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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Reference is made to the annual results announcement (the “**Results Announcement**”) of China Environmental Technology Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2017 and the annual report (the “**Annual Report**”) of the Company for the year ended 31 December 2017. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

The purpose of this announcement is to provide you with the latest development of the qualified opinion issued by the Auditor (as defined below) regarding the Receivable (as defined below) under the consolidated financial statements of the Group for the year ended 31 December 2017.

QUALIFIED OPINION

Reference is made to the paragraph headed “Basis for Qualified Opinion” set forth in the section headed “Extract of Independent Auditor’s Report” in the Results Announcement regarding the qualified opinion issued by the auditor of the Company, ZHONGHUI ANDA CPA Limited (the “**Auditor**”), on the consolidated financial statements of the Group for the year ended 31 December 2017 which relates to the confirmation and recoverability of other receivables of approximately HK\$24,022,000 (the “**Receivable**”). Details of which are set out on pages 39 to 42 of the Annual Report.

ACTIONS TAKEN BY THE COMPANY TO ADDRESS THE QUALIFIED OPINION

The Completion Audit and Completion Procedures

The Company has been monitoring closely on the progress of the Completion Audit and the Completion Procedures with Beijing Capital. Given that the Project is operated under a “build-operate-transfer” model, the Completion Audit and the Completion Procedures are

subject to the approval of the relevant government authorities in the People's Republic of China (the "**PRC Government**"). The Company has made efforts in following up on the progress whenever possible and appropriate and, as at the date of this announcement, it was found by the Company that the part of the Completion Procedures relating to the collection of the Receivable had been completed and the Completion Audit should therefore be finished. However, the Company failed to receive any official information as such relating to the Project nor any repayment of the Receivable from Beijing Capital.

Confirmations

The Company has continuously made efforts in liaising with Beijing Capital in getting the Confirmations. Although the Company has managed to establish fruitful communications with Beijing Capital back in April 2018, but as at the date of this announcement, the Company and the Auditor were unable to reach a consensus with Beijing Capital on the Confirmation.

Arbitration

Towards the end of June 2018, the successful communication with Beijing Capital and the efforts of multiple rounds of negotiations over the past few months seems end up in vain. Beijing Capital and the Company were unable to reach an agreement on the treatment of the Receivable. The Company has therefore, after consulting its PRC legal adviser and carefully evaluating the possible impact on the Company, initiated and filed an arbitration claim with the China International Economic and Trade Arbitration Commission (the "**Arbitration Commission**") against Beijing Capital on 2 August 2018 (the "**Arbitration Claim**"). The Company seeks to, among others, recover from Beijing Capital (i) the Receivable and (ii) all arbitration costs and legal fees incurred by the Company in association with the recovery of the Receivable.

As at the date of this announcement, the Company has paid all necessary costs and fees requested by the Arbitration Commission in relation to the hearing of the Arbitration Claim (the "**Hearing**") and Beijing Capital has on 17 September 2018 acknowledged receipt of the Arbitration Claim and is prepared to defend itself thereunder. The date of the Hearing has not yet been fixed as at the date of this announcement. The Company, after having consulted its PRC legal adviser, estimates that the Hearing shall commence before the end of November 2018 and shall last for a period of approximately six months. The Company is therefore of the view that the result of the Hearing shall be released before the publication of the annual report of the Company for the year ending 31 December 2018.

PLANS TO ADDRESS THE QUALIFIED OPINION

The Company, after having consulted its PRC legal adviser, is optimistic on the rulings of the Arbitration Claim (the "**Rulings**") and hence on the recovery of the Receivable. As such, as at the date of this announcement, the Company has no intention to recognize any impairment loss on the Receivable. However, depending on the outcome of the Hearing, the Company is prepared to arrange for a provision on the impairment of the Receivable if necessary.

The Company has preliminarily discussed with the Auditor about the Arbitration Claim. The Company has concluded that (i) if the Rulings is favourable to the Company and is released before the end of 2018 or before the announcement of the final result of the Group for the year ending 31 December 2018 and (ii) after the Auditor having reviewed and satisfied with the repayment ability of Beijing Capital, the audit modification relating to the Receivable may be removed from the audit report of the Company for the year ending 31 December 2018. If, however, the Rulings is not released before the time of publication of the final result of the Group for the year ending 31 December 2018, the Auditor may rely on (i) the legal opinion prepared by the PRC legal adviser of the Company on the recoverability of the Receivable under the Arbitration Claim and (ii) other audit procedures (if any) to consider whether to remove the audit modification relating to the Receivable from the audit report of the Company for the year ending 31 December 2018.

The Board is of the view that the Receivable, whether recoverable or otherwise, will not have an actual or potential impact on the financial position of the Group nor cast doubt on the ability of the Group to continue as going concern.

VIEW OF THE AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) is satisfied with the actions already taken by the Company in relation to the recovery of the Receivable. The Audit Committee has no disagreement with the position of the Board on the major judgmental areas in relation to its view on and treatment of the Receivable. As at the date of this announcement, the Audit Committee shared the same view as the Board on the possible rulings of the Arbitration Claim and agreed that no provision on the impairment of the Receivable is necessary.

The Company will update the Shareholders and potential investors of the Company on any development on the Receivable by publishing further announcement(s) as and when appropriate.

By Order of the Board
CHINA ENVIRONMENTAL TECHNOLOGY HOLDINGS LIMITED
Li Wang Hing, Nelson
Company Secretary

Hong Kong, 10 October 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.