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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 INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (“Board”) of directors (“Directors”) of China Environmental Technology Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2021 – Unaudited*

|   | Note | Six months ended 30 June        |                                 |
|---|------|---------------------------------|---------------------------------|
|   |      | 2021<br>(Unaudited)<br>HK\$'000 | 2020<br>(Unaudited)<br>HK\$'000 |
| <b>Revenue</b>                              | 4    | 33,654                          | 29,738                          |
| Cost of sales                               |      | <u>(21,976)</u>                 | <u>(20,069)</u>                 |
| <b>Gross profit</b>                         |      | <u>11,678</u>                   | <u>9,669</u>                    |
| Other income                                | 5    | 1                               | 3                               |
| Other gain, net                             | 5    | 43                              | —                               |
| Distribution costs                          |      | (1,562)                         | (1,186)                         |
| Legal and professional fees                 |      | (2,061)                         | (4,216)                         |
| Administrative expenses                     |      | <u>(14,931)</u>                 | <u>(12,068)</u>                 |
| <b>Loss from operations</b>                 |      | <u>(6,832)</u>                  | <u>(7,798)</u>                  |
| Finance costs                               | 6    | <u>(11,682)</u>                 | <u>(13,783)</u>                 |
| <b>Loss before tax</b>                      | 6    | <u>(18,514)</u>                 | <u>(21,581)</u>                 |
| Income tax expenses                         | 7    | —                               | —                               |
| <b>Loss for the period</b>                  |      | <u>(18,514)</u>                 | <u>(21,581)</u>                 |
| <b>Loss for the period attributable to:</b> |      |                                 |                                 |
| Owners of the Company                       |      | (18,384)                        | (21,568)                        |
| Non-controlling interests                   |      | <u>(130)</u>                    | <u>(13)</u>                     |
|   |      | <u>(18,514)</u>                 | <u>(21,581)</u>                 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2021 – Unaudited

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2021                     | 2020            |
|   | (Unaudited)              | (Unaudited)     |
| Note  | HK\$'000                 | HK\$'000        |
| <b>Other comprehensive income:</b>                                  |                          |                 |
| Exchange differences on translating of<br>foreign operations        | <u>(1,610)</u>           | <u>3,656</u>    |
| <b>Total other comprehensive income<br/>for the period</b>          | <u>(1,610)</u>           | <u>3,656</u>    |
| <b>Total comprehensive loss for the period</b>                      | <u>(20,124)</u>          | <u>(17,925)</u> |
| <b>Total comprehensive loss for the period attributable<br/>to:</b> |                          |                 |
| Owners of the Company   | (20,034)                 | (17,834)        |
| Non-controlling interests   | <u>(90)</u>              | <u>(91)</u>     |
|   | <u>(20,124)</u>          | <u>(17,925)</u> |
| <b>Loss per share:</b>  |                          |                 |
| Basic and diluted (HK cents)  | 9 <u>(0.50)</u>          | <u>(0.59)</u>   |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2021 – Unaudited*

|  |      | At<br>30 June<br>2021<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2020<br>(Audited)<br>HK\$'000 |
|--|------|--|--|
|  | Note |  |  |
| <b>Non-current assets</b>                    |      |  |  |
| Property, plant and equipment                | 10   | 967  | 1,038  |
| Right-of-use assets                          |      | 1,094  | 2,514  |
| Intangible assets                            |      | 1,026  | 1,055  |
|  |      | 3,087  | 4,607  |
| <b>Current assets</b>                        |      |  |  |
| Trade and other receivables                  | 11   | 10,165   | 36,861   |
| Contract assets and contract costs           |      | 31,986   | 32,908   |
| Bank and cash balances                       |      | 8,749  | 1,194  |
|  |      | 50,900   | 70,963   |
| <b>Current liabilities</b>                   |      |  |  |
| Trade payables                               | 12   | 34,861   | 46,602   |
| Other payables                               | 13   | 329,598  | 325,197  |
| Contract liabilities                         |      | 4,480  | 15,940   |
| Borrowings                                   | 14   | 93,843   | 77,203   |
| Lease liabilities                            |      | 1,125  | 2,408  |
| Convertible bonds                            | 15   | 62,975   | 64,910   |
|  |      | 526,882  | 532,260  |
| <b>Net current liabilities</b>               |      | (475,982)  | (461,297)  |
| <b>Total assets less current liabilities</b> |      | (472,895)  | (456,690)  |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

*At 30 June 2021 – Unaudited*

|  |      | At<br>30 June<br>2021<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2020<br>(Audited)<br>HK\$'000 |
|--|------|--|--|
|  | Note |  |  |
| <b>Non-current liabilities</b>               |      |  |  |
| Other payables                               | 13   | 21,239   | 19,933   |
| Borrowings                                   | 14   | 63,423   | 61,058   |
|  |      | <u>84,662</u>                                    | <u>80,991</u>                                      |
| <b>NET LIABILITIES</b>                       |      | <b><u>(557,557)</u></b>                          | <b><u>(537,681)</u></b>                            |
| <b>Capital and reserves</b>                  |      |  |  |
| Share capital                                | 16   | 91,259   | 91,259   |
| Reserves                                     |      | <u>(652,573)</u>                                 | <u>(632,788)</u>                                   |
| Equity attributable to owners of the Company |      | <b>(561,314)</b>                                 | <b>(541,529)</b>                                   |
| Non-controlling interests                    |      | <u>3,757</u>                                     | <u>3,848</u>                                       |
| <b>TOTAL DEFICIT</b>                         |      | <b><u>(557,557)</u></b>                          | <b><u>(537,681)</u></b>                            |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 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 principally engaged in the wastewater treatment projects and health related products and services in Mainland China.

### 2. Basis of Preparation

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020 except as stated below.

#### *Going Concern*

The Group incurred loss attributable to owners of the Company of approximately HK\$18,384,000 for the six months ended 30 June 2021 and the Group had net current liabilities and net liabilities of approximately HK\$475,982,000 and approximately HK\$557,557,000 respectively as at 30 June 2021. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company’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.

Based on the cash flow projection of the Group and having taken into account the available financial resources of the Group and the measures have been undertaken by the Directors to improve the Group’s liquidity and financial position, 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 condensed consolidated financial statements.

### **3. Adoption of New and Revised Hong Kong Financial Reporting Standards**

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the 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 financial statements and amounts reported for the current period 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. 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 segment has been aggregated to form following reporting segments:

#### **1. 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.

#### **2. Health related products and services**

This segment engages in the provision of health related products and services.

(a) **Segment results**

An analysis of the Group's revenue and segment results is reported below:

|   | Segment revenue  |               | Segment profit (loss) |              |
|---|------------------|---------------|-----------------------|--------------|
|   | Six months ended |               | Six months ended      |              |
|   | 30 June          | 30 June       | 30 June               | 30 June      |
|   | 2021             | 2020          | 2021                  | 2020         |
|   | HK\$'000         | HK\$'000      | HK\$'000              | HK\$'000     |
|   | (Unaudited)      | (Unaudited)   | (Unaudited)           | (Unaudited)  |
| Wastewater treatment                    | 33,392           | 29,738        | (2,657)               | 4,948        |
| Health related products<br>and services | 262              | —             | (2,727)               | —            |
|   | <u>33,654</u>    | <u>29,738</u> | <u>(5,384)</u>        | <u>4,948</u> |

(b) **Reconciliation of reportable segment results to loss before tax**

|   | Six months ended |                 |
|---|------------------|-----------------|
|   | 30 June          | 30 June         |
|   | 2021             | 2020            |
|   | HK\$'000         | HK\$'000        |
|   | (Unaudited)      | (Unaudited)     |
| Total (loss)/profit of reportable segments  | (5,384)          | 4,948           |
| Unallocated depreciation of property, plant<br>and equipment, right-of-use assets, and<br>armortisation | (248)            | (2,644)         |
| Unallocated head office and corporate expenses  | <u>(12,882)</u>  | <u>(23,885)</u> |
| Consolidated loss before tax  | <u>(18,514)</u>  | <u>(21,581)</u> |



**5. Other Income and Other Gain, Net**

|                                  | <b>Six months ended</b> |                    |
|----------------------------------|-------------------------|--------------------|
|                                  | <b>30 June</b>          | <b>30 June</b>     |
|                                  | <b>2021</b>             | <b>2020</b>        |
|                                  | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
|                                  | <b>(Unaudited)</b>      | <b>(Unaudited)</b> |
| <b>Other income</b>              |                         |                    |
| Interest income on bank deposits | <u>1</u>                | <u>3</u>           |
| <b>Other gain, net</b>           |                         |                    |
| Others                           | <u>43</u>               | <u>—</u>           |

## 6. Loss Before Tax

Loss before tax is arrived at after charging:

|  | Six months ended                           |  |
|--|--|--|
|  | 30 June<br>2021<br>HK\$'000<br>(Unaudited) | 30 June<br>2020<br>HK\$'000<br>(Unaudited) |
| <b>(a) Finance costs:</b>  |  |  |
| Lease interests  | 36   | 112  |
| Interest expenses on:  |  |  |
| Bank loans   | 259  | 26   |
| Entrusted loan   | 3,333                                      | 3,119                                      |
| Other loans  | 5,364                                      | 4,904                                      |
| Bonds  | 245  | 244  |
| Convertible bonds  | 3,129                                      | 5,378                                      |
| Extinguishment of the liability component of the convertible bonds | (684)                                      | —  |
|  | <u>11,682</u>                              | <u>13,783</u>                              |
| <b>(b) Other items:</b>  |  |  |
| Amortisation of intangible assets                                  | 41   | 38   |
| Depreciation of property, plant and equipment                      | 54   | 163  |
| Depreciation of right-of-use assets                                | 1,831                                      | 2,443                                      |
|  | <u>1,926</u>                               | <u>2,644</u>                               |

## 7. Income Tax Expenses

|  | Six months ended                           |  |
|--|--|--|
|  | 30 June<br>2021<br>HK\$'000<br>(Unaudited) | 30 June<br>2020<br>HK\$'000<br>(Unaudited) |
| Current tax – PRC corporate income tax | —  | —  |

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the period ended 30 June 2021. PRC taxation is charged at the appropriate current rate of taxation ruling in the PRC.

## 8. Interim Dividend

The Directors do not recommend any interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

## 9. 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:

|   | Six months ended                           |  |
|---|--|--|
|   | 30 June<br>2021<br>HK\$'000<br>(Unaudited) | 30 June<br>2020<br>HK\$'000<br>(Unaudited) |
| Loss for the period for the purpose of calculating basic and diluted loss per share | <u>(18,384)</u>                            | <u>(21,568)</u>                            |

|  | Number of shares |                  |
|--|------------------|------------------|
|  | '000             | '000             |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share | <u>3,650,359</u> | <u>3,650,359</u> |

For each of the six-month periods ended 30 June 2021 and 2020, the basic and diluted loss per share were the same as the Company had no dilutive potential ordinary shares in issue during the periods.

## 10. Movement in Property, Plant and Equipment and Intangible Assets

The Group spent approximately HK\$4,000 (six months ended 30 June 2020: HK\$16,000) on property, plant and equipment during the period.

## 11. Trade and Other Receivables

|                                    | <b>30 June<br/>2021<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2020<br>HK\$'000<br>(Audited) |
|------------------------------------|--|--|
| Trade receivables                  | 6,608  | 27,627                                       |
| Bills receivable                   | 5,568  | 8,456  |
| Less: allowance for doubtful debts | <u>(7,943)</u>                                       | <u>(7,852)</u>                               |
|                                    | 4,233  | 28,231                                       |
| Other receivables                  | 4,587  | 7,030  |
| Prepayments and deposits           | <u>1,345</u>   | <u>1,600</u>                                 |
|                                    | <u><b>10,165</b></u>                                 | <u><b>36,861</b></u>                         |

The ageing analysis of the trade receivables based on invoice date were as follows:

|  | <b>30 June<br/>2021<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2020<br>HK\$'000<br>(Audited) |
|--|--|--|
| Within 3 months                            | 1,291  | 15,528                                       |
| More than 3 months but less than 12 months | 2,138  | 3,003  |
| More than 12 months                        | <u>804</u>   | <u>9,700</u>                                 |
|  | <u><b>4,233</b></u>                                  | <u><b>28,231</b></u>                         |

## 12. Trade Payables

The ageing analysis of the trade payables based on invoice date were as follows:

|                                    | <b>30 June<br/>2021<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2020<br>HK\$'000<br>(Audited) |
|------------------------------------|--|--|
| Within 1 month                     | 2,468  | 11,477                                       |
| After 1 month but within 3 months  | 1,414  | 5,877  |
| After 3 months but within 6 months | 843  | 912  |
| After 6 months but within 1 year   | 13,905   | 5,349  |
| After 1 year                       | 16,231   | 22,987                                       |
|                                    | <hr/> <b>34,861</b> <hr/>                            | <hr/> <b>46,602</b> <hr/>                    |

## 13. Other Payables

|                                    | <b>30 June<br/>2021<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2020<br>HK\$'000<br>(Audited) |
|------------------------------------|--|--|
| Other payables and accruals (i)    | 326,299  | 321,506                                      |
| Other tax payable                  | 12,942   | 13,099                                       |
| Amount due to directors            | 5,590  | 4,587  |
| Loan borrowed from a director (ii) | 6,006  | 5,938  |
|                                    | <hr/> <b>350,837</b> <hr/>                           | <hr/> <b>345,130</b> <hr/>                   |
| Analysis as:                       |  |  |
| Current liabilities                | 329,598  | 325,197                                      |
| Non-current liabilities            | 21,239   | 19,933                                       |
|                                    | <hr/> <b>350,837</b> <hr/>                           | <hr/> <b>345,130</b> <hr/>                   |

Note:

- (i) As at 31 December 2021 other payables included rent payable of approximately HK\$9,721,000, non-contractual loan of approximately HK\$42,488,000, amounts due to an investor (the “Investor”) and companies controlled by the Investor of approximately HK\$5,411,000, interest payables of approximately HK\$40,115,000, and legal and professional fee payables of approximately HK\$9,223,000.

As at 31 December 2020 other payables included rent payable of approximately HK\$10,419,000, non-contractual loan of approximately HK\$42,005,000, amounts due to the Investor and companies controlled by the Investor of approximately HK\$17,894,000, interest payables of approximately HK\$26,861,000, and legal and professional fee payables of approximately 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. 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\$189,865,000 (31 December 2020: HK\$187,706,000).

- (ii) As at 30 June 2021, the loan borrowed from a director of approximately HK\$6,006,000 (31 December 2020: 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.

#### 14. Borrowings

|                                | <b>30 June<br/>2021<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2020<br>HK\$'000<br>(Audited) |
|--------------------------------|--|--|
| <b>Non-current liabilities</b> |  |  |
| Other loans                    | <b>63,423</b>  | 61,058                                       |
| <b>Current liabilities</b>     |  |  |
| Bank loans                     | <b>22,386</b>  | 9,644  |
| Entrusted loan                 | <b>55,250</b>  | 54,621                                       |
| Bonds                          | <b>7,000</b>   | 7,000  |
| Other loans                    | <b>9,207</b>   | 5,938  |
|                                | <b>93,843</b>  | 77,203                                       |
| Total borrowings               | <b>157,266</b>                                       | 138,261                                      |

## 15. Convertible Bonds

On 16 January 2018, the Company issued the convertible bonds in an aggregate principal amount of US\$7,000,000 (equivalent to approximately HK\$54,600,000) with a coupon rate of 8% to the independent third party. The convertible bonds would mature from the date of issue to 15 January 2021 representing maturity period of 3 years, and can be converted into a maximum of 265,048,544 conversion shares of the Company at the conversion price of HK\$0.206 per conversion shares upon full exercise of the conversion rights within the period of the 12 months after the issue date of the bonds up to the maturity date.

The convertible bonds recognised in the consolidated statement of financial position had been split between liability component and equity component.

On 10 January 2021, the Company and the holder of the convertible bonds (the “Bondholder”) verbally agreed to amend the terms and conditions of the convertible bonds in order to extend the maturity date and the conversion period of the convertible bonds. Accordingly, the Company and the Bondholder entered into the deed of amendments on 16 March 2021 to extend i) the maturity date to 31 July 2021, and ii) the conversion period to 30 July 2021 (the “CB Extension”). The CB Extension took effect on 18 March 2021. As a result of the CB extension, the liability and equity components were extinguished by approximately HK\$684,000 and HK\$15,350,000 respectively based on revaluation upon date of the execution, i.e. 18 March 2021. The revaluation was conducted with reference to the independent valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited, under level 2 fair value measurement.

On the other hand, the carrying amount of the liability component has been charged with imputed interest.

The movements in the liability and equity components during the reporting period are as follows:

|  | <b>Liability<br/>component</b> | <b>Equity<br/>component</b> | <b>Total</b>  |
|--|--------------------------------|-----------------------------|---------------|
|  | HK\$'000                       | HK\$'000                    | HK\$'000      |
| At 31 December 2019 (Audited)                          | 53,200                         | 15,350                      | 68,550        |
| Imputed interest expense                               | 16,078                         | —                           | 16,078        |
| Less: coupon payable                                   | (4,368)                        | —                           | (4,368)       |
|  | <u>53,200</u>                  | <u>15,350</u>               | <u>68,550</u> |
| At 31 December 2020 and 1 January 2021<br>(Audited)    | 64,910                         | 15,350                      | 80,260        |
| Imputed interest expenses                              | 3,129                          | —                           | 3,129         |
| Less: coupon payable                                   | (4,380)                        | —                           | (4,380)       |
| Less: extinguishment resulted from the CB<br>extension | (684)                          | (15,350)                    | (16,034)      |
|  | <u>62,975</u>                  | <u>—</u>                    | <u>62,975</u> |
| At 30 June 2021 (Unaudited)                            | <u>62,975</u>                  | <u>—</u>                    | <u>62,975</u> |

## 16. Share Capital

|                                      | <b>No. of shares</b> | <b>Amount</b>  |
|--------------------------------------|----------------------|----------------|
|                                      | '000                 | HK\$'000       |
| <b>Authorised:</b>                   |                      |                |
| Ordinary shares of HK\$0.025 each    | <b>8,000,000</b>     | 200,000        |
|                                      | <u>8,000,000</u>     | <u>200,000</u> |
| <b>Issued and fully paid:</b>        |                      |                |
| Ordinary shares                      |                      |                |
| At 31 December 2020 and 30 June 2021 | <b>3,650,359</b>     | 91,259         |
|                                      | <u>3,650,359</u>     | <u>91,259</u>  |



## 17. Share-based Payments

### *Equity-settled share option scheme*

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include Directors, employees and consultants of the Company and its subsidiaries. The Scheme became effective on 10 September 2010 and remained in force for ten years from that date. Details of the Scheme were disclosed in the Company’s consolidated financial statements for the year ended 31 December 2020.

The following share options were outstanding under the Scheme during the reporting period:

| Grantee     | Date of grant | Exercisable period              | Exercise price | Outstanding at 1 January 2021 | Forfeited during the period | Outstanding at 30 June 2021 |
|-------------|---------------|---------------------------------|----------------|-------------------------------|-----------------------------|-----------------------------|
| Directors   | 11 May 2020   | From 11 May 2020 to 10 May 2030 | HK\$0.025      | 41,760,000                    | —                           | 41,760,000                  |
| Directors   | 11 May 2020   | From 11 May 2021 to 10 May 2030 | HK\$0.025      | 20,880,000                    | —                           | 20,880,000                  |
| Directors   | 11 May 2020   | From 11 May 2022 to 10 May 2030 | HK\$0.025      | 20,880,000                    | —                           | 20,880,000                  |
| Employees   | 11 May 2020   | From 11 May 2020 to 10 May 2030 | HK\$0.025      | 12,960,000                    | —                           | 12,960,000                  |
| Employees   | 11 May 2020   | From 11 May 2021 to 10 May 2030 | HK\$0.025      | 13,120,000                    | (640,000)                   | 12,480,000                  |
| Employees   | 11 May 2020   | From 11 May 2022 to 10 May 2030 | HK\$0.025      | 13,120,000                    | (640,000)                   | 12,480,000                  |
| Consultants | 11 May 2020   | From 11 May 2020 to 10 May 2030 | HK\$0.025      | 96,640,000                    | —                           | 96,640,000                  |
| Consultants | 11 May 2020   | From 11 May 2021 to 10 May 2030 | HK\$0.025      | 1,920,000                     | —                           | 1,920,000                   |
| Consultants | 11 May 2020   | From 11 May 2022 to 10 May 2030 | HK\$0.025      | 1,920,000                     | —                           | 1,920,000                   |
|             |               |                                 |                | 223,200,000                   | (1,280,000)                 | 221,920,000                 |
|             |               |                                 |                | 151,360,000                   |                             | 186,640,000                 |

Exercisable at the beginning and end of the period

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

During the six months ended 30 June 2021, the Group recorded a revenue of approximately HK\$33,654,000, representing an increase of 13.2% as compared to approximately HK\$29,738,000 for the six months ended 30 June 2020. Gross profit for the period increased to approximately HK\$11,678,000 (six months ended 30 June 2020: approximately HK\$9,669,000). Gross profit ratio for the period increased to 34.7% (six months ended 30 June 2020: 32.5%). The increase of gross profit ratio was in line with the increase in gross profit margin in wastewater treatment segment with gross profit ratio of 34.2% (six months ended 30 June 2020: 32.5%). The increase in gross profit margin in wastewater treatment segment is a result of the increase in market recognition of the Group's branding. The Group's loss attributable to owners of the Company for the period was reduced to approximately HK\$18,384,000 (six months ended 30 June 2020: HK\$21,568,000), which was mainly due to decrease in legal fees as a result of successfully ending a series of litigation cases and tighten of cost control offset by exchange loss from the appreciation of Renminbi over Hong Kong dollars arising from Renminbi denominated payables.

### Business Review and Outlook

Although the epidemic still has an impact on operations in the first half of 2021, the high efficiency of domestic control measures has promoted further economic recovery. Based on the solemn announcement of the Chinese government to the world by 2030 carbon peak and 2060 carbon neutral double carbon targets, the environmental protection industry will face new major development opportunities in 2021. For this reason, the Group focuses on the long-term development vision of the Company, and pays more attention to the technological innovation and model innovation of the environmental protection industry. In the first half of the year, the wastewater treatment sector has newly applied for 9 patents, obtained 32 patents, 15 software copyrights, and the number of patents under review is 19. It has always maintained the power and vitality of technological innovation, and has received 6 new orders. The contract value of the orders has increased steadily compared with the same period of the previous year, which has further improved its technological leadership and brand awareness in market segments. Operating income has increased slightly compared with the same period last year, and it is expected that it will maintain a steady growth trend in the second half of the year.

The health related business is currently unable to generate decent revenue and contribute gross profits. However, more in-depth and extensive research has been conducted on the future development direction and business model. In order to better plan the medical business development strategy and continue to sort out and plan business priorities, the Group focuses on sorting out the business priorities in the biotechnology field and the relevance of supporting services, especially in the storage, testing, and training of biotechnology supporting services. Actively seeking development opportunities and formulating corresponding expansion strategies are expected to bring new opportunities to the development of the Group's health related products and services sector.

## **Liquidity**

The Group continued to make improvement and maintain a liquid position. As 30 June 2021, cash and bank balances of the Group was approximately HK\$8,749,000.

As at 30 June 2021, the Group had total assets approximately HK\$53,987,000 (31 December 2020: HK\$75,570,000) and current liabilities less total assets of approximately HK\$472,895,000 (31 December 2020: HK\$456,690,000).

The Group's borrowings for the period amounted to approximately HK\$220,241,000 (31 December 2020: HK\$203,171,000). The Group's borrowings are denominated in Renminbi, Hong Kong dollars and US dollars, mainly comprise term loans bearing fixed and variable interest rates and an entrusted loan at fixed interest rate and convertible bonds at fixed rate. The Group will continue its effort in using long term liabilities to replace its current liabilities exposure and raised further capital when appropriate to improve the overall liquidity of the Group.

## **Foreign Currency Exposure**

The Group had major investments, accounts receivable, bank balances, accounts payable and bank loans denominated in Renminbi, hence the Group had direct exposure to foreign exchange fluctuation. During the period under review, the Group did not use any foreign currency derivative product to hedge its exposure to currency risk. However, the management managed and monitored the exposure to ensure appropriate measures were implemented on a timely and effective manner.

## **Employees and Remuneration Policy**

The total number of employees of the Group as at 30 June 2021 was 61 (31 December 2020: 70). The Group remunerates its employees based on their performance, work experience and the prevailing market price. 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 eligible Directors and employees of the Group to recognise their contribution to the success of the Group. The packages are reviewed annually by the management and the remuneration committee.

## ADDITIONAL INFORMATION

### Directors' and Chief Executive's Interest in Shares and Underlying Shares

As at 30 June 2021, the Directors and chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register of Directors' and chief executives' interests required to be kept under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the “Model Code”), to be notified to the Company and the Stock Exchange were as follows:

#### Long position

##### *Interests in issued shares of the Company*

| Name of Director    | Capacity                                  | No. of ordinary shares interested | % of the Company's issued share capital |
|---------------------|---|-----------------------------------|---|
| Xu Zhongping (note) | Interest held by a controlled corporation | 1,014,500,000                     | 27.79%                                  |
|                     | Beneficial owner                          | 44,098,431                        | 1.21%                                   |
|                     |   | <hr/> 1,058,598,431               | <hr/> 29.00%                            |
| Yang Baodong        | Beneficial owner                          | 792,000                           | 0.02%                                   |
| Hu Yueyue           | Beneficial owner                          | 8,000,000                         | 0.22%                                   |

*Note:* These 1,014,500,000 shares were held under the name of Gentle International Holdings Limited (“Gentle”). Classy Jade Limited owns 60% of the issued share capital of Gentle. Mr. Xu Zhongping is the sole shareholder of Classy Jade Limited. Mr. Xu was therefore deemed to be interested in the said 1,014,500,000 shares held by Gentle under Part XV of the SFO.

Apart from the foregoing, as at 30 June 2021, none of the Directors, the chief executive or any of their spouses or children under eighteen years of age has interests in the shares, underlying shares and debentures of the Company, or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **Share Options Scheme**

### ***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 2010 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 30 June 2021 was 221,920,000 shares which represents 6.08% of the issued share capital of the Company as at 30 June 2021. Among all the share options outstanding as at 30 June 2021, 151,360,000 share options are vested from the date of grant and 70,560,000 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.

The 2010 Share Option Scheme had expired on 9 September 2020.

The details of share options granted by the Company under the 2010 Shares Option Scheme up to 30 June 2021 are set out in note 17 to the condensed consolidated financial statements.

The following table discloses movements in the Company's share options outstanding during the reporting period:

| Name or category of participant  | Number of share options |                           |                             |                           |                             | At 30 June 2021    | Date of grant of share options | Exercise period of share options | Exercise price of share options HK\$ per share |
|--|-------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|--------------------|--------------------------------|----------------------------------|--|
|  | At 1 January 2021       | Granted during the period | Exercised during the period | Expired during the period | Forfeited during the period |                    |                                |                                  |  |
| <b>Directors, chief executive and a substantial shareholder and their associates</b> |                         |                           |                             |                           |                             |                    |                                |                                  |  |
| Mr. Xu Zhongping   | 18,240,000              | —                         | —                           | —                         | —                           | 18,240,000         | 11 May 2020                    | 11.5.2020 to 10.5.2030           | 0.025  |
|  | 9,120,000               | —                         | —                           | —                         | —                           | 9,120,000          | 11 May 2020                    | 11.5.2021 to 10.5.2030           | 0.025  |
|  | 9,120,000               | —                         | —                           | —                         | —                           | 9,120,000          | 11 May 2020                    | 11.5.2022 to 10.5.2030           | 0.025  |
|  | 36,480,000              | —                         | —                           | —                         | —                           | 36,480,000         |                                |                                  |  |
| Mr. Yang Baodong   | 18,240,000              | —                         | —                           | —                         | —                           | 18,240,000         | 11 May 2020                    | 11.5.2020 to 10.5.2030           | 0.025  |
|  | 9,120,000               | —                         | —                           | —                         | —                           | 9,120,000          | 11 May 2020                    | 11.5.2021 to 10.5.2030           | 0.025  |
|  | 9,120,000               | —                         | —                           | —                         | —                           | 9,120,000          | 11 May 2020                    | 11.5.2022 to 10.5.2030           | 0.025  |
|  | 36,480,000              | —                         | —                           | —                         | —                           | 36,480,000         |                                |                                  |  |
| Mr. Ma Tianfu  | 5,280,000               | —                         | —                           | —                         | —                           | 5,280,000          | 11 May 2020                    | 11.5.2020 to 10.5.2030           | 0.025  |
|  | 2,640,000               | —                         | —                           | —                         | —                           | 2,640,000          | 11 May 2020                    | 11.5.2021 to 10.5.2030           | 0.025  |
|  | 2,640,000               | —                         | —                           | —                         | —                           | 2,640,000          | 11 May 2020                    | 11.5.2022 to 10.5.2030           | 0.025  |
|  | 10,560,000              | —                         | —                           | —                         | —                           | 10,560,000         |                                |                                  |  |
| <b>Other employees</b>   |                         |                           |                             |                           |                             |                    |                                |                                  |  |
| In aggregate   | 12,960,000              | —                         | —                           | —                         | —                           | 12,960,000         | 11 May 2020                    | 11.5.2020 to 10.5.2030           | 0.025  |
|  | 13,120,000              | —                         | —                           | —                         | (640,000)                   | 12,480,000         | 11 May 2020                    | 11.5.2021 to 10.5.2030           | 0.025  |
|  | 13,120,000              | —                         | —                           | —                         | (640,000)                   | 12,480,000         | 11 May 2020                    | 11.5.2022 to 10.5.2030           | 0.025  |
|  | 39,200,000              | —                         | —                           | —                         | (1,280,000)                 | 37,920,000         |                                |                                  |  |
| <b>Suppliers of goods or services</b>  |                         |                           |                             |                           |                             |                    |                                |                                  |  |
| In aggregate   | 96,640,000              | —                         | —                           | —                         | —                           | 96,640,000         | 11 May 2020                    | 11.5.2020 to 10.5.2030           | 0.025  |
|  | 1,920,000               | —                         | —                           | —                         | —                           | 1,920,000          | 11 May 2020                    | 11.5.2021 to 10.5.2030           | 0.025  |
|  | 1,920,000               | —                         | —                           | —                         | —                           | 1,920,000          | 11 May 2020                    | 11.5.2022 to 10.5.2030           | 0.025  |
|  | 100,480,000             | —                         | —                           | —                         | —                           | 100,480,000        |                                |                                  |  |
| <b>Total</b>   | <b>223,200,000</b>      | <b>—</b>                  | <b>—</b>                    | <b>—</b>                  | <b>(1,280,000)</b>          | <b>221,920,000</b> |                                |                                  |  |

As at 30 June 2021, the Company had 221,920,000 share options outstanding under the 2010 Share Option Scheme. Should they be fully exercised, the Company will receive HK\$5,548,000 (before issue expenses).

Save as disclosed above, at no time during the the reporting period was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

### Substantial Shareholders' Interests in Shares

As at 30 June 2021, the following persons, other than a Director or chief executive of the Company, had interest or short positions in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

|  | Capacity                             | No. of ordinary<br>shares of the<br>Company<br>interested | % of the<br>Company's issued<br>shares capital |
|--|--------------------------------------|---|--|
| Gentle International Holdings Limited ("Gentle") | Beneficial owner                     | 1,014,500,000   | 27.79  |
| Classy Jade Limited                              | Interest of a controlled corporation | 1,014,500,000   | 27.79  |
| Xu Zhongping                                     | Interest of a controlled corporation | 1,014,500,000   | 27.79  |

*Note:*

Classy Jade Limited owns 60% of the issued share capital of Gentle. Xu Zhongping is the sole shareholder of Classy Jade Limited and was therefore deemed to be interested in the said 1,014,500,000 shares held by Gentle under Part XV of the SFO.

Save as disclosed above, as at 30 June 2021, so far as is known to the Directors, no person (other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

### **Important Events During the Period**

References are made to announcements of the Company dated 1 March 2021, 17 March 2021 and 28 June 2021. Terms used hereinafter shall have the same meaning as defined in the above announcements.

### **Event After the Reporting Period**

Reference is made to announcement of the Company dated 19 July 2021, 26 July 2021, 27 July 2021 and 6 August 2021. Terms used hereinafter shall have the same meaning as defined in the announcement.

### **Purchase, Redemption or Sale of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

### **Corporate Governance**

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the six months ended 30 June 2021 except for the code provisions in respect of A.4.1. Details of the deviations from code provisions A.4.1 in respect of service term of the non-executive Directors is explained in the section "Corporate Governance" on page 16 to 17 of the 2020 Annual Report respectively.

### **Internal Controls**

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and the assets of the Company and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and a formal internal audit department was set up in 2019 to report to the Audit Committee on any findings and measures to address the variances and identified risks.



In 2019, the Board engaged an external professional firm to review the Group's internal control systems and suggest necessary changes. At the same time, the Group established internal audit department to manage, implement and monitor internal control process. Since then, the Board approved and internally announced Corporate Governance Manual and a complaint mailbox to further strengthen the internal control system and minimize the occurrence of wrongdoings and misconduct. The Group has been working on setting up and improving regulations on finance, human resources, purchase, suppliers management as well as internal data management. The Board has conducted a review of the effectiveness of the internal control system of the Group and was satisfied with the result.

### **Model Code for Securities Transactions**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct in respect of Directors' dealings in the Company's securities. Specific enquiry has been made of all the Directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

### **Audit Committee**

The Company's audit committee is composed of three independent non-executive Directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2021.

By order of the Board  
**China Environmental Technology  
Holdings Limited**  
**Xu Jing Ping**  
*Chairman*

Hong Kong, 20 August 2020

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