CETH

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 MARCH 2011

FINANCIAL AND OPERATION HIGHLIGHTS

	2010/11	2009/10	Percentage Change
	HK$'000	*HK$'000*	*%*
Turnover	**158,709**	147,311	7.74
(Loss)/profit attributable to owners of the Company	**(43,677)**	3,740	—
(Loss)/earnings per share	**(HK1.90 cents)**	HK0.17 cents	—

The board (the "Board") of directors (the "Directors") of China Environmental Technology Holdings Limited (the "Company") would announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011, together with the comparative figures for 2010. The financial information set out in this announcement below does not constitute the Group's statutory financial statements for the year ended 31 March 2011, but represents an extract from those financial statements. The financial information has been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Turnover	3	**158,709**	147,311
Cost of sales		**(126,908)**	(108,729)
Gross profit		**31,801**	38,582
Other revenue	5(a)	**2,290**	1,130
Other net (loss)/income	5(b)	**(9,341)**	5,891
Distribution costs		**(9,025)**	(11,246)
Administrative expenses		**(65,290)**	(31,896)
Net surplus on revaluation of leasehold land and buildings		**—**	739
Valuation gain on investment properties		**5,860**	4,040
Gain on a bargain purchase of subsidiaries		**1,171**	—
(LOSS)/PROFIT FROM OPERATIONS		**(42,534)**	7,240
Finance costs	6(a)	**(226)**	(262)
(LOSS)/PROFIT BEFORE TAXATION	6	**(42,760)**	6,978
Income tax	7	**(917)**	(3,238)
(LOSS)/PROFIT FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(43,677)**	3,740
(LOSS)/EARNINGS PER SHARE *(HK cents)*	9		
— Basic		**(1.90 cents)**	0.17 cents
— Diluted		**(1.90 cents)**	0.17 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(43,677)**	3,740
Other comprehensive income for the year		
Exchange differences on translation of financial statements of PRC subsidiaries	**6,107**	260
Realisation of exchange differences transferred to profit or loss upon disposal of a subsidiary	**21**	—
Revaluation surplus on leasehold land and buildings	**5,532**	3,195
Total other comprehensive income, net of tax	**11,660**	3,455
Total comprehensive (loss)/income for the year	**(32,017)**	7,195

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Note	**31/3/2011** **HK$'000**	31/3/2010 *HK$'000* (Restated)	1/4/2009 *HK$'000* (Restated)
NON-CURRENT ASSETS				
Interest in leasehold land held for own use under operating leases		**426**	1,075	1,090
Property, plant and equipment		**21,896**	31,538	47,618
Investment properties		**51,800**	28,630	5,890
Operating concessions		**117,759**	—	—
Intangible assets		**61,179**	—	—
Goodwill		—	—	—
Interest in jointly controlled entities		—	—	—
Deferred tax assets		—	—	242
		253,060	61,243	54,840
CURRENT ASSETS				
Trading securities		**16,888**	32,203	26,385
Inventories		**11,624**	8,196	22,314
Trade and other receivables	10	**70,912**	56,519	79,987
Current tax recoverable		**341**	105	105
Pledged bank deposits		**202**	381	11,717
Cash and cash equivalents		**104,965**	102,079	119,230
		204,932	199,483	259,738
CURRENT LIABILITIES				
Trade and other payables	11	**83,437**	53,679	116,695
Bank loans and overdrafts		**22,175**	3,883	6,114
Obligations under finance leases		—	—	396
Current tax payable		**1,171**	2,358	256
Provision for warranty		**1,465**	1,874	692
		108,248	61,794	124,153
NET CURRENT ASSETS		**96,684**	137,689	135,585
TOTAL ASSETS LESS CURRENT LIABILITIES		**349,744**	198,932	190,425
NON-CURRENT LIABILITIES				
Bank loans and overdrafts		**23,324**	—	—
Obligations under finance leases		—	—	66
Deferred tax liabilities		**36,254**	3,299	2,450
Provision for warranty		**514**	529	—
		60,092	3,828	2,516
NET ASSETS		**289,652**	195,104	187,909
CAPITAL AND RESERVES				
Share capital		**60,775**	55,825	55,825
Share premium and reserves		**228,877**	139,279	132,084
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**289,652**	195,104	187,909

NOTES

For the year ended 31 March 2011

1. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investment in equity securities ;

— leasehold land and buildings; and

— investment properties.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (revised 2008)	Business combinations
HKAS 27 (revised 2008)	Consolidated and separate financial statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement — eligible hedged items
HK(IFRIC) Int 17	Distributions of non-cash assets to owners
HK(Int) 5	Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (revised 2008), Business combinations

As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 April 2010 will be recognised in accordance with the requirements under HKFRS 3 (revised 2008). Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. Consequently, the goodwill recognised in respect of the acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the recognised amount of the identifiable net assets of the acquiree.

- HKFRS 3 (revised 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date. Subsequent adjustments, if any, to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (revised 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, with those costs being recognised as an expense in profit or loss as incurred. Previously, they were accounted for as part of the cost of the acquisition.

HKFRS 3 (revised 2008) requires that where the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

HKFRS 3 (revised 2008), Business combinations

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying amounts of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

For acquisitions effected during the year ended 31 March 2011, the following disclosure shall, where applicable, be applied.

In the current year, the application of HKFRS 3 (revised 2008) has affected the business combination of Fanhe Water Group as follows:

	HK$'000
Consolidated statement of comprehensive income	
Acquisition-related costs expensed	2,189
Gain on a bargain purchase of subsidiaries	(1,171)
Increase in loss for the year as a result of the application of HKFRS 3 (revised 2008)	1,018

	HK$'000
Consolidated statement of financial position	
Goodwill that would have been recorded before the application of HKFRS 3 (revised 2008)	1,018
Decrease in net assets as a result of the application of HKFRS 3 (revised 2008)	1,018

Amendments to HKAS 17 Leases, as part of Improvements to HKFRSs issued in 2009

HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as interest in leasehold land held for own use under operating leases in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively.

The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5, Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK (Int) 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK (Int) 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK (Int) 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK (Int) 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$3,550,000 and HK$3,883,000 have been reclassified from non-current liabilities to current liabilities as at 31 March 2010 and 1 April 2009 respectively. As at 31 March 2011, bank loans that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause with an aggregate carrying amount of HK$9,395,000 have been classified as current liabilities. The application of HK (Int) 5 has had no impact on the reported profit or loss for the current and prior years.

The effect of adoption of Hong Kong Interpretation 5 is as follows:

	31/3/2011	31/3/2010	1/4/2009
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Increase in secured bank loans	**9,395**	3,550	3,883
Non-current liabilities			
Decrease in secured bank loans	**(9,395)**	(3,550)	(3,883)

Such bank loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contractual maturities.

Summary of the effects of the above changes in accounting policies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

i) Results

The effects of changes in accounting policies described above on the results for the current and prior year by line items are as follows:

	2011	2010
	HK$'000	*HK$'000*
Increase in administrative expenses	**2,189**	—
Gain on a bargain purchase of subsidiaries	**(1,171)**	—
Increase in loss for the year	**1,018**	—

ii) Financial position

The effects of the above changes in accounting policies on the financial position of the Group as at 1 April 2009 and 31 March 2010 are as follows:

	As at 31/3/2010 (originally stated) *HK$'000*	**Adjustments** *HK$'000*	**As at 31/3/2010 (restated)** *HK$'000*	**As at 1/4/2009 (originally stated)** *HK$'000*	**Adjustments** *HK$'000*	**As at 1/4/2009 (restated)** *HK$'000*
Current liabilities —						
Bank loans and overdrafts	333	3,550	3,883	2,231	3,883	6,114
Non-current liabilities —						
Bank loans and overdrafts	3,550	(3,550)	—	3,883	(3,883)	—
Total effects on net assets	—	—	—	—	—	—
Total effects on equity	—	—	—	—	—	—

3. TURNOVER

The principal activities of the Group are trading of vehicles, machinery, equipment, spare parts, provision of engineering services and provision of sewage treatment and construction services.

Turnover represents the sales value of goods supplied to customers, sewage treatment and construction service income, engineering service income and commission income. The amount of each significant category of revenue recognised in turnover during the year is as follows.

	2011 *HK$'000*	2010 *HK$'000*
Sales of goods	**87,642**	131,512
Construction of sewage treatment plants	**43,117**	—
Sewage treatment services	**17,652**	—
Engineering service income	**9,646**	11,923
Commission income	**652**	3,876
	158,709	147,311

4. SEGMENT REPORTING

The Group manages its business by division which is organised from the product perspective.

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the board of directors, being the chief operating decision-makers ("CODM") for the purposes of resource allocation and performance assessment. The Group has presented the following six reportable segments, no reportable operating segment has been aggregated to/from following reporting segments:

1) Aviation, metro and railway equipment

This segment derives its revenue from sales of train and track maintenance equipment and airport ground support equipment.

2) Vehicles and spare parts

This segment derives its revenue from sales of coaches, trucks and spare parts of bus.

3) Dredging equipment

This segment derives its revenue from sales of components of dredging equipment.

4) Provision of engineering services

This segment provides warranty and maintenance services and after-sales services.

5) Sewage treatment and construction services

This segment engages in the provision of sewage treatment plants construction and operation services on a Build-Operate-Transfer ("BOT") basis.

6) Sewage treatment equipment trading

This segment engages in the trading of sewage treatment facilities and machinery and provision for related services.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as 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, investment income and finance costs. This is the measure reported to the CODM for purposes of resource allocation and performance assessment. Taxation charge/(credit) is not allocated to reportable segment.

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 amortization 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 income statement.

All assets are allocated to reportable segments other than tax recoverable, trading securities, club membership 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.

An analysis of the Group's reportable segment is reported below.

	Aviation, metro and railway equipment		Vehicles and spare parts		Dredging equipment		Provision of engineering services		Sewage treatment and construction services		Sewage treatment equipment trading		Others		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue																
Revenue from external customers	**63,805**	75,066	**14,228**	36,232	**10,262**	24,258	**9,645**	11,755	**60,769**	—	**—**	—	**—**	—	**158,709**	147,311
Reportable segment (loss)/profit before taxation	**(12,372)**	(1,432)	**(1,940)**	(2,665)	**(351)**	1,815	**(427)**	1,548	**12,570**	—	**(3,491)**	—	**—**	(304)	**(6,011)**	(1,038)
Interest income	**13**	74	**5**	9	**1**	—	**—**	5	**97**	—	**2**	—	**—**	1	**118**	89
Finance costs	**60**	51	**—**	—	**—**	16	**—**	—	**1**	—	**—**	—	**—**	—	**61**	67
Depreciation and amortisation	**1,470**	1,571	**13**	12	**7**	7	**105**	204	**2,386**	—	**1,958**	—	**—**	—	**5,939**	1,794
(Reversal of write-down)/ write-down of inventories	**(506)**	(1,136)	**(1,363)**	1,615	**10**	342	**—**	971	**—**	—	**—**	—	**—**	—	**(1,859)**	1,792
(Reversal of impairment loss)/ impairment loss on																
— Trade receivables	**6,685**	(174)	**—**	353	**—**	—	**—**	(3)	**—**	—	**—**	—	**—**	—	**6,685**	176
— Retention receivables	**6,362**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**6,362**	—
Reportable segment assets	**135,193**	109,616	**6,556**	24,149	**6,104**	2,936	**2,011**	8,705	**190,992**	—	**76,373**	—	**—**	—	**417,229**	145,406
Additions to non-current assets (other than financial assets and deferred tax assets)	**—**	18	**31**	69	**—**	—	**—**	1	**117,142**	—	**60,488**	—	**—**	—	**177,661**	88
Reportable segment liabilities	**49,217**	37,059	**4,833**	11,916	**4,263**	1,843	**2,438**	3,052	**44,146**	—	**4,934**	—	**—**	—	**109,831**	53,870

Note: There were no inter-segment sales in both years.

b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other items

	2011 *HK$'000*	2010 *HK$'000*
Profit/(loss)		
Reportable segments' loss	**(6,011)**	(1,038)
Other revenue and other net (loss)/income	**(9,844)**	10,923
Depreciation and amortisation	**(1,420)**	(1,634)
Finance costs	**(165)**	(195)
Gain on a bargain purchase of subsidiaries	**1,171**	—
Valuation gain on investment properties	**5,860**	4,040
Net surplus on revaluation of leasehold land and buildings	**—**	739
Unallocated head office and corporate expenses	**(32,351)**	(5,857)
Consolidated (loss)/profit before taxation	**(42,760)**	6,978
Assets		
Reportable segments' assets	**417,229**	145,406
Unallocated		
— current tax recoverable	**341**	105
— trading securities	**16,888**	32,203
— cash and cash equivalents	**10,918**	69,385
— corporate assets	**12,616**	13,627
Consolidated total assets	**457,992**	260,726
Liabilities		
Reportable segments' liabilities	**109,831**	53,870
Unallocated		
— current tax payable	**1,171**	2,358
— deferred tax liabilities	**36,254**	3,299
— bank loans and overdrafts	**9,799**	3,883
— corporate liabilities	**11,285**	2,212
Consolidated total liabilities	**168,340**	65,622

Other items

	Aviation metro and railway equipment		Vehicles and spare parts		Dredging equipment		Provision of engineering services		Sewage treatment and construction services		Sewage treatment equipment trading		Others		Unallocated		Consolidated	
	2011 ***HK$'000***	2010 *HK$'000*	**2011** ***HK$'000***	2010 *HK$'000*	**2011** ***HK$'000***	2010 *HK$'000*	**2011** ***HK$'000***	2010 *HK$'000*	**2011** ***HK$'000***	2010 *HK$'000*	**2011** ***HK$'000***	2010 *HK$'000*	**2011** ***HK$'000***	2010 *HK$'000*	**2011** ***HK$'000***	2010 *HK$'000*	**2011** ***HK$'000***	2010 *HK$'000*
Interest income	**13**	74	**5**	9	**1**	—	**—**	5	**97**	—	**2**	—	**—**	1	**21**	13	**139**	102
Finance costs	**60**	51	**—**	—	**—**	16	**—**	—	**1**	—	**—**	—	**—**	—	**165**	195	**226**	262
Depreciation and amortisation	**1,470**	1,571	**13**	12	**7**	7	**105**	204	**2,386**	—	**1,958**	—	**—**	—	**1,420**	1,634	**7,359**	3,428
Additions to non-current assets (other than financial assets and deferred tax assets)	**—**	18	**31**	69	**—**	—	**—**	1	**117,142**	—	**60,488**	—	**—**	—	**4,881**	1,140	**182,542**	1,228

c) **Revenue from major product and services**

The following is an analysis of the Group's revenue from its major products and services:

	2011	2010
	HK$'000	*HK$'000*
Railway equipment	**63,152**	71,191
Dredging equipment	**10,262**	24,258
Vehicles parts	**13,073**	22,483
Coaches	**1,155**	13,690
Sewage treatment plant construction services	**43,117**	—
Warranty maintenance and after-sales services	**10,298**	15,689
Operation of sewage treatment plant services	**17,652**	—
	158,709	147,311

d) **Geographical information**

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers is refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include interest in leasehold land held for own use under operating leases, property, plant and equipment, investment properties, operating concessions, intangible assets and goodwill. The geographical location of interest in leasehold land held for own use under operating leases, investment properties and property, plant and equipment is based on the physical location of the asset under consideration. In the case of operating concessions, intangible assets and goodwill, it is based on the location of operation to which these intangibles are allocated. In the case of interest in jointly controlled entities, it is the location of operations of such jointly controlled entities.

	Revenues from external customers		**Non-current assets**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**11,000**	29,759	**27,645**	40,935
Mainland China	**136,413**	91,721	**225,415**	20,308
Europe	**11,296**	25,831	**—**	—
	158,709	147,311	**253,060**	61,243

e) **Information about major customers**

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

	2011	2010
	HK$'000	*HK$'000*
Customer A — revenue from sewage treatment and construction services — PRC	**60,769**	—
Customer B — revenue from railway equipment — USA	**54,644**	—
Customer C — revenue from dredging equipment — Europe	**—***Note*	25,737
Customer D — revenue from railway equipment — PRC	**—***Note*	28,125
Customer E — revenue from metro equipment — PRC	**—**	25,492

Note:

The revenue from customer C and D was less than 10% of the Group's revenue for the year ended 31 March 2011.

5. OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2011	2010
	HK$'000	*HK$'000*
(a) Other revenue		
Interest income on bank deposits	**139**	102
Total interest income on financial assets not at fair value through profit or loss	**139**	102
Gross rental income from investment properties	**1,121**	590
Dividend income from listed securities	**—**	2
Others	**1,030**	436
	2,290	1,130
(b) Other net (loss)/income		
Reversal of impairment loss on trade receivables	**—**	267
Net exchange gain/(loss)	**292**	(424)
Net loss on disposal of property, plant and equipment	**(269)**	(34)
Net gain on sale of trading securities	**267**	175
Write back of trade payables	**1,299**	—
Net unrealised (loss)/gain on trading securities carried at fair value	**(10,930)**	5,907
	(9,341)	5,891

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting) the following:

	2011	2010
	HK$'000	*HK$'000*
a) Finance costs *(note)*		
Interest on bank borrowings wholly repayable within five years	**878**	98
Interest on bank borrowings not wholly repayable within five years	**—**	102
Finance charges on obligations under finance leases	**—**	62
Total interest expenses on financial liabilities not at fair value through profit or loss	**878**	262
Less: interest included in cost of construction contracts	**(652)**	—
	226	262

Note:

The amount of finance costs includes bank loans which contain a repayment on demand clause in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the years ended 31 March 2011 and 2010, interest on bank borrowings which contain a repayment on demand clause amounted to HK$165,000 and HK$102,000 respectively.

	2011	2010
	HK$'000	*HK$'000*
b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**24,603**	24,369
Equity settled share-based payments	**5,420**	—
Contributions to defined contribution retirement plans	**977**	884
	31,000	25,253

	2011	2010
	HK$'000	*HK$'000*
c) Other items		
Amortisation of operating concessions*	**2,275**	—
Amortisation of intangible assets*	**1,934**	—
Amortisation of interest in leasehold land held for own use under operating leases	**25**	24
Cost of inventories	**77,111**	96,674
Cost of construction contracts#	**38,512**	—
Cost of sewage treatment services rendered	**4,404**	—
Depreciation		
— assets held for own use under finance leases	**—**	354
— other assets	**3,125**	3,050
(Decrease)/increase in provision for warranty	**(424)**	1,711
Equity settled share-based payment expenses for consultants and other qualified participants	**3,332**	—
Impairment loss on trade receivables	**6,685**	443
Impairment loss on retentions receivable	**6,362**	—
Auditors' remuneration		
— audit services	**1,334**	911
— other services	**50**	40
Operating lease charges in respect of properties:		
— minimum lease payments	**4,049**	2,758
Gross rental income from investment properties	**(1,121)**	(590)
Direct operating expenses arising from		
— investment properties that generated rental income	**82**	13
— investment properties that did not generate rental income	**17**	23
	99	36

* The amortization of operating concessions and intangible assets are included in "Cost of sales" on the face of the consolidated income statement.

\# Cost of construction contracts includes HK$652,000 relating to finance costs, which amount is also included in the total amount disclosed in note 6(a) above.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

	2011	2010
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax	**—**	721
PRC enterprise income tax	**1,226**	2,294
	1,226	3,015
Under-provision in respect of prior years		
Hong Kong profits tax	**106**	—
	1,332	3,015
Deferred tax		
Current year	**(415)**	223
Total	**917**	3,238

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the year ended 31 March 2011. Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the year ended 31 March 2010.

The PRC Enterprise Income Tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of the PRC, Fanhe (Hulu Island) Water Investment Co., Ltd. ("Fanhe Hulu"), a wholly-owned subsidiary of the Company, enjoys PRC Enterprise Income Tax exemptions and reductions, by reason that Fanhe Hulu is engaged in the operations of sewage treatment.

Yardway Logistics Equipment (Zhuhai) Company Limited ("Yardway Zhuhai") is a foreign investment enterprise entitled to exemption from PRC Enterprise Income Tax for two years starting from the first profit-making year, followed by 50% relief for the three years thereafter. Yardway Zhuhai is subject to a preferential tax rate of 20%, 22% and 24% for the calendar years of 2009, 2010 and 2011, respectively, and at a tax rate of 25% starting from calendar years of 2012.

Except for Yardway Zhuhai and Fanhe Hulu, the provision for PRC Enterprise Income Tax for the Company's subsidiaries in the PRC is based on PRC Enterprise Income Tax rate at 25% of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

Deferred tax liabilities of HK$1,223,000 (2010: HK$184,000) have not been recognised as at 31 March 2011, as the Company controls the dividend policy of the subsidiaries in mainland China and it has been determined that it is probable that certain of the profits earned by the Group's subsidiaries in mainland China since 1 January 2008 will not be distributed in the foreseeable future.

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2011 (2010: HK$Nil).

9. (LOSS)/EARNINGS PER SHARE

a) Basic (loss)/earnings per share

The calculation of the basis (loss)/earnings per share is based on the loss attributable to owners of the Company of HK$43,677,000 (2010: profit of HK$3,740,000) and the weighted average number of 2,297,409,000 ordinary shares (2010: 2,232,992,000 ordinary shares) in issue during the year. The weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share for the year ended 31 March 2010 has accounted for the share sub-division which was effective from 2 March 2010.

b) Diluted (loss)/earnings per share

Diluted loss per share equals to the basic loss per share for the year ended 31 March 2011 as the Company did not take into account for the effect of share options granted during the year ended 31 March 2011 since this would result in a decrease in loss per share.

Diluted earnings per share equals to the basic earning per share as there were no potential dilutive ordinary shares outstanding for the year ended 31 March 2010.

c) Impact of changes in accounting policies

Changes in the Group's accounting policies during the year are described in detail in note 2. The table below summarises that impact on both basic and diluted (loss)/earnings per share.

	(Increase)/decrease in loss for the year		**(Increase)/decrease in basic loss per share**		**(Increase)/decrease in diluted loss per share**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK cents per share***	*HK cents per share*	***HK cents per share***	*HK cents per share*
Changes in accounting policies relating to:						
Business combinations						
— acquisition-related costs expensed	**(2,189)**	—	**(0.10)**	—	**(0.10)**	—
— gain on a bargain purchase of subsidiaries	**1,171**	—	**0.05**	—	**0.05**	—
	(1,018)	—	**(0.05)**	—	**(0.05)**	—

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Group included trade receivables, retentions receivable, amount due from a jointly controlled entity, prepayments and deposits and other receivables.

Trade receivables are net of allowance for bad and doubtful debts of HK$9,320,000 (2010: HK$2,612,000) with the following ageing analysis as at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
Current	**8,783**	20,616
1 to 3 months past due	**7,185**	6,112
More than 3 months but less than 12 months past due	**22,864**	2,952
More than 12 months past due	**188**	59
	39,020	29,739

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

11. TRADE AND OTHER PAYABLES

Trade and other payables of the Group included trade payables, sales deposits received, amount due to a related company and other payables and accruals.

The following is an age analysis of the trade and bills payables as at the end of the reporting period.

	2011	2010
	HK$'000	*HK$'000*
Due within 1 month or on demand	**45,637**	21,710
Due after 1 month but within 3 months	**588**	2,831
Due after 3 months but within 6 months	**—**	7
Due after 6 months but within 1 year	**—**	3,917
Due after 1 year	**—**	349
	46,225	28,814
Bills payable	**—**	2,207
Retentions payable	**5,976**	3,627
	52,201	34,648

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the announcement of the Group's results for the year ended 31 March 2011 have been agreed by the Group's auditor, CCIF CPA Limited to the amounts set out in the Group's audited financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will for the purpose of ascertaining right of shareholders to attend and vote at the forthcoming annual general meeting be closed from Friday, 5 August 2011 to Monday, 8 August 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on Monday, 8 August 2011, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4: 00 p.m. on Thursday, 4 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 March 2011, the Group recorded a turnover of approximately HK$158,709,000 (2010: HK$147,311,000), representing an increase of about 7.7% compared to that of 2010. The Group's loss attributable to owners of the Company of approximately HK$43,677,000 (2010: profit of HK$3,740,000). Gross profit margin was approximately 20.0% as compared to 26.2% in last year.

Business Review

During the year under review, the Group shifted its business strategy and began a new line of business of developing environmental technology in relation to waste water processing.

In April 2010, the Group through business combination purchased 100% equity interest in Fanhe (Beijing) Water Investment Co., Ltd and its subsidiary ("Fanhe Water Group") and started engaging in sewage treatment business in Mainland China pursuant to a Build-Operate-Transfer contract ("BOT contract"). The Group has since the acquisition recorded HK$8,000,000 profit from sewage treatment operation for the year.

In January 2011, the Group purchased patents through acquisition of 100% equity interest in Power Score Limited and its subsidiaries ("Power Score Group"). The relevant patents are technologies which are instrumental to the sewage treatment business the Group planned to carry on.

The increase in administrative expenses was mainly due to the increase of HK$22,000,000 from provision of bad and doubtful debts on trade receivables, the cost of share-based payment. The amortisation of intangible assets and operating concessions totalling HK$4,200,000 relating to the acquisitions during the year was included in the cost of sales. Included in the other net loss was an unrealised loss on trading securities of HK$11,000,000 (2010: gain of HK$6,000,000).

Prospects

At the beginning of the year, the No.1 Document of the CPC Central Committee introduced "The Implementation of the Most Stringent Water Resources Management System". The document, together with a series of documents relating to water resources management system (including "Implementing the most stringent water resources management system") prepared by the Ministry of Water Resources will constitute the system of most stringent water resources management in China.

The environmental protection industry is generally cross-industry, multi-disciplinary and cross-region, and is an integrated emerging industry that mutually interacts and penetrates with other economic sectors. In 2010, the State Council issued "The Decision on Speeding up the Cultivation and Development of Strategic Emerging Industries". Under such document, the environmental protection industry is ranked first among various strategic emerging industries, which clearly indicates the main line of investment in the next five years. The establishment of national strategic emerging industries brings forward the development of the environmental services industry and fully reflects the government's policy concern for the environmental services industry.

In April, 2011, the Ministry of Environmental Protection issued "Guiding Opinions of the Environmental Protection System on Further Promoting the Development of Environmental Protection Industry in Environmental Protection System" Huan Fa [2011] No. 36 (hereinafter referred to as "Opinions"), The Opinions put emphasis on "enhancing development of 'total package' of environmental services, specialized operational services, consulting services and engineering services". Concurrently, the Ministry of Water Resources highly stressed that it will greatly promote the construction of environmental services system as well as the industrialization of environmental protection needs in future. Some experts believe that it is an important guidance of the development of environmental protection industry in next decade, and its market influence will be comparable to that of "Guiding Opinions of the Ministry of Construction on Liberalization of Public Utilities Sector" issued by the Ministry of Construction in 2002.

Drainage system and sewage treatment in medium and small towns have gradually been becoming the "shortcomings" of the urban sewage treatment sector. During the 12th five-year plan period, the country accords great importance to the drainage system and sewage treatment in medium and small towns. However, there still exist various sewage treatment problems in medium and small towns, such as absence of sewage treatment facilities, incomplete pipelines network and lack of economic foundation and industry input.

It is expected that, during the period from 2010 to 2015, the investment demand of the urban water supply sector and the sewage treatment sector will be RMB220 billion and RMB700 billion, respectively. In addition to "The 12th Five-Year Construction Plan of The National Urban Sewage Treatment and Recycling Facilities" and "The 12th Five-Year Water Pollution Prevention Plan", the water sector, as a sub-sector of the energy saving and environmental protection industry, is included in "Development Plan of Strategic Emerging Industries" and "The 12th Five-Year Environmental Protection Program" which are being developed by the relevant departments. This series of policies are expected to give long-term favorable influence to the water sector.

The Group was originally engaged in sales of vehicles, machinery, equipment, spare parts and providing engineering services. Through the acquisition of Hulu Island BOT sewage treatment project (葫蘆島BOT污水處理項目) and Beijing Jingrui Kemai Water Technology Co,. Ltd (北京精瑞科邁淨水技術有限公司), the Group successfully entered into the sector of environmental protection. Its principal business has also been expanded to the integration of environmental protection technology and equipment systems, provision of engineering services for urban sewage treatment and licensing of the use of relevant environmental protection technologies.

By using its own sewage treatment and related core technologies and targeting on urban sewage treatment industry chain, the Company is committed to becoming a leading integrator and operator in the world of magnetic separation sewage treatment technology research and development, equipment systems integration and engineering services, as well as the optimal provider of urban and rural environment comprehensive management services through continuous technological innovation.

Employees and Remuneration Policy

As at 31 March 2011, the Group had 182 employees (2010: 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

The Group continued to maintain a stable financial position. As at 31 March 2011, cash and bank balances including pledged fixed deposits of the Group were HK$105,167,000 (2010: HK$102,460,000). The cash and bank balances consisted of about 9.6% in Hong Kong dollars, 15.9% in US dollars, 73.9% in Renminbi, 0.4% in Euro, and 0.2% in other currencies.

As at 31 March 2011, the Group had total assets of HK$457,992,000 (2010: HK$260,726,000) and total liabilities of HK$168,340,000 (2010: HK$65,622,000). As at 31 March 2011, the current ratio was 1.89 (2010: 3.23), calculated on the basis of current assets of HK$204,932,000 (2010: HK$199,483,000) over current liabilities of HK$108,248,000 (2010: HK$61,794,000).

The Group's bank borrowings amounted to HK$45,499,000 (2010: HK$3,883,000). The Group's borrowings, denominated in Hong Kong dollars and Renminbi, mainly comprise mortgage loans bearing floating interest rates and bank loan pledged on concession right bearing fixed interest rates. The Group's gearing ratio, being the ratio of the total borrowings to total assets, was 9.9% (2010: 1.5%).

Charge on assets

As at 31 March 2011, the Group's investment property with carrying value amounting to HK$25,800,000 (2010: HK$20,000,000), bank deposits of HK$202,000 (2010: HK$381,000) and the sewage treatment concession right of HK$117,759,000 (2010: HK$Nil) were pledged with banks to secure banking facilities granted to the Group.

Business Combination

On 9 April 2010, the Company entered into an agreement for purchase of 100% equity interest in Fanhe (Beijing) Water Investment Co., Ltd ("Fanhe Water") and its subsidiary ("Fanhe Water Group") at a total consideration of HK$55,000,000. Fanhe Water is an investment holding company and its subsidiary, Fanhe (Hulu Island) Water Investment Co., Ltd. ("Fanhe Hulu"), is engaged in sewage treatment business in mainland China pursuant to a formal Build-Operate-Transfer contract ("BOT contract") dated 23 April 2010. Under the BOT contract, Fanhe Hulu was granted the concessionary operating rights for a period of 30 years from April 2010 to March 2040 in respect of a waste water processing project ("BOT Project") in Hulu Island City. Under the BOT Contract, Fanhe Hulu is also required to make commitment in the BOT Project which involves in expansion and upgrading of the effluent standard of the Waste Water Processing Project. In consideration for constructing, operating and maintaining the BOT Project and providing sewage treatment services, Fanhe Hulu is entitled to receive sewage treatment fees from the Finance Bureau of Hulu Island City. The acquisition was completed on 27 April 2010.

At the expiration of the concession period, Fanhe Hulu is required to hand over all the assets belonging to the Waste Water Processing Project to Hulu Island City Sewage Processing Co., Ltd., the grantor of the BOT Project.

The Group is of the view that the population in Mainland China is expected to grow, current water shortages may be exacerbated. To address water shortages and natural water resource pollution attributable to rapid growth in population, urbanization and industrialization in mainland China, the PRC government has been promulgating stricter environmental standards and invested significantly in water treatment projects to promote sustainable economic growth. The Group believes that the demand for water treatment infrastructure is expected to experience rapid growth.

Purchase of Certain Patent and Patent Applications through Acquisition of Subsidiaries

On 9 November 2010, the Company entered into a sale and purchase agreement with 2 vendors to purchase 100% equity interest in Power Score Limited and its subsidiaries ("Power Score Group"). Power Score Group holds a registered patent and patent application in respect of water purification technology.

The Group takes the view that the acquisition of Power Score Group will allow the Group to use the patents, which will enable the Group to have a solid technology foundation to capture the rapid growth of water purification business in the PRC.

Letter of Intent

On 22 November 2010, the Company entered into a non-legally binding letter of intent ("Letter of Intent") with Beijing Capital (Hong Kong) Limited ("Beijing Capital (Hong Kong)"), containing, inter alia, the parties' intention to discuss on the proposed establishment of a joint-venture company ("JV Company") in the People's Republic of China ("PRC").

Established in 2004, Beijing Capital (Hong Kong) is a company incorporated in Hong Kong with limited liabilities and is a wholly-owned subsidiary of Beijing Capital Co., Ltd. (首創股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600008). Beijing Capital (Hong Kong) is principally engaged in the investment and financing businesses related to water treatment and environmental protection, value-added chain business and international cooperation business.

With the combined resources advantages of Beijing Capital (Hong Kong) and its parent company and the characteristics of technologies level of the Company and its subsidiaries, and under the market demand for and development trend of water treatment industry in the PRC, it is expected that the JV Company is capable of integrating the resources and technologies of both parties and maximizing their abilities and advantages, so as to establish the JV Company whose principal business activities shall include sales and provision of technology promotion and consultation services relating to magnetic isolation water treatment equipment (磁分離移動水處理設備) and highly-magnetic soil water treatment equipment (磁高泥水處理設備). It is expected that the JV Company can meet the market demand for urban and rural sewage treatment, water treatment for natural water such as lakes and rivers, urban landscape water treatment, upgrading and reconstruction of urban sewage treatment into emergency water and high-phosphates industrial wastewater treatment in a number of provinces/regions in the PRC.

Framework Agreement

On 18 April 2011, the Company entered into a non-legally binding framework agreement (the "Framework Agreement") with an independent third party, the management committee (the "Management Committee") of Chanba ecological zone (滻灞生態區) in Xi'an, in relation to the possible investment in the construction of intensive-model high-tech environmental ecological system project in the north-wing of Chanba ecological zone in Xi'an.

The Company intended to build a high-tech and low-emission environmental protection system project in the north-wing of Chanba ecological zone in Xi'an. The Company plans to introduce Beijing Capital Group and several large-scale enterprises and listing companies to jointly develop the construction of the environmental protection ecological system in the form of joint-venture or cooperation. Covering an area of about 30 square kilometers, the project will span a total construction cycle from 8 to 12 years.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2011 (2010: Nil).

CONTINGENT LIABILITIES

At 31 March 2011, the Company gave corporate guarantees for banking facilities of HK$28,075,000 (2010: HK$21,958,000) granted to certain of its subsidiaries. The maximum liability of the Company at 31 March 2011 under the guarantees issued was the facilities utilized by the subsidiaries totalling HK$14,206,000 (2010: HK$10,493,000). The Directors do not consider it probable that a claim will be made against the Company.

CHANGE OF COMPANY NAME

On 30 December 2010, the change of English name of the Company from "YARDWAY GROUP LIMITED" to "China Environmental Technology Holdings Limited" and the Chinese name from "啟帆集團有限公司" to "中國環保科技控股有限公司" became effective. The registration of the new name of the Company in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) took effect on 31 January 2011.

Following the change of name, the stock short name of the Company for trading in the Shares on the Stock Exchange was changed from "YARDWAY" to "China Env Tec" in English and from "啟帆" to "中國環保科技" in Chinese with effect from 8 February 2011.

The website of the Company has been changed to www.cethl.com to reflect the change of name of the Company.

SHARE CAPITAL

Pursuant to the approval in the extraordinary general meeting held on 1 March 2010, each issued and unissued shares having a par value of HK$0.05 be subdivided into two subdivided shares of HK$0.025 each. Upon the subdivision becoming effective on 2 March 2010, the authorised share capital of the Company of HK$200,000,000 was divided into 8,000,000,000 subdivided shares of HK$0.025 each, of which, 2,232,992,000 subdivided shares were issued and fully paid.

On 29 September 2010, the Company allotted and issued 37,500,000 ordinary shares of a par value of HK$0.025 each at HK$0.415 per share as at 27 April 2010 as part of the consideration for the acquisition of Fanhe Water Group.

A placing exercise was conducted in December 2010. By resolutions passed by the Board at its meeting held on 10 December 2010, an aggregate 143,021,914 new shares having a par value of HK$0.025 in the share capital of the Company were issued at a subscription price of HK$0.4335.

On 5 January 2011, the Company allotted and issued 17,467,066 ordinary consideration shares with par value of HK$0.025 each at HK$0.44 per share as part of the consideration for the acquisition of Power Score Group.

Since 5 January 2011 and up to the date of this announcement, the total number of issued shares of the Company was 2,430,980,980.

SHARE OPTIONS

2002 Share Option Scheme

The Company's 2002 Share Option Scheme was adopted on 28 March 2002 and was terminated by a resolution passed by shareholders on 10 September 2010.

2010 Share Option Scheme

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), adopted a new share option scheme (the "2010 Share Option Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 10 September 2010. The Directors are given a general mandate to invite eligible participants to take up options at the subscription price as prescribed under the 2010 Share Option Scheme to subscribe for shares of the Company. The purpose of the share option scheme is to enable the Group to grant options to the eligible participants including employees, executive and non-executive Directors, suppliers and customers and shareholders of any members of the Group and any persons or entities that provided research, development or other technical support to the Group or any other group or classes of participants determined by the Directors as incentive or rewards for their contribution to the Group. The share option scheme has become valid and effective for a period of ten years ending on 9 September 2020.

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 recognises 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.

Throughout the year ended 31 March 2011, the Company has applied the principles and complied with the code provisions set out in the CG Code, save for certain deviations from the code provisions, details of which are explained in the relevant paragraphs below.

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.

By order of the Board
Xu Zhong Ping
Chairman

Hong Kong, 28 June 2011

As at the date of this announcement, the executive Directors are Mr. Xu Zhong Ping, Mr. Zhang Fang Hong, Ms. Song Xuan and Mr. Xu Xiao Yang; the non-executive Directors are Mr. Ge Ze Min, Mr. Fong Sai Mo and Mr. Xin Luo Lin; and the independent non-executive Directors are Mr. Wong Kam Wah, Dr. Zhu Nan Wen and Professor Zuo Jiane.