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CHINA ENVIRONMENTAL TECHNOLOGY HOLDINGS LIMITED
中國環保科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 646)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2017	Year ended 31 December 2016	Percentage Change
	HK$'000	*HK$'000*	*%*
Revenue	**79,166**	34,689	128.22
Loss attributable to owners of the Company	**(60,666)**	(55,239)	(9.82)

The Board (the "Board") of Directors (the "Directors") of China Environmental Technology Holdings Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	4	**79,166**	34,689
Cost of sales		**(40,954)**	(27,923)
Gross profit		**38,212**	6,766
Other income	6	**381**	377
Other losses, net	7	**(19,526)**	(11,854)
Distribution costs		**(799)**	(855)
Administrative expenses		**(63,784)**	(47,438)
Loss from operations		**(45,516)**	(53,004)
Finance costs	8	**(9,081)**	(9,537)
Loss before tax	10	**(54,597)**	(62,541)
Income tax (expenses)/credit	9	**(4,464)**	2,454
Loss for the year		**(59,061)**	(60,087)
Other comprehensive (expenses)/ income for the year, net of tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(6,752)**	7,460
Exchange differences reclassified to profit or loss on disposal of a subsidiary		**6**	–
		(6,746)	7,460
Total comprehensive expenses for the year		**(65,807)**	(52,627)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(60,666)**	(55,239)
Non-controlling interests		**1,605**	(4,848)
		(59,061)	(60,087)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		**(69,417)**	(47,467)
Non-controlling interests		**3,610**	(5,160)
		(65,807)	(52,627)
Loss per share	*12*		
— Basic (HK cent per share)		**(1.74)**	(2.19)
— Diluted (HK cent per share)		**(1.74)**	(2.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**11,776**	3,484
Intangible assets		**79,645**	3,927
Deposits paid for property, plant and equipment		**12,152**	–
Goodwill		**100,604**	–
		204,177	7,411
Current assets			
Inventories		**10,914**	7,878
Trade and other receivables	*13*	**115,061**	57,883
Financial assets at fair value through profit or loss		–	93
Restricted and pledged bank deposits		–	755
Bank and cash balances		**83,379**	95,363
		209,354	161,972
Current liabilities			
Trade and other payables	*14*	**161,053**	66,006
Current tax liabilities		**20,744**	11,932
Borrowings		**65,571**	61,013
Deferred revenue		–	221
Finance lease payables		–	1,736
		247,368	140,908
Net current (liabilities)/assets		**(38,014)**	21,064
Total assets less current liabilities		**166,163**	28,475
Non-current liabilities			
Borrowings		**22,750**	22,750
Deferred tax liabilities		**13,030**	657
		35,780	23,407
NET ASSETS		**130,383**	5,068

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**91,259**	75,009
Reserves	**(5,807)**	(62,971)
Equity attributable to owners of the Company	**85,452**	12,038
Non-controlling interests	**44,931**	(6,970)
TOTAL EQUITY	**130,383**	5,068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and Unit 1003-5, 10th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong respectively. The principal activity of the Company is investment holding.

At 31 December 2017, the Directors consider the immediate parent of the Company to be Gentle International Holdings Limited, which is incorporated in the British Virgin Islands; and the ultimate parent of the Company to be Classy Jade Limited, which is incorporated in the Republic of Seychelles and controlled by Mr. Xu Zhong Ping, the chairman of the Company. The immediate and ultimate parent company do not produce consolidated financial statements available for public use.

2. BASIS OF PREPARATION

The Group incurred loss attributable to owners of the Company of approximately HK$60,666,000 for the year ended 31 December 2017 and the Group had net current liabilities of approximately HK$38,014,000 as at 31 December 2017. 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.

The Directors of the Company have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, including:

(i) the Directors of the Company have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 December 2017. In the opinion of the Directors, the Group will have sufficient working capital to meet its financial liabilities as and when they fall due and carry on its business without a significant curtailment of operations of not less than twelve months from 31 December 2017. Accordingly, the consolidated financial statements have been prepared on a going concern basis;

(ii) the non-controlling shareholder of Pacific Fertility Institutes Holding Company Limited, a subsidiary of the Company, confirms to provide adequate financial support to the Group as is necessary to ensure its continuing operation for a period of at least twelve months from 31 December 2017;

(iii) the Group's entrusted loan of approximately HK$60,046,000 as at 31 December 2017 were borrowed from an independent third party through commissioning a bank that are subjected to the annual renewal. The Directors are taking active actions to negotiate with the lender, and are confident that the Group will be able to successfully renew or extend repayment of entrusted loan;

(iv) The revenue and gross profit were improved steadily during the year. It is expected that the cash flow generated from the operation of fertility medical treatment services will further improve during the year 2018; and

(v) The Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

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.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. Revenue

The Group's revenue is as follows:

	2017	2016
	HK$'000	*HK$'000*
Sales of wastewater treatment machines and related services	**3,321**	19,791
Sales of goods	**19,615**	598
Wastewater treatment services	**5,295**	14,300
Fertility medical treatment services	**50,935**	–
	79,166	34,689

5. SEGMENT INFORMATION

The Group manages its business by divisions which are organised from the products/services perspective.

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the executive Directors, being the chief operating decision-maker ("CODM") for the purposes of resources allocation and performance assessment. The Group has presented the following three reportable segments. No operating segments have 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.

iii. Fertility medical treatment services

This segment engages in the provision of fertility medical treatment and fertility related medical 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 consolidated statement of profit or loss and other comprehensive income.

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:**

	Fertility medical treatment services	**Wastewater treatment and construction services**	**Wastewater treatment equipment trading**	**Subtotal**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
For the year ended 31 December 2017						
Revenue from external customers	**50,935**	**5,295**	**22,936**	**79,166**	**–**	**79,166**
Segment (loss)/profit	**(4,965)**	**142**	**(32,089)**	**(36,912)**	**(17,685)**	**(54,597)**
Interest income	**64**	**–**	**140**	**204**	**17**	**221**
Finance costs	**–**	**31**	**7,457**	**7,488**	**1,593**	**9,081**
Depreciation and amortisation	**11,536**	**2,229**	**363**	**14,128**	**92**	**14,220**
Write-down of inventories	**–**	**474**	**70**	**544**	**–**	**544**
Write-off of trade receivables	**–**	**–**	**3,823**	**3,823**	**–**	**3,823**
Gain on disposal of a subsidiary	**–**	**–**	**30**	**30**	**–**	**30**
Impairment loss on trade and other receivables	**–**	**200**	**12,367**	**12,567**	**–**	**12,567**
Additions to non-current assets (other than financial assets and deferred tax assets)	**4,411**	**1,130**	**–**	**5,541**	**–**	**5,541**
As at 31 December 2017						
Reportable segment assets	**278,870**	**40,268**	**36,962**	**356,100**		
Reportable segment liabilities	**8,934**	**37,857**	**131,965**	**178,756**		

	Wastewater treatment and construction services	Wastewater treatment equipment trading	Subtotal	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2016					
Revenue from external customers	14,300	20,389	34,689	–	34,689
Segment loss	(6,739)	(33,170)	(39,909)	(22,632)	(62,541)
Interest income	36	115	151	2	153
Finance costs	262	7,829	8,091	1,446	9,537
Depreciation and amortisation	3,808	646	4,454	91	4,545
Write-down of inventories	–	7,750	7,750	–	7,750
Loss on disposal and write off of property, plant and equipment	6,979	1,994	8,973	998	9,971
Impairment loss on trade and other receivables	3,267	37	3,304	–	3,304
Additions to non-current assets (other than financial assets and deferred tax assets)	30	61	91	–	91
As at 31 December 2016					
Reportable segment assets	19,655	54,820	74,475		
Reportable segment liabilities	20,864	103,300	124,164		

(b) Reconciliations of reportable segment profit or loss:

	2017	2016
	HK$'000	*HK$'000*
Total loss of reportable segments	**(36,912)**	(39,909)
Other losses, net	**(28)**	(127)
Unallocated amortisation and depreciation	**(91)**	(91)
Unallocated head office and corporate expenses	**(17,566)**	(22,414)
Consolidated loss before tax	**(54,597)**	(62,541)

(c) Reconciliations of reportable segment assets and liabilities:

	2017	2016
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**356,100**	74,475
Unallocated		
– financial assets at fair value through profit or loss	**–**	93
– cash and cash equivalents and restricted deposits	**55,771**	93,290
– corporate assets	**1,660**	1,525
Consolidated total assets	**413,531**	169,383
Liabilities		
Total liabilities of reportable segments	**178,756**	124,164
Unallocated		
– current tax liabilities	**20,744**	11,932
– deferred tax liabilities	**13,030**	657
– corporate liabilities	**70,618**	27,562
Consolidated total liabilities	**283,148**	164,315

(d) Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The geographical location of property, plant and equipment is based on the physical location of the asset under consideration. In the case of the intangible assets and goodwill, it is based on the location of the operation to which they are allocated.

	Revenue from external customers		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**174,842**	182
The PRC	**78,091**	34,689	**13,485**	7,229
Island of Saipan, Commonwealth of Northern Mariana Islands ("CNMI")	**1,075**	–	**1,685**	–
Singapore	**–**	–	**14,165**	–
	79,166	34,689	**204,177**	7,411

(e) Revenue from major customers

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

	2017	2016
	HK$'000	*HK$'000*
Wastewater treatment operation services		
Customer A	**–**	10,230
Wastewater treatment equipment trading		
Customer B	**–**	8,451
Customer C	**–**	3,496
Customer D	**–**	3,455
Fertility medical treatment services		
Customer E	**7,880**	–
Customer F	**7,880**	–
Customer G	**9,908**	–

6. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest income on bank deposits	**221**	153
Interest income on other receivable	**–**	110
Others	**160**	114
	381	377

7. OTHER LOSSES, NET

	2017	2016
	HK$'000	*HK$'000*
Net loss on disposal of property, plant and equipment	**-**	(2,992)
Write-off of property, plant and equipment	**-**	(6,979)
Write-off of trade receivables	**(3,823)**	-
Loss on financial assets at fair value through profit or loss	**(28)**	(6)
Gain on sale and leaseback of property, plant and equipment	**228**	556
Gain on disposal of a subsidiary	**30**	-
Impairment loss on trade receivables	**(12,567)**	(3,304)
Fair value change on a derivative financial asset	**(3,141)**	-
Other	**(225)**	871
	(19,526)	(11,854)

8. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Finance lease charges	**29**	262
Interest expenses on:		
– Bank borrowings	**425**	628
– Entrusted loan	**7,033**	7,130
– Bonds	**1,594**	1,446
– Others	**–**	71
Total borrowing costs	**9,081**	9,537

9. INCOME TAX EXPENSES/(CREDIT)

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Provision for the year	**6,032**	-
Island of Saipan, CNMI Corporate Income Tax		
– Provision for the year	**628**	-
PRC Enterprise Income Tax		
– Over provision in prior years	**–**	(633)
Deferred tax	**(2,196)**	(1,821)
Income tax expenses/(credit)	**4,464**	(2,454)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2017. No provision for Hong Kong profits tax has been made as the Group has no assessable profit arising in Hong Kong for the year ended 31 December 2016.

Beijing Jingrui Kemai Water Purification Technology Company Limited, a wholly-owned subsidiary of the Company enjoys high-tech enterprise income tax benefit from 2015 to 2017 and the tax rate is 15%.

The Covenant of the CNMI provides for the imposition of the Internal Revenue Code of the United States as the local income tax. CNMI legislation provides for income tax rebates with descending graduated percentages ranging from 90% to 50% on local income tax on CNMI source income and takes progressive tax rate. The CNMI also imposes graduated (1.5% to 5%) Business gross revenue tax ("BGRT"). The legislation requires the payment of corporate income tax on CNMI source income only to the extent the pre-rebate income tax exceeds BGRT.

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

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(54,597)**	(62,541)
Notional tax on loss before tax, calculated at the rates applicable to losses in the tax jurisdictions concerned	**(13,366)**	(13,048)
Tax effect of		
– non-deductible expenses	**14,047**	6,422
– non-taxable income	**(791)**	(262)
– tax losses not recognised	**3,724**	5,067
– utilisation of previously unrecognised tax losses	**(333)**	-
– tax reduction	**(202)**	-
– effect of different tax rates of inter-company transactions	**1,385**	-
– over provision in prior years	**–**	(633)
Income tax expenses/(credit)	**4,464**	(2,454)

10. LOSS BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Amortisation of intangible assets*	**12,607**	1,685
Cost of inventories sold	**10,613**	16,747
Depreciation	**1,613**	2,860
Write-down of obsolete inventories (included in cost of sales)	**544**	7,750
Net loss on disposal of property, plant and equipment	**–**	2,992
Auditors' remuneration	**1,100**	720
Staff costs (including Directors' emoluments)		
– Salaries, wages and other benefits	**20,466**	19,221
– Pension costs-defined contribution plans	**1,769**	1,487
	22,235	20,708
Operating lease charges in respect of properties	**26,242**	7,627
Write-off of trade receivables	**3,823**	–
Impairment loss on trade receivables	**12,567**	3,304

* 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 and other comprehensive income.

11. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: HK$Nil).

12. LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	**(60,666)**	(55,239)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**3,491,866**	2,518,220

Basic and diluted loss per share for the years ended 31 December 2017 and 2016 were the same as the Company had no dilutive potential ordinary shares in issue during the years.

13. TRADE AND OTHER RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Trade receivables		**61,788**	37,274
Less: allowance for doubtful debts		**(28,405)**	(15,112)
		33,383	22,162
Other receivables	*(i)*	**71,156**	32,487
Trade deposits		**–**	73
Prepayments and deposits	*(ii)*	**10,106**	3,161
Amounts due from non-controlling interests	*(iii)*	**416**	-
		115,061	57,883

Note:

(i) (a) The Group and the landlord were agreed to rescind the tenancy agreement orally before year ended, and the effective date was on 31 December 2017, and had signed the official rescind agreement on 6 March 2018. Since the Group had not occupied the property and the agreement had been rescinded, no amortization of rental expenses were recognised. As at 31 December 2017, the other receivable paid of total amount of approximately HK$33,631,000 (2016: HK$Nil) would be refunded on schedule.

(b) As at 31 December 2017, approximately HK$24,022,000 (2016: approximately HK$22,334,000) was the final payment of disposal of Fanhe (Hulu Island) Water Investment Company Limited ("Fanhe Hulu"), a then wholly-owned subsidiary on 17 February 2015. The final payment will be received after completion of the reconstruction project of Fanhe Hulu and receiving the acceptance report from the government.

(c) As at 31 December 2017, approximately HK$4,444,000 (2016: HK$Nil) was deposits paid for future leasehold improvements.

(d) As at 31 December 2017, approximately HK$2,162,000 (2016: approximately HK$2,010,000) was loans made to sub-contractors for the Group's construction projects.

(ii) As at 31 December 2017, approximately HK$8,426,000 (2016: approximately HK$1,932,000) was rental deposits and prepayment paid for operating lease in respect of properties.

(iii) The amounts due from non-controlling interests are unsecured, interest-free and has no fixed repayment terms.

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

As at 31 December 2017 and 2016, the ageing analysis of the trade receivables, based on the invoice date, and net of allowance were as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 2 months	**31,819**	4,795
More than 2 months but within 3 months	**306**	—
More than 3 months but within 12 months	**1,258**	3,610
More than 12 months	**–**	13,757
	33,383	22,162

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

As of 31 December 2017, trade receivables of approximately HK$1,564,000 (2016: approximately HK$750,000) were past due but not impaired. These relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group did not hold any collateral over these balances. The ageing analysis of these trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**31,819**	21,412
Less than 1 month past due	**306**	–
More than 1 month but within 2 months past due	**353**	–
More than 2 months but within 3 months past due	**24**	–
More than 3 months but less than 12 months past due	**881**	–
More than 12 months past due	**–**	750
	33,383	22,162

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

As at 31 December 2017, trade receivables of the Group amounting to approximately HK$28,405,000 (2016: approximately HK$15,112,000) were individually determined to be impaired. The individually impaired receivables were outstanding for more than 12 months at the end of the reporting period.

Movements in the allowance for doubtful debts

	2017 *HK$'000*	2016 *HK$'000*
At 1 January	**15,112**	11,992
Allowance for the year	**12,567**	3,304
Exchange adjustments	**726**	(184)
At 31 December	**28,405**	15,112

The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

14. TRADE AND OTHER PAYABLES

	Notes	2017 HK$'000	2016 HK$'000
Trade payables		**30,063**	20,660
Other payables of convertible bonds	*(i)*	**54,530**	–
Other payables		**61,921**	30,398
Other tax payable		**4,634**	2,122
Amount due to non-controlling interests	*(ii)*	**1,459**	4,705
Sales deposits received		**8,446**	8,121
		161,053	66,006

Note:

(i) The Company received approximately HK$54,530,000 from convertible bonds holder before year ended which the issue of convertible bonds was completed on 16 January 2018.

(ii) The amount due to non-controlling interests of approximately HK$Nil (2016: approximately HK$1,156,000) was unsecured, interest-bearing at a fixed rate of 15% per annum and repayable within one year. The remaining amount due to non-controlling interests of approximately HK$1,459,000 (2016: approximately HK$3,549,000) was unsecured, interest-free and has no fixed term of repayment.

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

	2017 *HK$'000*	2016 *HK$'000*
Within 1 month	**14,563**	4,905
After 1 month but within 3 months	**489**	249
After 3 months but within 6 months	**887**	4,058
After 6 months but within 1 year	**3,344**	3,699
After 1 year	**10,780**	7,749
	30,063	20,660

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of our Group for the financial year ended 31 December 2017, an extract of which is as follows:

Qualified Opinion

We have audited the consolidated financial statements of China Environmental Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out in the annual report of the Company, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Recoverability of other receivables

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the other receivables of approximately HK$24,022,000 as at 31 December 2017. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements.

Any adjustment to this figure mentioned above might have a consequential effect on the Group's financial performance for the year and the consolidated financial position as at 31 December 2017.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred loss attributable to owners of the Company of approximately HK$60,666,000 for the year ended 31 December 2017 and as at 31 December 2017 the Group had net current liabilities of approximately HK$38,014,000. Our opinion is not modified in respect of this matter.

RESULTS

For the year ended 31 December 2017, the Group recorded a revenue of approximately HK$79,166,000 (2016: approximately HK$34,689,000), representing an increase of about 128.22% compared to that of 2016. The Group's loss attributable to owners of the Company was approximately HK$60,666,000 (2016: approximately HK$55,239,000). Gross profit margin was approximately 48.27% as compared to 19.50% in last year.

BUSINESS REVIEW

For Wastewater treatment

In 2017, the Company traditionally and principally engaged in the environmental protection business segment and made strategic adjustments that the environmental protection businesses related to wastewater treatment, such as technical services, project contracting, equipment sales and operation services, have all been centralized in the core subsidiary, Beijing Jingrui Kemai Water Purification Technology Company Limited ("**Beijing Jingrui Kemai**") for management.

As a core environmental protection platform after the transformation and integration of listed company, Beijing Jingrui Kemai had 10 core patented technologies. Leveraging on the outstanding performance and high-standard technical service of magnetic coagulation technology products, Beijing Jingrui Kemai continued to receive orders by stepping up the standard transformation and advanced treatment in the sewage treatment plant, treatment of black and odor water pollution in urban rivers and lakes, and the comprehensive treatment of source water environment in villages and towns. The well-known domestic water supply groups including Tianjin Capital Environmental, Shenzhen Water Group, Everbright Water, and Quzhou Water Supply and Drainage Group have all become clients of the Company.

In 2017, Beijing Jingrui Kemai obtained a total of 11 sewage treatment project orders in 8 cities across the country, with the total daily processing water amounting to 429,000 tons. Both order volume and sales increased by 27.9% and 22.5% respectively compared to 2016, and the average gross margin reached 38%.

In 2017, the project of purification of 150,000 tons of water in Shenzhen Maozhou River was the largest first-level magnetic separation project for domestic monomer (with a total of two sets of 75,000 tons of monomer). The 200,000 tons of Tianjin Beitang Sewage Treatment Plant won the bid for the largest deep-processing magnetic separation project in China (with a total of two sets of 100,000 tons of monomer), both breaking the industry record.

As of the end of December 2017, dozens of magnetic coagulation projects completed by Beijing Jingrui Kemai scattered in 16 provinces and municipalities across the country, with a total capacity of 1.5 million tons/day.

For Fertility medical

The acquisition of 50% equity interest in Pacific Fertility Institutes Holding Company Limited proved that the management had made the important and right decision.

Not only the guaranteed profit USD5,000,000 had been fulfilled, but also fertility medical segment contributed 64.34% of the total revenue in 2017. We can foresee that the segment will increase with a bright and fast speed.

OUTLOOK

For Wastewater treatment

Along with the inclusion of ecological civilization construction in the Constitution and the continued benefits brought by national policies in respect of environmental protection industry, room of market development for environmental protection industry will further expand. In 2018, the traditional magnetic coagulation business is expected to maintain a growth of more than double digits. Based on the original magnetic coagulation business, it will strongly promote the "Magnetic Coagulation+" business and enter the smart water market. We believe that the environmental protection business under the new structure will be more adaptable to the market and more dynamic, and will further consolidate the leading edge of technology, ensuring the steady growth of environmental protection business.

For Fertility medical

Pacific Fertility Institutes (Singapore) Pte. Ltd. is an indirectly wholly-owned subsidiary of the Company. The Singapore Clinic is expected to commence the trial operation in April 2018. As the R&D centre of the Group, the Singapore Clinic will mainly be responsible for setting up a standardized processing system for clinical and embryological laboratory of reproductive medicine services carries out by the Group, training medical specialists and developing more effective reproductive treatments and pharmaceuticals. The Board believes that by setting up the Singapore Clinic, lay an important foundation for setting up of the standardized quality management system and professionals training in the field of reproductive medicine.

Pacific Fertility Institutes (PFI) is one of the largest chain assisted reproductive medical groups worldwide. In respond to the growing worldwide need for assisted reproductive medicine, PFI is committed to providing professional assisted reproductive medical services to people who are facing fertility issues. PFI already set up its professional reproductive clinics and international referral centers in Los Angeles, Saipan(U.S.), Singapore (under construction), Beijing, Shanghai and is expanding its network continuously. PFI's experienced core medical team is from Cambridge University, UCLA, Stanford University, and NUS, ensuring the highest standard of care delivered to our patients.

EMOLUMENT POLICY

As at 31 December 2017, the Group had 96 employees (2016: 95 employees). The remuneration policy and packages are reviewed annually by the management and the Remuneration Committee. The Group remunerates its employees based on their performance, work experience and the prevailing market rate. The remuneration packages include basic salary, double pay, commission, insurance and mandatory provident fund. The Group operates a share option scheme for the purpose of providing incentives and rewards to (among others) eligible Directors and employees of the Group to recognise their contribution to the result of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity

As at 31 December 2017, the total cash and bank balances including restricted and pledged bank deposits of the Group were approximately HK$83,379,000 (2016: approximately HK$96,118,000). The cash and bank balances consisted of about 13.02% in Hong Kong dollars, 17.35% in Renminbi, 67.90% in US dollars and 1.73% Singapore dollars.

As at 31 December 2017, the Group had total assets of approximately HK$413,531,000 (2016: approximately HK$169,383,000) and total liabilities of approximately HK$283,148,000 (2016: approximately HK$164,315,000). As at 31 December 2017, the current ratio was 0.85 (2016: 1.15), calculated on the basis of current assets of approximately HK$209,354,000 (2016: approximately HK$161,972,000) over current liabilities of approximately HK$247,368,000 (2016: approximately HK$140,908,000).

The Group's borrowings and finance lease payables amounted to approximately HK$88,321,000 (2016: approximately HK$85,499,000). 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 21.36% (2016: 50.48%).

Charge on assets

As at 31 December 2016, the restricted deposit of the Group amounting to approximately HK$755,000 will be paid to customer once the Company breach of contract.

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 2017 and 2016.

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 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 2017, 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. Ma Tianfu, the non-executive Director, Mr. Tse Chi Wai, Prof. Zhu Nan Wen and Prof. Li Jun, the independent non-executive Directors. They were not appointed for any specific length of service with the Company.

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 will be published on the website of HKExnews of The Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.cethl.com.

The Company's annual report for the financial year ended 31 December 2017 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 2017 (2016: Nil).

AUDIT COMMITTEE

The audit committee of the Company has discussed with the independent auditor of the Company, Messrs. ZHONGHUI ANDA CPA Limited, and reviewed the Group's annual results for the year ended 31 December 2017, including the accounting principles and practices adopted by the Group.

The audit committee is of the opinion that the Group's annual results 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 annual results for the year ended 31 December 2017.

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

Hong Kong, 29 March 2018

As at the date of this announcement, the executive directors are Mr. Xu Zhong Ping, Mr. Xu Xiao Yang and Ms. Hu Yueyue; the non-executive director is Mr. Ma Tianfu; and the independent non-executive directors are Mr. Tse Chi Wai, Professor Zhu Nan Wen and Professor Li Jun.