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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)

SUPPLEMENTARY ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2014

Reference is made to the announcement of China Environmental Technology Holdings Limited (the “**Company**”) dated 26 March 2015 in relation to the annual results of the Group for the year ended 31 December 2014 (the “**Annual Results Announcement**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the Annual Results Announcement.

The Board would like to draw the users’ attention that the Company’s auditor has included the Emphasis of Matter paragraph in the independent auditor’s report in respect of the consolidated financial statements of the Group for the year ended 31 December 2014 as set out below:

“We draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss from continuing operations of HK\$53,980,000 and had net cash outflows from operating activities of HK\$67,880,000 for the year ended 31 December 2014. As at 31 December 2014, the Group had net debts of HK\$60,611,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the Group and the Company to attain profitable and positive cash flows from operations and on the financial support from an indirect shareholder and the validity of disposal of assets. These conditions, along with other matters as set forth in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group’s and the Company’s ability to continue as a going concern. Our opinion is not qualified in respect of this matter.”

Note 2 to the consolidated financial statements sets out the following:

For the year ended 31 December 2014, the Group incurred a loss from continuing operations of HK\$53,980,000 and had net cash outflows from operating activities of HK\$67,880,000. As at 31 December 2014, the Group had net debts of HK\$60,611,000. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to attain profitable and positive cash flows from operations in the immediate and longer term, the financial support from banks and an indirect shareholder. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern as a result of which it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the directors considered that it is appropriate to adopt the going concern basis of accounting in preparing these consolidated, financial statements, in particular based on the facts below.

In order to improve the Group's financial position, immediate liquidity and cash flows and otherwise to sustain the Group as a going concern, the Group has taken the following measures:

- (a) On 15 February 2015, the Group disposed of Fanhe (Hulu Island) Water Investment Company Limited ("Fanhe Hulu"), a wholly-owned subsidiary, at a total consideration of RMB102 million (equivalent to approximately HK\$129 million) to an indirect shareholder of the Company. A sum of RMB50 million was previously paid in cash by the purchaser, another sum of RMB32 million was received in February 2015 and a final sum of RMB20 million is expected receivable within 1 year.
- (b) On 28 February 2014, the Company entered into an unconditional financial support agreement for HK\$150,000,000 with an indirect shareholder of the Company for a period of two years from 28 February 2014 (the "Period"). During the Period, the Company is entitled to borrow one or more loans from this indirect shareholder, at any time and in any amount which in aggregate should not exceed HK\$150,000,000. The loans are interest-bearing at 3% per annum, unsecured and repayable in 2 years from the date of each draw-down. None of the loan facility was drawn down as at 31 December 2014.
- (c) The directors of the Company have been taking various cost control measures to tighten the costs of operations and various general and administrative expenses.
- (d) The directors of the Company are presently exploring different alternatives of equity or other financing, including but not limited to an open offer.

Based on the cash flow projections of the Group and having taken into account the available financial resources of the Group and the above measures, the directors of the Company 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.

Save for the information disclosed above, all the details contained in the Annual Results Announcement remain unchanged.

By Order of the Board
**CHINA ENVIRONMENTAL
TECHNOLOGY HOLDINGS LIMITED**
Xu Zhong Ping
Chairman

Hong Kong, 3 June 2015

As at the date of this announcement, the executive Directors are Mr. Xu Zhong Ping, Mr. Pan Yutang, Mr. Zhang Fang Hong and Mr. Xu Xiao Yang; the non-executive Directors are Mr. Cao Guoxian and Mr. Ma Tianfu; and the independent non-executive Directors are Mr. Tse Chi Wai, Professor Zhu Nan Wen and Professor Zuo Jiane.