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 PRELIMINARY ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2018 Unaudited	Year ended 31 December 2017 Restated	Percentage Change
	HK$'000	*HK$'000*	*%*
Revenue	**51,716**	72,668	(28.83)
Loss attributable to owners of the Company	**(310,896)**	(64,379)	382.92

The Board (the "Board") of Directors (the "Directors") of China Environmental Technology Holdings Limited (the "Company") announces the preliminary consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 together with the restated comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	2018 Unaudited HK$'000	2017 Restated HK$'000
Revenue	4	**51,716**	72,668
Cost of sales		**(41,976)**	(38,169)
Gross profit		**9,740**	34,499
Other income	5	**1,693**	381
Other losses, net	6	**(107,906)**	(19,556)
Distribution costs		**(1,368)**	(799)
Loss arising from PFI Cayman Group		**(135,389)**	–
Impairment		**(2,936)**	–
Gain on disposal of subsidiaries		**9,082**	30
Gain on disposal of an associate company		**2,175**	–
Administrative expenses		**(87,436)**	(63,784)
Loss from operations		**(312,345)**	(49,229)
Finance costs	7	**(16,218)**	(9,081)
Loss before tax		**(328,563)**	(58,310)
Income tax credit/(expenses)	8	**308**	(4,464)
Loss for the year		**(328,255)**	(62,774)
Other comprehensive income/(expenses) for the year:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**4,043**	(7,046)
Exchange differences reclassified to profit or loss on disposal of subsidiaries, deconsolidation of subsidiaries and disposal of an associate		**527**	6
		4,570	(7,040)
Total comprehensive expenses for the year, net of tax		**(323,685)**	(69,814)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(310,896)**	(64,379)
Non-controlling interests		**(17,359)**	1,605
		(328,255)	(62,774)

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

For the year ended 31 December 2018

	Note	**2018** **Unaudited** ***HK$'000***	2017 Restated *HK$'000*
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		**(306,717)**	(73,424)
Non-controlling interests		**(16,968)**	3,610
		(323,685)	(69,814)
Loss per share	*10*		
— Basic (HK cent per share)		**(8.52)**	(1.84)
— Diluted (HK cent per share)		**(8.52)**	(1.84)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	At 31 December 2018 Unaudited *HK$'000*	At 31 December 2017 Restated *HK$'000*	At 1 January 2017 Restated *HK$'000*
Non-current assets			
Property, plant and equipment	**2,401**	11,776	3,484
Intangible assets	**1,169**	79,645	3,927
Construction in progress	**62,057**	–	–
Deposits paid for property, plant and equipment	–	12,152	–
Goodwill	–	100,604	–
	65,627	204,177	7,411
Current assets			
Inventories	**13,497**	20,281	13,889
Trade and other receivables	**58,393**	103,520	58,097
Contract assets	**4,935**	957	84
Investments at fair value through profit or loss	–	–	93
Restricted and pledged bank deposits	**343**	–	755
Bank and cash balances	**4,975**	83,379	95,363
	82,143	208,137	168,281
Current liabilities			
Trade and other payables	**212,490**	151,521	59,024
Current tax liabilities	**12,167**	20,744	11,932
Borrowings	**76,678**	65,571	61,013
Deferred revenue	–	–	221
Finance lease payables	–	–	1,736
Contract liabilities	**6,657**	14,156	15,125
	307,992	251,992	149,051
Net current liabilities	**(225,849)**	(43,855)	19,230
Total assets less current liabilities	**(160,222)**	160,322	26,641
Non-current liabilities			
Borrowings	**3,000**	22,750	22,750
Convertible bonds	**46,113**	–	–
Deferred tax liabilities	–	13,030	657
	49,113	35,780	23,407
NET (LIABILITIES)/ASSETS	**(209,335)**	124,542	3,234

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 December 2018

	At 31 December 2018 Unaudited *HK$'000*	At 31 December 2017 Restated *HK$'000*	At 1 January 2017 Restated *HK$'000*
Capital and reserves			
Share capital	**91,259**	91,259	75,009
Reserves	**(303,012)**	(11,648)	(64,805)
Equity attributable to owners of the Company	**(211,753)**	79,611	10,204
Non-controlling interests	**2,418**	44,931	(6,970)
TOTAL EQUITY	**(209,335)**	124,542	3,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 2018, 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

2.1 Going Concern

The Group incurred loss attributable to owners of the Company of approximately HK$310,896,000 for the year ended 31 December 2018 and the Group had net current liabilities of approximately HK$225,849,000 as at 31 December 2018. 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 have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, including:

(i) the Directors have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 December 2018. In the opinion of the Directors, the Group will have sufficient working capital to meet its financial obligations 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 2018. Accordingly, the consolidated financial statements have been prepared on a going concern basis;

(ii) there was an investor ("Investor") executed a letter in favour of the Company on 18 March 2019, pursuant to which the Investor expressed an intention to invest in the Company by making equity and/or debt investments, for an aggregate amount up to HK$150,000,000, and in any event not less than HK$60,000,000 within the next 6 months from the date of this letter. On 27 March 2019, the Company entered into a loan agreement with the Investor, pursuant to which the Investor agreed to grant to the Company a loan in the aggregate principal amount of HK$14,000,000, which is unsecured and repayable in full on 31 March 2022 or if such date is not a business day, the next business day;

(iii) on 27 March 2019, the Company entered into the Loan Agreement with China Daisy Finance Limited ("the Lender"), an independent third party, pursuant to which the Lender agreed to grant to the Company a loan in the aggregate principal amount of HK$40,000,000, which is unsecured and repayable in full on 27 March 2022 or if such date is not a business day, the next business day;

(iv) on 7 April 2019, INNOMED Group Limited ("INNOMED Group"), a wholly-owned subsidiary of the Company, has signed a cooperation agreement with the contractor of Beijing INNOMED Women's and Children's Hospital Co., Ltd. ("BIWCH"), a subsidiary of INNOMED Group, which stated that the contractor shall not request BIWCH to pay for construction work when due, but instead, both the contractor and INNOMED Group shall find new investors to invest in BIWCH to pay for such contraction work. In any case, even there is no new investor to invest in BIWCH, the contractor shall not ask for repayment of the construction work on or before 6 July 2020;

(v) the Group's entrusted loan of approximately HK$56,928,000 as at 31 December 2018 were borrowed from an independent third party through commissioning a bank renewed on 26 March 2019. The lender has decided to extend the repayment of this entrusted loan, for which, half of the entrusted loan shall be repaid on or before 31 December 2019 while the other half to be repaid on or before 31 December 2020;

(vi) the revenue of wastewater treatment equipment trading was improved steadily during the year. It is expected that the cash flow generated from the operation of wastewater treatment equipment trading will further improve during the year 2019; and

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

Based on the cash flow projection of the Group and having taken into account the available financial resources of the Group and the above measures, the Directors consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

2.2 Unable to Exercise Control over Pacific Fertility Institutes Holding Company Limited ("PFI Cayman") and its subsidiaries (hereinafter collectively known as "PFI Cayman Group")

Due to the occurrence of certain triggering events in 2018 and 2019 as described below, the Group is no longer able to exercise control over the assets and operations over PFI Cayman Group.

Background of PFI Cayman Group

The Company, through INNOMED Group acquired 50% shareholding interests in PFI Cayman on 31 March 2017 from Pacific Fertility Institutes Holdings Company Limited, a company incorporated in the British Virgin Islands which is ultimately wholly owned by Mr. Leon Li (the "Acquisition"). PFI Cayman was indirectly owned as to 50% by the Company and 50% by Mr. Leon Li. Upon the completion of the Acquisition, INNOMED Group appointed two new directors to the board of directors of PFI Cayman to gain majority control. In this regard, PFI Cayman was considered as a subsidiary of the Company since the completion of Acquisition.

Leon Li incident

As stated in the Company's announcement dated 18 January 2019, the Company suspected that Mr. Leon Li has misappropriated funds in PFI Cayman Group and the Company reported the suspected misappropriation to the Hong Kong Police Force on 17 January 2019. Mr. Leon Li has also been convicted for other four counts of criminal offence (involving forge identity document) by the Eastern Magistrates' Court of Hong Kong and was sentenced to an 18-month imprisonment on 8 February 2019. According to article 26I of the articles of association of PFI Cayman, the office of director shall be automatically vacated if the director is convicted of an arrestable offence. Therefore, Mr. Leon Li should have been automatically disqualified as a director of PFI Cayman upon his conviction. It is also expected that Mr. Leon Li will not be able to manage the business operation of the two subsidiaries of PFI Cayman, namely, Pacific Fertility Institutes (HK) Holding Company Limited ("PFI HK") and Pacific Fertility Institutes Inc. ("PFI Inc.") effectively as he is currently serving his term in jail. In addition, under the management of Mr. Leon Li, the Company has been, and is still, denied with full access to the books and accounts of PFI HK and PFI Inc. for the financial year 2018. The above mentioned convictions, put Mr. Leon Li's integrity into a question and the Directors of the Company considered Mr. Leon Li would no longer be suitable to act as a director of PFI HK.

Xu Xiao Yang incident

Since Mr. Leon Li is the sole director of PFI HK, the Directors of the Company has tried to effect the removal of his directorship in PFI HK as well as to appoint new directors to oversee the daily operations by put through a board resolutions at the board of directors of PFI Cayman (in its capacity as the sole shareholder of PFI HK). As at 12 April 2019, PFI Cayman have two directors, namely Mr. Xu Zhong Ping (our Chairman) and Mr. Xu Xiao Yang (our former chief executive officer and former executive Director who was removed from the office of chief executive officer and re-designated as a non-executive Director on 17 January 2019), both appointed to the board of directors of PFI Cayman by INNOMED Group upon the completion of the Acquisition pursuant to the terms of the sale and purchase agreement of the Acquisition to safeguard the Company's interests. However, to the surprise of all other Directors of the Company, Mr. Xu Xiao Yang repeatedly refused to act in accordance with the Board's decision. Additionally, without the consent of the Company and the authorisation of the board of directors of PFI Cayman, Mr. Leon Li by himself, appointed three additional directors to the board of directors of PFI HK on the exact same date he was sentenced.

Impact on the Group

Given that (i) the management deadlocks in PFI Cayman at both shareholders level and board level are unlikely to be resolved in the foreseeable future and (ii) the Company lost its control over PFI Cayman and its subsidiaries due to the uncooperative and irresponsible behaviour of Mr. Xu Xiao Yang despite the fact that the Directors of the Company has taken all reasonable steps and has its best endeavours to resolve the matter, the other Directors of the Company resolved that the Group no longer had the power to govern the financial and operating policies of PFI Cayman, and the control over PFI Cayman was lost. Accordingly, the Directors of the Company is of the view that PFI Cayman Group should no longer be considered as subsidiaries of the Company and therefore should not be consolidated into the Group's financial statements for full financial year ended 31 December 2018.

2.3 Issuance of Convertible Bonds due 2021

The Company announced a proposed issue of convertible bonds due 2021 in aggregate principal amount of US$7 million (the "Convertible Bonds Due 2021") on 16 May 2018 and announced the completion of subscription of the Convertible Bonds Due 2021 on 19 June 2018.

The Board subsequently discovered on 27 February 2019, a side letter agreement dated 15 June 2018 (the "Side Letter Agreement") in relation to the subscription agreement of the Convertible Bonds Due 2021 ("Subscription Agreement"). It appears that the Side Letter Agreement was purportedly entered into by the Company and the subscriber, pursuant to which the Company had purportedly agreed that the principal amount of US$7,000,000 of the Convertible Bonds Due 2021 would be settled in two tranches: (i) a sum of US$1,500,000 be paid by the Subscriber directly to Pacific Fertility Institutes (Singapore) Pte Ltd ("PFI Singapore"), an indirect wholly owned subsidiary of the Company, and (ii) a sum in RMB equivalent to US$5,500,000 be paid by a third party company established in the Mainland China directly to a bank account jointly controlled by Beijing INNOMED North Medical Technology Service Co., Limited, an indirect wholly owned subsidiary of the Company and the Subscriber.

Upon obtaining preliminary legal advice on the validity of the Side Letter Agreement and the Subscription Agreement, and having considered all relevant circumstances, the Company's position is that the Side Letter Agreement and the Subscription Agreement are unenforceable due to illegality and should be rescinded and/or set aside. In this connection, the Company considered that the Convertible Bonds is not valid from the date of its issuance and should be rescinded and set aside. Accordingly, this set of consolidated financial statements are prepared as if the Convertible Bonds Due 2021 were not issued.

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 (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 15 "Revenue from Contracts with Customers"

Revenue of the Group's construction contract was previously recognised using the percentage of completion method. Under HKFRS 15, such contracts do not meet the conditions of recognising the revenue over time. Revenue of such contracts is now recognised at a point in time when control of the products is transferred to the customers.

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	31 December 2017	1 January 2017
	HK$'000	*HK$'000*
At 31 December 2017:		
Increase in inventories	9,367	6,011
(Decrease)/increase in trade and other receivables	(11,541)	214
Increase in contract assets	957	84
Decrease in trade and other payables	9,532	6,982
Increase in contract liabilities	14,156	15,125
Decrease in retained earnings	5,632	1,920
For the year ended 31 December 2017:		
Decrease in revenue	6,498	
Decrease in cost of goods sold	2,785	
Decrease in profit for the year	3,713	
Decrease in EPS (cents)	0.1	

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:

	2018	2017
	Unaudited	Restated
	HK$'000	*HK$'000*
Sales of wastewater treatment machines and related services	**673**	3,321
Sales of goods	**43,825**	13,117
Wastewater treatment services	**4,140**	5,295
Fertility medical treatment services	**3,078**	50,935
	51,716	72,668

5. OTHER INCOME

	2018	2017
	Unaudited	Restated
	HK$'000	*HK$'000*
Interest income on bank deposits	**195**	221
Gain on exchange difference	**1,031**	–
Others	**467**	160
	1,693	381

6. OTHER LOSSES, NET

	2018	2017
	Unaudited	Restated
	HK$'000	*HK$'000*
Reverse impairment of trade receivables	**2,491**	–
Write-off of property, plant and equipment	**(39,460)**	–
Write-off of trade receivables	**(912)**	(3,823)
Loss on investments at fair value through profit or loss	**–**	(28)
Gain on sale and leaseback of property, plant and equipment	**–**	228
Impairment loss on trade receivables	**–**	(12,567)
Write-off of trade receivables	**(69,985)**	–
Fair value change on a derivative financial asset	**–**	(3,141)
Others	**(40)**	(225)
	(107,906)	(19,556)

7. FINANCE COSTS

	2018	2017
	Unaudited	Restated
	HK$'000	*HK$'000*
Finance lease charges	–	29
Interest expenses on:		
– Bank borrowings	**266**	425
– Entrusted loan	**7,197**	7,033
– Unlisted straight bonds	**1,593**	1,594
–Convertible bonds	**7,162**	–
Total borrowing costs	**16,218**	9,081

8. INCOME TAX (CREDIT)/EXPENSES

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

	2018	2017
	Unaudited	Restated
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Provision for the year	–	6,032
Island of Saipan, Commonwealth of the Northern Mariana Islands Corporate Income Tax		
– Provision for the year	–	628
Mainland China Enterprise Income Tax		
– Over provision in prior years	–	–
Deferred tax	**(308)**	(2,196)
Income tax (credit)/expenses	**(308)**	4,464

No provision for Hong Kong profits tax has been made as the Group has no assessable profit arising in Hong Kong for the years ended 31 December 2018. 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.

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 2018 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.

9. DIVIDENDS

The Directors of the Company does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: HK$Nil).

10. 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:

	2018	2017
	Unaudited	Restated
	HK$'000	*HK$'000*
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	**(310,896)**	(64,379)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**3,650,359**	3,491,866

Basic and diluted loss per share for the years ended 31 December 2018 and 2017 were the same as the Company had no dilutive potential ordinary shares in issue during the years.

11. EVENT AFTER THE REPORT PERIOD

11.1 PFI Singapore under judicial management

On 22 February 2019, judicial managers were appointed upon an application filed in the High Court of Singapore by Acromec Engineers to place our subsidiary, Pacific Financial Institutes (Singapore) Pte Ltd ("PFI Singapore"), under judicial management. Acromec Engineers claimed that as at 1 February 2019, a balance of S$1,273,689.20 was due and owing to Acromec Engineers by PFI Singapore in relation to the renovation work provided by Acromec Engineers to the premises located at Royal Square Level 8, 103 Irrawaddy Road.

11.1 Two new long term loan facilities from third parties

As disclosed in Note 2.1(ii) and (iii), there were two new long term loan facilities from third parties granted to the Company with an aggregate amount of HK$54,000,000 on 27 March 2019.

POTENTIAL AUDIT QUALIFICATION ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 LIKELY TO BE ISSUED

ZHONGHUI ANDA CPA Limited informed us that they are in the process of finalising their audit and they are likely to express a qualified opinion on the audited consolidated financial statements of our Group for the financial year ended 31 December 2018, 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 2018, 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 2018, 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

1. ***Deconsolidation of the Pacific Fertility Institutes Holding Company Limited and its subsidiaries***

   Referring to the triggering events as disclosed in company's announcement dated 5 March 2019, Pacific Fertility Institutes Holding Company Limited and its subsidiaries ("PFI Cayman Group") should not be incorporated into the consolidated accounts of the Company for the year ended 31 December 2018. However, no objective audit evidence has been available for us to accurately verify the exact timing of this deconsolidation on any date of 2018 or 2019 resultant from the underlying inherent limitations to identify the exact date on the Company's lost of controlling voting power and/or operating control, in substance, on board of directors of PFI Cayman Group. The management of the Company, to their best estimate, considered the date of deconsolidation was from 1 January 2018, but due to the inherent limitation, no such objective verifiable evidence has been provided to satisfy ourselves as to whether the Company had lost control of PFI Cayman Group since 1 January 2018 or any dates afterwards more accurately appropriate.

2. ***Limited accounting books and records of subsidiary of Pacific Fertility Institutes (Singapore) Pte Ltd. ("PFI Singapore")***

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of PFI Singapore for the year ended 31 December 2018, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the year ended 31 December 2018 and the assets and liabilities as at this date, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been properly recorded and accounted for in the consolidated financial statements:

Income and expenses for the year ended 31 December 2018:

	2018 **Unaudited** ***HK$'000***
Revenue	**3,078**
Cost of sales	**(1,155)**
Gross profit	**1,923**
Other income	**30**
Administrative expenses	**(7,614)**
Write-off property, plant and equipment	**(39,460)**
Impairment loss on other receivables	**(4,486)**
Loss and total comprehensive expenses for the year	**(49,607)**

Asset and liability as at 31 December 2018:

	2018 Unaudited *HK$'000*
Current asset	
Trade and other receivables	**18**
Current liability	
Trade and other payables	**5,941**
Net current liabilities	**(5,923)**
Net liabilities	**(5,923)**

3. ***Impairment loss on other receivables***

The consolidated financial statements of the Group for the year ended 31 December 2017, which formed the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of the possible effects of the adequacy of the allowances made on certain other receivables as at 31 December 2017. Details of this qualified audit opinion are set out in the independent auditor's report dated 29 March 2018. In relation to the other receivables brought forward from prior years, the Group has recorded an impairment loss amounted to approximately HK$23,728,000 for the year ended 31 December 2018. We have not been provided with sufficient audit evidence as to whether the impairment loss should be recorded in the current year or prior year. However, we are satisfied that the other receivables are fairly stated as at 31 December 2018

Any adjustments to the figures as described from points 1 to 3 above might have consequential effects on the consolidated financial performance for the two years ended 31 December 2018 and 2017 and the consolidated financial positions of the Group as at 31 December 2018 and 2017, and the related disclosures thereof in the consolidated financial statements.

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$310,896,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group had net current liabilities of approximately HK$225,849,000. These conditions indicate a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

RESULTS

For the year ended 31 December 2018, the Group recorded a revenue of approximately HK$51,716,000 (2017: approximately HK$72,668,000), representing a decrease of about 28.83% compared to that of 2017. The Group's loss attributable to owners of the Company was approximately HK$310,896,000 (2017: approximately HK$64,379,000), representing an increase of about 382.92% as compared to that of 2017. Gross profit margin was approximately 18.8% as compared to 47.5% in last year.

BUSINESS REVIEW

For Wastewater treatment

Beijing Jingrui Kemai Water Purification Technology Co., Ltd. ("Jingrui"), the key subsidiary of the Group's environmental protection business, achieved a 74% growth in revenue in 2018 with orders of more than 61 million in municipal wastewater, black odor water treatment and industrial wastewater. Among them, there are 3 projects with a scale of 100,000 tons or above. One of the project is a 200,000 tons project for the enhanced denitrification project for Shaoxing Jiangbin Wastewater Treatment Plant, which is also the commercial project of magnetic coagulation of the largest industrial wastewater treatment plant in China. Up to now, Jingrui supplied more than 2.3 million tons of equipment processing capacity. Benefiting from technical maturity and market acceptance, Jingrui is the only author to set the national standard <Safety Technical Regulations for Operation and Maintenance of Equipment for Urban Wastewater Treatment> Magnetic Coagulation Technology in the People's Republic of China.

For Fertility medical

Since the acquisition of PFI Cayman, the fertility medical treatment services sector showed an ideal financial performance in 2017, which the Directors of the Company considered it was time to expand its investments in the fertility medical treatment services sector. Accordingly, starting from the beginning of 2018, the Group increased its borrowings to finance its increasing investment in the fertility medical treatment services sector. Unfortunately, due to the wrongdoings and / or misconduct of some of the Group's executives, instead of having better performance from the fertility medical treatment services sector in 2018, the revenue of this sector sharply decreased while suspect misappropriation of funds were found in this sector. Accordingly, the entire sector was running short of operating funds and a number of operations in this sector were at net liabilities situations. The Group had taken urgent measures, which includes the establishment of a steering committee to manage this sector instead of the original executives, an independent investigation committee to revisit all the transactions relating to this sector and engaged a team of professional consultants to advice the steering committee to take immediate and effective remedial measures to minimize the losses and recover those losses that have already occurred.

OUTLOOK

For Wastewater treatment

Thanks to the leadership of the People's Republic of China which placed environmental protection as one of the key initiatives of China, the wastewater treatment market continues to prosper. The Company's leading position in the core technology of magnetic concrete treatment is further strengthened by increasing its research and marketing capabilities. Further, with the cooperation with other technology companies, the focus is on the combination of magnetic coagulation technology and aerated biological filter technology, advanced oxidation technology and denitrification deep bed technology. The wastewater treatment business is expected to continue to maintain double-digit high growth.

For Fertility medical

In 2018, although the Group faced enormous challenges and suffered setbacks in the fertility medical treatment services sector, it has taken active measures. In the future, the Group will review the lessons learned from investment errors in this medical field, reduce losses by revitalizing existing medical assets, liquidating unprofitable assets, and prosecuting compensation for persons who may be involved in violations or malfeasance through civil litigation. For the Beijing INNOMED Women's and Children's Hospital, which is still held by the Group, it will introduce new partners, and through long-term cooperation with powerful institutions, joint professional medical industry funds, professional medical investment institutions and medical management groups to seek equity restructuring to achieve realizing assets or increasing the value of equity to compensate for the losses previously caused in the medical field, and to expand and realize the increase in the value of equity in medical projects.

CONCLUSION

Based on the rapid growth of the Group's traditional environmental protection business, more resources will be invested in environmentally-friendly and related industries with strong growth and profitability in the future. The Group is also actively exploring with domestic business partners including China Daisy Asset Management Co., Ltd. and other well-known domestic investment institutions that are optimistic about the future development of the Group, and expanding cooperation and investment in environmental protection and related industries in a more comprehensive and flexible manner. At the same time, the Group continues to pay attention to opportunities in various segments of the environmental protection market, focusing on active research and participation in hotspots such as environmentally friendly new materials, solid waste treatment, smart water, environmental big data, and environmental protection industrial parks, through in-depth cooperation with intent investment institutions. Expand the market share of environmental protection business by means of cooperative alliances and mergers and acquisitions.

EMOLUMENT POLICY

As at 31 December 2018, the Group had 61 employees (2017: 96 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 2018, the total cash and bank balances of the Group were approximately HK$4,975,000 (2017: approximately HK$83,379,000). The cash and bank balances consisted of about 11.5% in Hong Kong dollars, 62.2% in Renminbi, 0.1% in US dollars and 26.2% Singapore dollars.

As at 31 December 2018, the Group had total assets of approximately HK$147,770,000 (2017: approximately HK$412,314,000) and total liabilities of approximately HK$357,105,000 (2017: approximately HK$287,772,000). As at 31 December 2018, the current ratio was 0.27 (2017: 0.83), calculated on the basis of current assets of approximately HK$82,143,000 (2017: approximately HK$208,137,000) over current liabilities of approximately HK$307,992,000 (2017: approximately HK$251,992,000).

The Group's borrowings amounted to approximately HK$125,791,000 (2017: approximately HK$88,321,000). The Group's borrowings are denominated in Renminbi, Hong Kong dollars and United Stated dollars, bearing fixed interest rates / coupon rate. The Group's gearing ratio, being the ratio of the total debts to total assets, was 85.13% (2017: 21.42%).

Charge on assets

As at 31 December 2018 the restricted deposit of the Group amounting to approximately HK$343,000 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 2018 and 2017.

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 2018, 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 PRELIMINARY ANNUAL RESULTS

This preliminary 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

AUDIT COMMITTEE

The audit committee of the Company has discussed with the independent auditor of the Company, Messrs. ZHONGHUI ANDA CPA Limited, regarding the audit status and understands that 1) the auditors are going through their final review of key evidences received few days ago; and 2) the auditors is expected to complete their work before the end of April. The audit committee has reviewed the Group's annual preliminary results for the year ended 31 December 2018, including the accounting principles and practices adopted by the Group.

The audit committee is of the opinion that the Group's preliminary 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 preliminary annual results for the year ended 31 December 2018.

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

Hong Kong, 12 April 2019

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