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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 FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2015 HK\$'000	Year ended 31 December 2014 HK\$'000	Percentage Change %
Turnover from continuing operations	61,999	89,319	(30.59)
Turnover from discontinued operations	21,459	49,345	(56.51)
Loss attributable to owners of the Company from continuing operations	(70,148)	(52,821)	(32.80)
Loss attributable to owners of the Company from discontinued operations	(3,969)	(22,486)	82.35

The board (the “Board”) of directors (the “Directors”) of China Environmental Technology Holdings Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015 together with the comparative figures for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
CONTINUING OPERATIONS			
Revenue	4	61,999	89,319
Cost of sales		<u>(41,702)</u>	<u>(66,545)</u>
Gross profit		20,297	22,774
Other income	6	945	323
Other losses, net	7	(20,401)	(1,881)
Distribution costs		(1,083)	(3,300)
Administrative expenses		<u>(60,852)</u>	<u>(63,400)</u>
Loss from operations		(61,094)	(45,484)
Finance costs	8	<u>(9,104)</u>	<u>(8,588)</u>
Loss before tax		(70,198)	(54,072)
Income tax (expense)/credit	9	<u>(687)</u>	<u>92</u>
Loss for the year from continuing operations	10	<u>(70,885)</u>	<u>(53,980)</u>
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	11	<u>(3,969)</u>	<u>(22,486)</u>
Loss for the year		<u>(74,854)</u>	<u>(76,466)</u>
Attributable to:			
Owners of the Company			
– Loss from continuing operations		(70,148)	(52,821)
– Loss from discontinued operations		<u>(3,969)</u>	<u>(22,486)</u>
		(74,117)	(75,307)
Non-controlling interests			
– Loss from continuing operations		<u>(737)</u>	<u>(1,159)</u>
		<u>(74,854)</u>	<u>(76,466)</u>
Loss per share	13		
From continuing and discontinued operations			
– Basic		<u>(HK2.96) cents</u>	<u>(HK3.01) cents</u>
– Diluted		<u>(HK2.96) cents</u>	<u>(HK3.01) cents</u>
From continuing operations			
– Basic		<u>(HK2.80) cents</u>	<u>(HK2.11) cents</u>
– Diluted		<u>(HK2.80) cents</u>	<u>(HK2.11) cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss for the year	(74,854)	(76,466)
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	1,638	(6,847)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	<u>(7,341)</u>	<u>–</u>
	<u>(5,703)</u>	<u>(6,847)</u>
<i>Item that will not be reclassified to profit or loss:</i>		
Revaluation (deficit)/surplus on leasehold land and buildings	(521)	898
Income tax relating to revaluation (deficit)/surplus	<u>193</u>	<u>(748)</u>
	<u>(328)</u>	<u>150</u>
Other comprehensive income for the year, net of tax	<u>(6,031)</u>	<u>(6,697)</u>
Total comprehensive income for the year	<u>(80,885)</u>	<u>(83,163)</u>
Attributable to:		
Owners of the Company	(80,231)	(82,007)
Non-controlling interests	<u>(654)</u>	<u>(1,156)</u>
	<u>(80,885)</u>	<u>(83,163)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		29,001	31,517
Operating concessions		–	–
Intangible assets		5,901	8,172
Goodwill		–	–
Interest in an associate		–	–
Interests in joint ventures		–	–
		<hr/> 34,902	<hr/> 39,689
Current assets			
Inventories		6,043	6,727
Gross amount due from customers for contract work		11,754	9,639
Trade and other receivables	<i>14</i>	68,868	47,215
Financial assets at fair value through profit or loss		99	140
Restricted and pledged bank deposits		4,284	16,326
Cash and cash equivalents		25,156	7,879
		<hr/> 116,204	<hr/> 87,926
Assets classified as held for sale	<i>15</i>	<hr/> –	<hr/> 256,898
		<hr/> 116,204	<hr/> 344,824
Current liabilities			
Trade and other payables	<i>16</i>	76,787	109,276
Current tax liabilities		13,639	703
Borrowings		70,210	12,726
Deferred revenue		565	599
Finance lease payables		3,496	3,430
		<hr/> 164,697	<hr/> 126,734
Liabilities directly associated with assets classified as held for sale	<i>15</i>	<hr/> –	<hr/> 139,860
		<hr/> 164,697	<hr/> 266,594
Net current (liabilities)/assets		<hr/> (48,493)	<hr/> 78,230
Total assets less current liabilities		<hr/> (13,591)	<hr/> 117,919

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current liabilities		
Borrowings	17,450	63,000
Deferred revenue	236	848
Finance lease payables	1,850	5,660
Deferred tax liabilities	2,527	3,067
	<u>22,063</u>	<u>72,575</u>
NET (LIABILITIES)/ASSETS	<u>(35,654)</u>	<u>45,344</u>
Capital and reserves		
Share capital	62,508	62,508
Reserves	(96,352)	(16,121)
	<u>(33,844)</u>	<u>46,387</u>
Equity attributable to owners of the Company	(33,844)	46,387
Non-controlling interests	(1,810)	(1,043)
	<u>(35,654)</u>	<u>45,344</u>
(CAPITAL DEFICIENCY)/TOTAL EQUITY	<u>(35,654)</u>	<u>45,344</u>

NOTES

For the year ended 31 December 2015

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared under the historical cost convention, except for certain properties and financial instruments that are measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2. GOING CONCERN

For the year ended 31 December 2015, the Group incurred a loss for the year of HK\$74,854,000 and had net cash outflows from operating activities of HK\$3,303,000. As at 31 December 2015, the Group had net current liabilities and net liabilities of HK\$48,493,000 and HK\$35,654,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’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. Accordingly, the directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to attain profitable and positive cash flows from operations in the immediate and longer term, and the continued financial support from the Group’s bankers and independent bond holders. The directors considered that it is appropriate to adopt the going concern basis of accounting in preparing the 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 17 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 RMB82 million was received during the prior and current year and a final sum of RMB20 million is expected to be collected within 1 year.
- (b) The directors of the Company have been taking various cost control measures to tighten the costs of operations and various general and administrative expenses.
- (c) On 15 March 2016, the borrower of an entrusted loan of RMB50 million has agreed to extend the due date to April 2017.
- (d) On 29 March 2016, the Company has entered into a subscription agreement to issue convertible bonds in the aggregate principal amount of HK\$65 million.
- (e) The directors of the Company are presently exploring different alternatives of equity or other financing, including but not limited to issuance of convertible bonds and disposal of assets.

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 the consolidated financial statements.

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

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015.

Amendment to HKAS 16 and HKAS 38 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment clarifies how the gross carrying amount and the accumulated depreciation/amortisation are treated where an entity uses the revaluation model. This clarification had no effect on its consolidated financial statements.

Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods 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.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

(c) New Hong Kong Companies Ordinance

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Listing Rules require the Company to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Listing Rules on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. REVENUE

Revenue represents the turnover from the principal activities of the Group’s continuing operations, i.e. the provision of wastewater treatment services, trading of wastewater treatment machineries and sale of goods.

An analysis of the Group’s revenue for the year from continuing operations is as follows:

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Sales of wastewater treatment machineries and related services	35,721	39,816
Sales of goods	172	26,806
Wastewater treatment services	26,106	22,697
	61,999	89,319

5. SEGMENT INFORMATION

The Group manages its business by divisions which are organised from the product 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 has been aggregated to form the following reportable segments:

i. Wastewater treatment and construction services

This segment engages in the provision of wastewater treatment plants construction and operation services.

ii. Wastewater treatment equipment trading

This segment engages in the trading of wastewater treatment facilities and machineries and the provision for 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 profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs such as directors' salaries and unallocated other income/losses. This is the measure reported to the CODM for purposes of resources allocation and performance assessment. Taxation charge/(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 statement of profit or loss.

All assets are allocated to reportable segments other than the financial assets at fair value through profit or loss, 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) Information about reportable segment profit or loss, assets and liabilities from continuing operations:

	Wastewater treatment and construction services <i>HK\$'000</i>	Wastewater treatment equipment trading <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 2015					
Revenue from external customers	26,106	35,893	61,999	-	61,999
Segment loss	(3,088)	(25,602)	(28,690)	(41,508)	(70,198)
Interest income	16	837	853	1	854
Finance costs	546	8,261	8,807	297	9,104
Depreciation and amortisation	3,363	1,009	4,372	472	4,844
Write-down of inventories	795	-	795	-	795
Loss on disposal and write off of property, plant and equipment	-	151	151	26	177
Impairment loss on goodwill	3,818	-	3,818	-	3,818
Impairment loss on intangible assets	-	-	-	-	-
Impairment loss on trade and other receivables	374	6,200	6,574	11,400	17,974
Reversal of impairment loss on amount due from a joint venture	-	(1,016)	(1,016)	-	(1,016)
Additions to non-current assets (other than financial assets and deferred tax assets)	3,894	1,853	5,747	-	5,747
	<u>43,509</u>	<u>86,432</u>	<u>129,941</u>		
As at 31 December 2015					
Reportable segment assets (including interest in an associate)	<u>43,509</u>	<u>86,432</u>	<u>129,941</u>		
Interest in an associate	-	-	-		
Reportable segment liabilities	<u>29,936</u>	<u>120,147</u>	<u>150,083</u>		

	Wastewater treatment and construction services HK\$'000	Wastewater treatment equipment trading HK\$'000	Subtotal HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended 31 December 2014					
Revenue from external customers	22,697	39,816	62,513	26,806	89,319
Segment profit/(loss)	322	(22,254)	(21,932)	(32,140)	(54,072)
Interest income	6	162	168	17	185
Finance costs	522	8,066	8,588	–	8,588
Depreciation and amortisation	2,577	2,168	4,745	632	5,377
Write-down of inventories	–	1,686	1,686	–	1,686
Loss on disposal of property, plant and equipment	–	75	75	–	75
Impairment loss on goodwill	–	1,919	1,919	–	1,919
Impairment loss on intangible assets	–	777	777	–	777
Impairment loss on trade and other receivables	248	129	377	–	377
Reversal of impairment loss on amount due from a joint venture	–	(843)	(843)	–	(843)
Additions to non-current assets (other than financial assets and deferred tax assets)	10,935	3,723	14,658	456	15,114
As at 31 December 2014					
Reportable segment assets (including interest in an associate)	15,598	72,471	88,069		
Interest in an associate	–	–	–		
Reportable segment liabilities	17,623	103,200	120,823		

There were no inter-segment sales for the year (2014: HK\$ Nil).

(b) Reconciliations of reportable segment revenue and profit or loss from continuing operations:

	2015 HK\$'000	2014 HK\$'000
Revenue		
Total revenue of reportable segments	61,999	62,513
Unallocated revenue	–	26,806
Consolidated revenue from continuing operations	<u>61,999</u>	<u>89,319</u>

The unallocated revenue represented the sale of goods that are non-routine trading activities of the Group, not allocated to any operating segments nor regularly monitored by CODM.

	2015 HK\$'000	2014 HK\$'000
Loss		
Total loss of reportable segments	(28,690)	(21,932)
Other losses, net	(11,456)	(301)
Unallocated amortisation and depreciation	(472)	(632)
Unallocated head office and corporate expenses	(29,580)	(31,207)
Consolidated loss before tax from continuing operations	<u>(70,198)</u>	<u>(54,072)</u>

(c) **Reconciliations of reportable segment assets and liabilities:**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Assets		
Total assets of reportable segments	129,941	88,069
Assets relating to discontinued operations	–	256,898
Elimination of intersegment assets	(2,639)	(2,347)
Unallocated		
– financial assets at fair value through profit or loss	99	140
– cash and cash equivalents and restricted deposits	7,565	12,778
– corporate assets	16,140	28,975
	<u>151,106</u>	<u>384,513</u>
Consolidated total assets	<u><u>151,106</u></u>	<u><u>384,513</u></u>
Liabilities		
Total liabilities of reportable segments	150,083	120,823
Liabilities relating discontinued operations	–	139,860
Elimination of intersegment liabilities	(2,639)	(2,347)
Unallocated		
– current tax liabilities	13,639	703
– deferred tax liabilities	2,527	3,067
– corporate liabilities	23,150	77,063
	<u>186,760</u>	<u>339,169</u>
Consolidated total liabilities	<u><u>186,760</u></u>	<u><u>339,169</u></u>

(d) **Geographical information**

The Group's revenue from continuing operations 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.

	Revenues from external customer		Non-current assets	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	–	26,806	273	431
The People's Republic of China ("The PRC")	61,999	62,513	34,629	39,258
	<u>61,999</u>	<u>89,319</u>	<u>34,902</u>	<u>39,689</u>

(e) **Revenue from major customers**

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

	2015 HK\$'000	2014 <i>HK\$'000</i>
Discontinued operations:		
Wastewater treatment and construction services under a BOT basis PRC customer A	21,459	49,345
Continuing operations:		
Wastewater treatment operation services PRC customer B	23,353	22,697
Wastewater treatment equipment trading PRC customer B	–	4,960
PRC customer C	14,857	–
PRC customer D	11,978	14,680
PRC customer E	5,586	15,280
Others – revenue from the sale of goods HK customer F	–	11,400
HK customer G	–	15,406
	=====	=====

6. OTHER INCOME

	2015 HK\$'000	2014 <i>HK\$'000</i>
Continuing operations		
Interest income on bank deposits	854	185
Total interest income for financial assets that are not at fair value through profit or loss	854	185
Rental income from sub-letting of offices	–	120
Others	91	18
	945	323
	=====	=====

7. OTHER LOSSES, NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Net exchange loss	–	(2)
Net loss on disposal of property, plant and equipment	(118)	(75)
Write off of property, plant and equipment	(59)	–
Fair value loss on financial assets at fair value through profit or loss	(41)	(300)
Impairment loss on intangible assets	–	(777)
Impairment loss on goodwill	(3,818)	(1,919)
Gain on sale and leaseback of property, plant and equipment	589	349
Reversal of impairment loss on amount due from a joint venture	1,016	843
Impairment loss on trade receivables	(11,774)	–
Impairment loss on other receivables	(6,200)	–
Others	4	–
	<u>(20,401)</u>	<u>(1,881)</u>

8. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Finance lease charges	506	339
Interest expenses on:		
– Bank borrowings	761	487
– Entrusted loan	7,543	7,665
– Bonds	294	–
– Other borrowings	–	97
	<u>9,104</u>	<u>8,588</u>

9. INCOME TAX EXPENSE/(CREDIT)

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
PRC Enterprise Income Tax		
– Provision for the year	963	–
– Overprovision in prior years	–	(8)
Deferred tax	(276)	(84)
	<u>687</u>	<u>(92)</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

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 2015 and 2014.

Beijing Jingrui Kemai Water Purification Technology Company Limited, a wholly-owned subsidiary of the Company, enjoys high-tech enterprise income tax benefit from 2013 to 2015 and the tax rate is 15%.

Withholding tax is applicable to PRC subsidiaries which pay dividend, interest, rent, royalty to non-resident companies. Pursuant to the new PRC Enterprise Income Tax Law which took effect from 1 January 2008, a 10% withholding tax was to be levied on dividends declared to foreign enterprise investors from the PRC. A lower withholding tax rate may apply if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before tax (from continuing operations)	<u>(70,198)</u>	<u>(54,072)</u>
Notional tax on loss before tax, calculated at the rates applicable to losses in the tax jurisdictions concerned	(14,621)	(10,263)
Tax effect of		
– non-deductible expenses	3,128	366
– non-taxable income	(796)	(2,032)
– tax losses not recognised	13,813	11,845
– utilisation of unused tax losses	(837)	–
– over provision in prior years	<u>–</u>	<u>(8)</u>
Income tax expense/(credit) (relating to continuing operations)	<u><u>687</u></u>	<u><u>(92)</u></u>

10. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year from continuing operations is stated after charging/(crediting) the following:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Amortisation of intangible assets*	1,893	2,168
Cost of inventories sold	38,349	62,778
Depreciation	2,951	3,209
Write-down of obsolete inventories (included in cost of sales)	795	1,686
Auditors' remuneration		
– audit services	980	1,354
– other services	–	800
Operating lease charges in respect of properties	7,099	6,234
Impairment loss on other receivables	6,200	377
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	26,917	34,031
– Pension costs-defined contribution plans	1,066	823
	<u><u>27,983</u></u>	<u><u>34,854</u></u>

* *The amortisation of intangible assets (other than club memberships) are included in "Cost of sales" on the face of the consolidated statement of profit or loss.*

11. DISCONTINUED OPERATIONS

On 19 December 2014, the Group entered into an sale and purchase agreement with Beijing Capital Co., Ltd to dispose of the entire equity interest in Fanhe Hulu at a total consideration of RMB102 million (equivalent to approximately HK\$129 million). The principal asset of Fanhe Hulu is the concession rights to a wastewater treatment plant project under a Build-Operate-Transfer (“BOT”) basis. The disposal was completed on 17 February 2015. The results of the discontinued operations included in the loss for the year are set out below.

(a) Loss for the year from discontinued operations:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	21,459	49,345
Cost of sales	(19,624)	(42,429)
Other income	–	13
Other losses	–	(18,749)
Administrative expenses	(199)	(2,993)
	<u>1,636</u>	<u>(14,813)</u>
Profit/(loss) from operations		
Finance costs	(695)	(8,254)
	<u>941</u>	<u>(23,067)</u>
Profit/(loss) before tax		
Income tax credit	68	581
	<u>1,009</u>	<u>(22,486)</u>
Gain on disposal of operations	7,515	–
Income tax expenses	(12,493)	–
	<u>(3,969)</u>	<u>(22,486)</u>
Loss for the year from discontinued operations (attributable to the owners of the Company)		

(b) Loss for the year from discontinued operation include the following:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditor’s remuneration	–	54
Interest income	–	(13)
Interest expenses on bank borrowings	695	9,440
Amount capitalised*	–	(1,186)
	<u>695</u>	<u>8,254</u>
Amortisation of operating concessions (included in cost of sales)	869	9,868
Depreciation	104	155
Cost of construction contracts	17,238	22,476
Staff costs	100	2,514
Impairment loss on trade receivables	–	18,749
	<u>18,906</u>	<u>53,916</u>

* The borrowing costs were capitalised from the loan borrowed specifically to obtain for the particular qualifying asset for the year ended 31 December 2014.

(c) **Cash flows from discontinued operations:**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net cash inflows from operating activities	40,117	13,331
Net cash outflows from investing activities	(19,246)	(36,375)
Net cash (outflows)/inflows from financing activities	(18,114)	14,535
	<u> </u>	<u> </u>
Net cash inflows/(outflows)	<u>2,757</u>	<u>(8,509)</u>

Fanhe Hulu has been classified and accounted for at 31 December 2014 as a disposal group held for sale.

12. DIVIDENDS

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: HK\$Nil).

13. LOSS PER SHARE

(a) **From continuing and discontinued operations**

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	<u>(74,117)</u>	<u>(75,307)</u>
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>2,500,303</u>	<u>2,500,303</u>

(b) **From continuing operations**

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss		
Loss for the year	(74,117)	(75,307)
Less: Loss for the year from discontinued operations	<u>(3,969)</u>	<u>(22,486)</u>
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	<u><u>(70,148)</u></u>	<u><u>(52,821)</u></u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

(c) **From discontinued operations**

Basic and diluted loss per share from the discontinued operations is HK0.16 cents per share (2014: HK0.90 cents per share), based on the loss for the year from discontinued operations attributable to the owners of the Company of approximately HK\$3,969,000 (2014: approximately HK\$22,486,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

14. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	36,905	26,457
Less: allowance for doubtful debts	<u>(11,992)</u>	<u>(231)</u>
	24,913	26,226
Other receivables	33,072	17,074
Trade deposits	79	512
Prepayments and deposits	<u>10,804</u>	<u>3,403</u>
	68,868	47,215
Reclassified as held-for-sale	<u>–</u>	<u>4,455</u>
	<u><u>68,868</u></u>	<u><u>51,670</u></u>

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

Trade receivables are due in accordance with contract terms or within 2 months from the date of billing.

As at 31 December 2015 and 2014, the ageing analysis of the trade receivables, including those classified as part of a disposal group held for sale, based on invoice date, and net of allowance were as follows:

	2015 HK\$'000	2014 <i>HK\$'000</i>
Within 2 months	11,102	9,566
More than 2 months but within 3 months	1,638	298
More than 3 months but less than 12 months	3,438	15,783
More than 12 months	8,735	2,724
	24,913	28,371

15. ASSETS CLASSIFIED AS HELD FOR SALE

As described in note 11, the Group has disposed of its wastewater treatment plant project on a BOT basis in February 2015. The consideration of the disposal of this BOT project is higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised neither on reclassification of the assets and liabilities as held for sale, nor as at 31 December 2014. The major classes of assets and liabilities of the BOT project at 31 December 2014 are as follows:

	2014 HK\$'000
Property, plant and equipment	286
Operating concession	250,259
Inventories	270
Trade receivables	2,145
Other receivables and deposits	2,310
Cash and bank balances	1,628
Assets of BOT project classified as held for sale	256,898
Trade and other payables	23,322
Deferred tax liabilities	16,998
Bank loan	99,540
Liabilities of BOT project associated with assets classified as held for sale	139,860
Net assets of BOT project classified as held for sale	117,038

At 31 December 2014, the income stream of the operating concessions of the discontinued operation with a carrying amount of approximately HK\$250,259,000 were pledged to secure the bank loans granted to this discontinued operation.

16. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	19,464	18,861
Other payables	34,186	25,830
Advanced proceeds from disposal of business	–	63,000
Amount due to non-controlling interests	1,533	1,341
Amount due to a former subsidiary	5,189	–
Sales deposits received	16,415	244
	<u>76,787</u>	<u>109,276</u>
Reclassified as held-for-sale	–	23,322
	<u>76,787</u>	<u>132,598</u>

The amount due to non-controlling interests of HK\$833,000 (2014: HK\$1,341,000) was unsecured, interest-bearing at fixed rate of 15% per annum and repayable within one year. The remaining amount due to non-controlling interests of HK\$700,000 (2014: HK\$Nil) was unsecured, interest-free and no fixed term of repayment.

The ageing analysis of the trade payables, including those classified as part of a disposal group held for sale, based on the date of receipt of goods/services, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	6,017	4,090
After 1 month but within 3 months	4,435	1,344
After 3 months but within 6 months	178	10,776
After 6 months but within 1 year	2,999	710
After 1 year	5,835	16,941
	<u>19,464</u>	<u>33,861</u>

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2015.

Emphasis of matters

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss for the year of HK\$74,854,000 and had net cash outflows from operating activities of HK\$3,303,000 for the year ended 31 December 2015. As at 31 December 2015, the Group had net current liabilities and net liabilities of HK\$48,493,000 and HK\$35,654,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

RESULTS

For the year ended 31 December 2015, the Group recorded a turnover from continuing operations of approximately HK\$61,999,000 (2014: HK\$89,319,000) and recorded a turnover from discontinued operations of approximately HK\$21,459,000 (2014: HK\$49,345,000). The Group's loss from continuing operations attributable to owners of the Company was approximately HK\$70,148,000 (2014: HK\$52,821,000) and the Group's loss from discontinued operations attributable to owners of the Company was approximately HK\$3,969,000 (2014: HK\$22,486,000). Gross profit margin from continuing operations was approximately 32.7% as compared to 25.5% in last year and gross profit margin from discontinued operations was approximately 8.6% as compared to 14.0% in last year.

BUSINESS REVIEW

It is a tumultuous year for the global economy in 2015. As China accelerates into comprehensive reform, pushing toward a new growth model focusing on green, low-carbon and sustainable development under the 'New Normal', China's green economy and environmental protection industry are set to embrace an unprecedented opportunity for long-term growth.

At midnight of August 12, 2015, with two great roars at Tianjin Port, some of the dangerous materials, sodium cyanide, at the scene of the accident instantaneously scattered in the air, leading to water pollution in some areas. According to an investigation into the water quality, in 8 out of 40 testing sites, cyanide was found excessive. In order to prevent toxic waste water leaking, local government has taken clogging methods and has set the principle of "Block the front area, Seal the rear area, and Treat with the middle area". Professor Wang Kaijun, the deputy Dean of School of Environment in Tsinghua University was engaged to deal with the issue on an emergency basis. He convened prestigious domestic experts to immediately form an environmental emergency response team to deal with cyanide-containing wastewater. Beijing Jingrui Kemai Water Purification Technology Co., Ltd. (北京精瑞科邁淨水技術

有限公司) (“Beijing Jingrui”), a wholly-owned subsidiary of the Company, a high-tech environmental protection enterprise has drew wide concern from Tsinghua University and water environmental protection industry with its magnetic separation technology to create a new concept of emergency sewage treatment. To deal with the emergency in Tianjing, Tsinghua University and Beijing Jingrui worked together to successfully complete the experimental verification of wastewater containing cyanide by combination of the technology from Tsinghua University and enterprise resources. This cooperation also represented a precious experience for future emergency handling.

The Company faced with increased and fierce market competition. The principal businesses of the Group include cities and towns wastewater treatment and project technical service. The Group will target at regions with pressing urban, river and lake pollution problems. In the second half of 2015, ecological and environmental protection, clean energy and water resource development have been listed amongst 11 key development and investment targets by China’s central government. The Company will cautiously analyse market changes and adjust its business strategies accordingly. The Company will also communicate closely with the capital market and maintain amicable public relationship.

OUTLOOK

2016 is the first year of “the 13th Five-Year Plan”, China central government is vigorously advocating the five development concepts of “innovation, harmonisation, greening, openness and sharing”. The launch of these environmental protection policies will bring tremendous development opportunities to environmental protection, water treatment and related industries.

The Company expects China central government has no intention to sharply devalue its currency to promote trade and has confidence to use its vast resources to fight speculation. China central government expects that it can maintain about 6.5% economic growth in 2016.

The Company will conduct a review on the business operations and financial position of the Company for the purpose of formulating business plans and strategies for its future business development, which would enable the Group to diversify its business and broaden its income sources by exploring other business and investment opportunities.

The Company will take possible opportunities in the financial markets to raise funds to facilitate future merger and acquisition activities and/or to increase the working capital of the Group. The Board and the management of the Company believe that this will be a new page for the Company from now on. 2016 will be a crucial year for pushing through the structural reform.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had 110 employees (2014: 196 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

The Group continued to maintain a stable financial position. As at 31 December 2015, the total cash and bank balances including restricted and pledged fixed deposits of the Group (including those classified as part of a disposal group held for sale) were HK\$29,440,000 (2014: HK\$25,833,000). The cash and bank balances consisted of about 26% in Hong Kong dollars and 74% in Renminbi.

As at 31 December 2015, the Group had total assets of HK\$151,106,000 (2014: HK\$384,513,000) and total liabilities of HK\$186,760,000 (2014: HK\$339,169,000). As at 31 December 2015, the current ratio was 0.71 (2014: 1.29), calculated on the basis of current assets of HK\$116,204,000 (2014: HK\$344,824,000) over current liabilities of HK\$164,697,000 (2014: HK\$266,594,000).

The Group's borrowings and finance lease payables (including those classified as part of a disposal group held for sale) amounted to HK\$93,006,000 (2014: HK\$184,356,000). The Group's borrowings and finance lease payables are denominated in Renminbi and Hong Kong dollars, bearing fixed interest rates. The Group's gearing ratio, being the ratio of the total debts to total assets, was 61.6% (2014: 47.9%).

Charge on assets

As at 31 December 2015, the Group's income stream from operating concession right of HK\$Nil (2014: HK\$250,259,000), and bank deposits of HK\$4,284,000 (2014: HK\$6,300,000) was pledged with banks to secure banking facilities granted to the Group.

As at 31 December 2015, the restricted deposit of the Group amounting to HK\$Nil (2014: HK\$9,396,000) was to be used for repayments of trade payables under banker's consent.

Contingent Liabilities

As at 31 December 2015, the Company has no any contingent liabilities.

Issue of Unlisted Straight Bonds and Issue of Convertible Bonds under General Mandate

Reference is made to the announcements of the Company dated 21 September 2015 and 29 March 2016. Terms used hereinafter shall have the same meaning as defined in the above announcements.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the years ended 31 December 2015 and 2014.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company recognizes 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's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the corporate governance code (the "CG Code"), Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Throughout the year ended 31 December 2015, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following deviation from the code provisions:

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. There is no service contract between the Company and Mr. Cao Guoxian and Mr. Ma Tianfu, the non-executive Director, Mr. Tse Chi Wai, Prof. Zhu Nan Wen and Prof. Zuo Jiane, the independent non-executive Directors. They were not appointed for any specific length of service with the Company.

Code provision E.1.2 stipulates that the Chairman should attend the annual general meeting. Mr. Xu Zhong Ping, the Chairman of the Board, was unable to attend the 2015 annual general meeting due to business engagement, but Mr. Xu Xiao Yang, an executive Director, has been delegated to attend and answer questions on his behalf at the 2015 annual general meeting.

The Company has also put in place certain recommended best practices as set out in the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices periodically to ensure these continue to meet the requirements of the CG Code and align with the latest developments.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

This results announcement is 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 2015 annual report containing all the information required under the Listing Rules will be despatched to the shareholders and will be published on the websites of the Company and The Stock Exchange in due course.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

AUDIT COMMITTEE

The audit committee of the Company has discussed with the independent auditor of the Company, Messrs. RSM Hong Kong, and reviewed the Group's Consolidated Financial Statements for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group.

The audit committee is of the opinion that the Group's Consolidated Financial Statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The audit committee therefore recommended for the Board's approval of the Group's Consolidated Financial Statements for the year ended 31 December 2015.

By Order of the Board
China Environmental Technology Holdings Limited
Xu Zhong Ping
Chairman

Hong Kong, 31 March 2016

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.