain on loan settlement	410	–
	<u> </u>	<u> </u>
	<u>6,024</u>	<u>16,881</u>

8. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Lease interests	21	49
Interest expenses on:		
– Bank loans	540	654
– Entrusted loan	6,430	6,666
– Other loans	12,979	12,757
– Bonds	240	264
– Convertible bonds	7,941	7,510
	<u>28,151</u>	<u>27,900</u>

9. LOSS BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Amortisation of intangible assets	79	82
Staff costs (including Directors' emoluments)		
– Salaries, wages and other benefits	12,737	14,206
– Pension costs-defined contribution plans	1,330	1,616
	<u>14,067</u>	<u>15,822</u>
(Reversal of impairment)/impairment loss on trade receivables	(229)	148
Reversal of impairment on amount due from an associate	(48)	(150)
	<u>(277)</u>	<u>(2)</u>
Depreciation of property, plant and equipment and right-of-use assets	728	1,163
Auditors' remuneration	1,050	1,100
Legal and professional fee	4,730	4,536
Share-based payment	–	76
Expenses related to short-term leases	740	317
	<u>740</u>	<u>317</u>

10. INCOME TAX EXPENSE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax — Corporate Income Tax in the PRC		
Provision for the year	–	–
	<u>–</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 2023 and 2022.

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:

	2023 HK\$'000	2022 <i>HK\$'000</i>
Loss before tax	<u>(43,337)</u>	<u>(25,023)</u>
Notional tax on loss before tax, calculated at the rates applicable to losses in the tax jurisdictions concerned	(7,099)	(4,908)
Tax effect of		
– non-deductible expenses	7,928	7,238
– non-taxable income	(869)	(2,638)
– temporary differences not recognised	<u>40</u>	<u>308</u>
Income tax expense	<u><u>–</u></u>	<u><u>–</u></u>

As at 31 December 2023, subject to agreement by tax authority, the Group had estimated tax losses of approximately HK\$145,856,000 (2022: 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\$100,926,000 (2022: approximately HK\$101,640,000) 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 2023 (2022: 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	<u>(43,163)</u>	<u>(25,016)</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>221,480</u>	<u>219,018</u>

Basic and diluted loss per share for the years ended 31 December 2023 and 2022 were the same as the Company had no dilutive potential shares during the years.

13. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	25,801	28,450
Less: allowance for doubtful debts	<u>(7,469)</u>	<u>(7,901)</u>
	18,332	20,549
Other receivables	1,281	2,967
Prepayments and deposits	<u>1,561</u>	<u>983</u>
	<u>21,174</u>	<u>24,499</u>

Trade receivables are due in accordance with contract terms.

As at 31 December 2023 and 2022, the ageing analysis of the trade receivable, based on the invoice date, and net of allowance were as follows:

	2023	2022
	HK\$'000	HK\$'000
Within 3 months	3,243	7,457
More than 3 months but within 12 months	6,992	8,604
More than 12 months	8,097	4,488
	<u>18,332</u>	<u>20,549</u>

As at 31 December 2023, trade receivables of the Group amounting to approximately HK\$7,469,000 (2022: approximately HK\$7,901,000) 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

	2023	2022
	HK\$'000	HK\$'000
At 1 January	7,901	8,422
Allowance for the year	–	148
Reversal of allowance for the year	(229)	–
Exchange adjustments	(203)	(669)
At 31 December	<u>7,469</u>	<u>7,901</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 2023					
Weighted average expected loss rate	–	–	–	48%	
Receivable amount (HK\$'000)	2,859	384	6,992	15,566	25,801
Loss allowance (HK\$'000)	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7,469)</u>	<u>(7,469)</u>
At 31 December 2022					
Weighted average expected loss rate	–	–	–	64%	
Receivable amount (HK\$'000)	6,252	1,205	8,604	12,389	28,450
Loss allowance (HK\$'000)	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7,901)</u>	<u>(7,901)</u>

14. TRADE AND OTHER PAYABLES

	Notes	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables		36,417	34,303
Other payables	(i)	353,182	329,589
Other tax payable		13,420	15,233
Amounts due to Directors	(ii)	10,875	8,032
Amounts due to a related party	(ii)	5,776	5,936
		<u>419,670</u>	<u>393,093</u>
Analysed as:			
Current liabilities		358,407	353,137
Non-current liabilities		61,263	39,956
		<u>419,670</u>	<u>393,093</u>

Note:

- (i) As at 31 December 2023, other payables included rent payables of approximately HK\$8,087,000 (2022: HK\$8,311,000), non-contractual loan of approximately HK\$38,914,000 (2022: HK\$39,991,000), amounts due to the Investor and companies controlled by the Investor of approximately HK\$5,223,000 (2022: HK\$4,945,000), interest payables of approximately HK\$76,350,000 (2022: HK\$53,239,000), and legal and professional fee payables of approximately HK\$16,287,000 (2022: HK\$12,425,000).

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 2023, the Directors estimated that a provision for claims in relation to the early cessation on arrangement after deducting the rental deposits would be approximately HK\$173,725,000 (2022: HK\$178,709,000).

- (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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	4,646	5,890
After 1 month but within 3 months	4,400	189
After 3 months but within 4 months	1,166	803
After 4 months but within 1 year	2,672	6,690
After 1 year	23,533	20,731
	<u>36,417</u>	<u>34,303</u>

**EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2023**

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 2023, 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\$43,163,000 for the year ended 31 December 2023 and as at 31 December 2023 the Group had net current liabilities and net liabilities of approximately HK\$478,757,000 and approximately HK\$611,625,000 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 2023, the Group recorded a revenue of approximately HK\$15,721,000 (2022: approximately HK\$38,400,000), representing a decrease of about 59.06% compared to that of 2022. The Group's loss attributable to owners of the Company was approximately HK\$43,163,000 (2022: approximately HK\$25,016,000), representing an increase of about 72.54% as compared to that of 2022. Although the gross profit decreased in line with revenue in this year, the gross profit margin rose from last year's 35.44% to current year's 41.51%.

BUSINESS REVIEW

FOR WASTEWATER TREATMENT

2023 is the first year that the control of epidemic prevention measures has been completely lifted. The Group's new water contract orders during this year have increased significantly compared with 2022. Some orders have been implemented this year, and the others will be implemented in the next year. Overall, the development trend has improved significantly compared with 2022. Although this year's revenue dropped by approximately 59% compared with 2022, the gross profit margin increased by 6.07 percentage points from the previous year to 41.51%, and the overall loss expanded compared with the previous year. The environmental protection business subsidiary adheres to technological innovation and applied new technologies to obtain two water services orders during the year, thus broadening its business scope and enhancing market competitiveness. It also applied for new patents with the State Intellectual Property Office for new technologies. During the year, the Group continued to focus on and study opportunities in the environmentally friendly solid waste treatment business and areas related to carbon peak and carbon neutrality.

FOR HEALTHCARE

During the year, the Group continued its past accumulation and, taking into account the multi-level demand for medical services, is currently discussing cooperation with third-party cooperative organizations in the asset-light business managed by medical diagnosis and treatment chain institutions.

OUTLOOK

Based on the zero breakthrough in the number of orders relying on new technologies in the environmental protection business field and the continuous increase in the number of orders, the Group's water business sales revenue is expected to grow steadily in 2024, and priority will be given to developing new technology business orders in the new year. At the same time, the Group continues to pay attention to and conduct research in the solid waste business and medical management fields, and will appropriately launch corresponding businesses when the time is ripe. The Group is optimistic about its performance in the new financial year.

CONCLUSION

In the past 2023, we have faced unprecedented challenges, including changes in the market environment, fierce competition from competitors, and uncertainty in economic development. Against this background, we have worked hard to overcome difficulties and actively maintain the stability of our business. At the same time, we have always adhered to technological innovation as our core and made breakthroughs in the research, development and application of new water technologies. The products and services provided by the Group have been widely recognized by the market. Looking to the future, We actively adapt to industry trends and integrate low-carbon, energy-saving, innovative and green development concepts into our business to ensure that our business strategies and development directions keep pace with the times and are actively implemented in the new fiscal year.

EMOLUMENT POLICY

As at 31 December 2023, the Group had 45 employees (2022: 49 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 2023, the total cash and bank balances of the Group were approximately HK\$2,061,000 (2022: approximately HK\$790,000). The cash and bank balances consisted of about 76.533% in Hong Kong dollars, 23.464% in Renminbi and 0.003% in other currencies.

As at 31 December 2023, the Group had total assets of approximately HK\$40,574,000 (2022: approximately HK\$34,879,000) and total liabilities of approximately HK\$652,199,000 (2022: approximately HK\$610,795,000). As at 31 December 2023, the current ratio was 0.08 (2022: 0.08), calculated on the basis of current assets of approximately HK\$39,008,000 (2022: approximately HK\$32,834,000) over current liabilities of approximately HK\$517,765,000 (2022: approximately HK\$432,302,000).

The Group's borrowings amounted to approximately HK\$217,341,000 (2022: approximately HK\$215,024,000). 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 535.67% (2022: 616.49%).

CHARGE ON ASSETS

As at 31 December 2023, the Group did not have any charge on its assets (31 December 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

On 21 May 2023, the Company entered into the Subscription and Settlement Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for 4,200,000 Subscription Shares at the Issue Price of HK\$0.6075 per Subscription Share. The aggregate gross proceeds of the Subscription will be approximately HK\$2.55 million. The aggregate net proceeds of the Subscription, after the deduction of the related expenses, will be approximately HK\$2.52 million, representing a net issue price of approximately HK\$0.600 per Subscription Share. The Subscriptions has been completed on 1 June 2023. For relevant definitions and details, please refer to the Company's announcements dated on 21 May 2023 and 1 June 2023.

Save as disclosed above, 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 2023.

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 of Hong Kong Limited (the "**Listing Rules**"), adopted a share option scheme (the "**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 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 ended 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 2023 was 10,832,000 shares which represents 4.85% of the issued share capital of the Company as at 31 December 2023. Among all the options granted, 7,568,000 options are vested from the date of grant and 3,264,000 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. 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 2023 containing all the information required under the Listing Rules will be published on the websites of the Company and the Stock Exchange in due course.

AUDIT COMMITTEE

As at 31 December 2023, 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 2022; and the interim results for the period ended 30 June 2023, 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 2023. 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 2023 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 2023. 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, 28 March 2024

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, Ms. Hu Yueyue and Mr. Wang Youming; and the independent non-executive Directors are Mr. Tse Chi Wai, Professor Zhu Nanwen and Professor Li Jun.