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China Environmental Technology Holdings Limited

中國環保科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 646)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The board (“Board”) of directors (“Directors”) of China Environmental Technology Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2012 together with the comparative figures for the corresponding period in 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		Six months ended 30 September	
		2012	2011
	Note	(Unaudited) HK\$'000	(Unaudited) HK\$'000
CONTINUING OPERATIONS			
Revenue	3	27,363	92,682
Cost of sales		(21,345)	(71,729)
Gross profit		6,018	20,953
Other income	4	137	128
Other losses, net	4	(508)	(2,326)
Distribution costs		(3,215)	(1,938)
Administrative expenses		(20,378)	(22,792)
Loss from operations		(17,946)	(5,975)
Finance costs	5a	—	(1,157)
Loss before taxation	5	(17,946)	(7,132)
Income tax credit	6	1,255	1,245
Loss for the period from continuing operations		(16,691)	(5,887)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)**For the six months ended 30 September 2012*

		Six months ended	
		30 September	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations		(1,544)	(2,504)
Gain on disposal of subsidiaries		4,472	—
Loss for the period		(13,763)	(8,391)
Loss for the period attributable to:			
Owners of the Company		(13,494)	(8,066)
Non-controlling interests		(269)	(325)
		(13,763)	(8,391)
Loss attributable to owners of the Company arising from:			
Continuing operations		(16,422)	(5,562)
Discontinued operations		2,928	(2,504)
		(13,494)	(8,066)
Loss per share from continuing and discontinued operations (HK cents)			
	8		
From continuing operations		(0.66)	(0.23)
From discontinued operations		0.12	(0.10)
		(0.54)	(0.33)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)**For the six months ended 30 September 2012*

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(13,763)</u>	<u>(8,391)</u>
Other comprehensive income:		
Exchange differences on translating of foreign operations	(56)	5,242
Realisation of exchange differences transferred to profit or loss upon disposal of subsidiaries	<u>(4,122)</u>	<u>—</u>
Total other comprehensive income for the period	<u>(4,178)</u>	<u>5,242</u>
Total comprehensive loss for the period	<u>(17,941)</u>	<u>(3,149)</u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	(17,670)	(2,852)
Non-controlling interests	<u>(271)</u>	<u>(297)</u>
	<u>(17,941)</u>	<u>(3,149)</u>
Total comprehensive loss for the period attributable to owners of the Company arises from:		
Continuing operations	(16,476)	(830)
Discontinued operations	<u>(1,194)</u>	<u>(2,022)</u>
	<u>(17,670)</u>	<u>(2,852)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

		At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Leasehold land		—	—
Property, plant and equipment		7,754	8,456
Investment properties		—	—
Operating concessions		225,917	219,630
Intangible assets		50,794	54,920
Interests in jointly controlled entities		—	—
		<u>284,465</u>	<u>283,006</u>
Current assets			
Financial assets at fair value through profit or loss		933	2,828
Inventories		16,344	13,627
Trade and other receivables	10	52,855	27,045
Cash and cash equivalents	11	48,929	38,592
		<u>119,061</u>	<u>82,092</u>
Assets of disposal group classified as held-for-sale		—	88,871
		<u>119,061</u>	<u>170,963</u>
Total assets		<u>403,526</u>	<u>453,969</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	62,508	62,508
Reserves		169,201	185,035
		<u>231,709</u>	<u>247,543</u>
Non-controlling interests		531	802
Total Equity		<u>232,240</u>	<u>248,345</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 September 2012

		At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
	Note		
LIABILITIES			
Non-current liabilities			
Borrowings	13	72,816	48,708
Deferred income tax liabilities		29,319	30,585
Provision for warranty		—	—
		<u>102,135</u>	<u>79,293</u>
Current liabilities			
Trade and other payables	14	56,359	61,799
Borrowings	13	12,792	12,792
Current income tax payable		—	—
Provision for warranty		—	—
		<u>69,151</u>	<u>74,591</u>
Liabilities of disposal group classified as held-for-sale		<u>—</u>	<u>51,740</u>
Total liabilities		<u>171,286</u>	<u>205,624</u>
Total equity and liabilities		<u>403,526</u>	<u>453,969</u>
Net current assets		<u>49,910</u>	<u>44,632</u>
Total assets less current liabilities		<u>334,375</u>	<u>327,638</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKAS and Interpretations and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed financial statements should be read in conjunction with the Annual Report of the Group for the year ended 31 March 2012.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the audited consolidated financial statements for the year ended 31 March 2012, except for the adoption of the following amendments issued by the HKICPA which became effective for the six months ended 30 September 2012.

HKFRS 1 Amendments	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendments	Disclosures — Transfers of Financial Assets
HKAS 12 Amendments	Deferred Tax: Recovery of Underlying Assets

The adoption of these amendments has not had any significant effect on the accounting policies or results and financial position of the Group.

The following new standards, amendments and interpretations, which have been published but are not yet effective, have not been early adopted in the condensed consolidated interim financial information. These are effective for the Group’s accounting periods beginning on or after 1 April 2013.

HKAS 1 (Revised) Amendment	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities ³
HKFRS 1 Amendments	Government Loans ²
HKFRS 7 Amendments	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9 Amendments	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance ²
HKFRS 13	Fair Value Measurement ²
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ²
Annual Improvements to HKFRSs 2009 - 2011 Cycle 2	

¹ effective for accounting periods beginning on or after 1 July 2012

² effective for accounting periods beginning on or after 1 January 2013

³ effective for accounting periods beginning on or after 1 January 2014

⁴ effective for accounting periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) upon initial application. So far, the Manager has concluded that while the adoption of the new or revised HKFRSs may result in new or amended disclosures, these are unlikely to have a significant impact on the Group’s results of operations and financial position.

3. 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, 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 segment has been aggregated to form following reporting segments:

1. Aviation, metro and railway equipment (*Note*)

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

2. Vehicles and spare parts (*Note*)

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

3. Dredging equipment (*Note*)

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

4. Provision of engineering services (*Note*)

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

5. Wastewater treatment and construction services

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

6. Wastewater treatment equipment trading

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

Note: At the end of the reporting period, the four segments were disposed of and discontinued during the period as set out in notes 18 and 19.

(a) Segment results

An analysis of the Group's revenue and segment results is reported below:

	Segment revenue		Segment profit (loss)	
	Six months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Wastewater treatment and construction services	17,034	77,385	3,231	15,534
Wastewater treatment equipment trading	10,329	15,297	(4,711)	384
Total for continuing operations	27,363	92,682	(1,480)	15,918
Discontinued operations				
Aviation, metro and railway equipment	—	—	—	(4,393)
Vehicles and spare parts	34	5,800	1	183
Dredging equipment	—	7,565	—	466
Provision of engineering services	192	4,449	122	1,565
Total for discontinued operations	226	17,814	123	(2,179)
Unallocated items	—	—	(13,643)	(23,316)
Total for continuing and discontinued operations	27,589	110,496	(15,000)	(9,577)

(b) Reconciliation of reportable segment results to loss before taxation

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Reportable segment results	(1,480)	15,918
Other income and other losses, net	(436)	(2,315)
Depreciation and amortisation	(372)	(413)
Finance costs	—	(1,157)
Unallocated head office and corporate expenses	(15,658)	(19,165)
Consolidated loss before taxation attributable to continuing operations	(17,946)	(7,132)
Consolidated profit (loss) before taxation attributable to discontinued operations	2,946	(2,445)
	(15,000)	(9,577)

4. OTHER INCOME AND OTHER LOSSES, NET

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Other income		
Interest income on bank deposits	88	126
Rental income	55	—
Others	(6)	2
Attributable to continuing operations	137	128
Attributable to discontinued operations	246	557
	383	685
Other losses, net		
Net loss on sale of financial assets at fair value through profit or loss	(531)	(993)
Net unrealised gain (loss) on financial assets at fair value through profit or loss	23	(1,333)
Attributable to continuing operations	(508)	(2,326)
Attributable to discontinued operations	4,168	646
	3,660	(1,680)

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	4,112	1,594
Imputed interest on consideration shares to be issued	—	1,157
Less: amount capitalised on qualifying assets	(4,112)	(1,594)
	<u> </u>	<u> </u>
Attributable to continuing operations	—	1,157
Attributable to discontinued operations	35	110
	<u> </u>	<u> </u>
	35	1,267
	<u> </u>	<u> </u>
(b) Other items:		
Continuing operations		
Amortisation of intangible assets	4,092	4,052
Amortisation of operating concessions	1,299	1,289
Depreciation of property, plant and equipment	1,010	520
	<u> </u>	<u> </u>
Discontinued operations		
Amortisation of leasehold land	2	5
Depreciation of property, plant and equipment	163	954
	<u> </u>	<u> </u>

6. INCOME TAX CREDIT

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Current tax — PRC corporate income tax	18	59
Deferred tax	(1,255)	(1,245)
	<u> </u>	<u> </u>
	(1,237)	(1,186)
	<u> </u>	<u> </u>

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the period ended 30 September 2012. PRC taxation is charged at the appropriate current rate of taxation ruling in the PRC.

7. INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 September 2012 (2011: Nil).

8. LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the loss (earnings) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Attributable to the owners of the Company		
From continuing operations	(16,422)	(5,562)
From discontinued operations	2,928	(2,504)
	<u>(13,494)</u>	<u>(8,066)</u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares in issue	<u>2,500,303</u>	<u>2,430,981</u>

The Company has no potential dilutive ordinary shares outstanding during both periods

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, AND OPERATING CONCESSIONS

During the period, the Group spent HK\$473,000 (six months ended 30 September 2011: HK\$1,162,000) on property, plant and equipment.

During the period, the Group spent HK\$7,597,000 (six months ended 30 September 2011: HK\$67,356,000) on operating concessions.

The Group has pledged its operating concessions with carrying amount of HK\$225,917,000 (31 March 2012: HK\$219,630,000) to secure certain bank loans granted to the Group.

10. TRADE AND OTHER RECEIVABLES

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Trade receivables	12,533	14,010
Receivables from disposal of subsidiaries (<i>Note</i>)	23,480	—
Other receivables	4,982	7,215
Amount due from a jointly controlled entity	1,001	320
Trade deposits paid	—	1,944
Prepayments and deposits	10,859	3,556
	52,855	27,045
Reclassified as held-for-sale	—	6,665
	52,855	33,710

The ageing analysis of the trade receivables based on invoice date were as follows:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
1 to 2 months	6,074	9,296
3 months	3,623	1,781
more than 3 months	2,836	2,933
	12,533	14,010

Note: On 6 June 2012, the group disposed of the 100% equity interest of 3 wholly-owned subsidiaries for total consideration of HK\$17,500,000. HK\$12,500,000 was received. The remaining balance of HK\$5,000,000 will be settled in December 2012. Regarding the amount of HK\$18,480,000 due from the subsidiaries disposed of at date of disposal, it was expected to be satisfied by transferring certain properties of the disposal subsidiary, Yardway Limited, which still hold the properties on trust for the group, pending our further instructions to effect the registration of title to such properties.

11. CASH AND CASH EQUIVALENTS

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Cash and bank balances	48,929	38,592
Cash and cash equivalents	48,929	38,592
Reclassified as held-for-sale	—	21,663
	48,929	60,255

12. SHARE CAPITAL

	No. of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.025 each	<u>8,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares		
At 1 April 2012 and 30 September 2012	<u>2,500,303</u>	<u>62,508</u>

13. BANK LOANS — GROUP

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Non-current liabilities		
Bank loans	72,816	48,708
Current liabilities		
Portion of bank loans due for repayment within 1 year	<u>12,792</u>	<u>12,792</u>
	85,608	61,500
Reclassified as held-for-sale	<u>—</u>	<u>9,395</u>
Total borrowings	<u>85,608</u>	<u>70,895</u>

14. TRADE AND OTHER PAYABLES

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Trade payables	22,923	26,856
Other payables and accruals	15,131	15,165
Sale deposits received	<u>18,305</u>	<u>19,778</u>
	56,359	61,799
Reclassified as held-for-sale	<u>—</u>	<u>32,068</u>
	<u>56,359</u>	<u>93,867</u>

The ageing analysis of the trade payables based on invoice date were as follows:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Due within 1 month or on demand	8,168	8,417
Due after 1 month but within 3 months	8,187	327
Due after 3 months	6,568	18,112
	<u>22,923</u>	<u>26,856</u>

15. OPERATING LEASE COMMITMENTS

(a) As lessee

At 30 September 2012, the total future minimum lease payments under non- cancellable operating leases are as follows:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Within 1 year	5,747	6,240
After 1 year but within 5 years	4,745	6,052
	<u>10,492</u>	<u>12,292</u>

(b) As lessor

At 30 September 2012, the total future minimum lease receipts under non- cancellable operating leases are as follows:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Within 1 year	629	273
After 1 year but within 5 years	501	—
	<u>1,130</u>	<u>273</u>

16. CAPITAL COMMITMENTS

At 30 September 2012, the Group had the following capital commitments:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Capital expenditure in respect of		
Upgrade and construction of wastewater treatment plants under a service concession arrangement on a BOT basis:		
— contracted but not provided for	<u>79,833</u>	<u>82,558</u>
Total commitments	<u>79,833</u>	<u>82,558</u>

17. COMPARATIVE AMOUNTS

The comparative consolidated income statement has been re-presented as if operations discontinued during the current period had been discontinued at the beginning of the comparative period.

18. NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS — GROUP

(a) Non-current assets held-for-sale

The assets and liabilities related to the group companies comprising Yardway Limited and Yardway Motors Limited and its subsidiary (the “Yardway Group”) engaged in the trading of transportation and logistics related equipment in the PRC, have been presented as held-for-sale following the approval of the Group’s management on 16 February 2012 to sell the Yardway Group.

(b) Discontinued operations

On 9 March 2012, the Group entered in a sale and purchase agreement to dispose of the Yardway Group for total consideration of HK\$17,500,000 in cash. The disposal was completed on 6 June 2012 upon the control of the Yardway Group was passed to the acquirer.

The profit (loss) for the period from discontinued operations for the relevant periods is analysed as follows:

	1 April 2012 to 6 June 2012 HK\$'000	1 April 2011 to 30 September 2011 HK\$'000
Loss of the Yardway Group for the period	(1,544)	(2,504)
Gain on disposal of the Yardway Group	<u>4,472</u>	<u>—</u>
	<u>2,928</u>	<u>(2,504)</u>

The results of the discontinued operations for the relevant periods were as follows:

	1 April 2012 to 6 June 2012 HK\$'000	1 April 2011 to 30 September 2011 HK\$'000
Revenue	226	17,814
Cost of sales	(53)	(13,358)
Gross profit	173	4,456
Other income	246	557
Other losses, net	(304)	646
Distribution expenses	(761)	(2,982)
Administrative expenses	(845)	(5,012)
Finance costs	(35)	(110)
Loss before tax	(1,526)	(2,445)
Income tax expense	(18)	(59)
	(1,544)	(2,504)

No tax charge or credit arose on the gain on disposal of the Yardway Group.

The net cash flows from discontinued operations for the relevant periods were as follows:

	1 April 2012 to 6 June 2012 HK\$'000	1 April 2011 to 30 September 2011 HK\$'000
Net cash (used in) from operating activities	(420)	23,479
Net cash used in investing activities	(144)	(623)
Net cash used in financing activities	(104)	(310)
Effect of foreign exchange rate changes, net	—	112
Net cash flows	(668)	22,658

19. DISPOSAL OF SUBSIDIARIES

On 6 June 2012, the Group disposed of the entire issued share capital of Yardway Limited and Yardway Motors Limited and its subsidiary engaged in the trading of transportation and logistics related equipment in the PRC for total consideration of HK\$17,500,000 in cash. There is a gain of HK\$4,472,000 arising from the disposal.

Details of the net assets disposed of in respect of the Yardway Group are summarised below:

Net assets disposed of

Leasehold land	428
Property, plant and equipment	14,707
Investment properties	45,380
Inventories	21
Trade and other receivables	5,882
Bank balances and cash	20,995
Trade and other payables	(32,662)
Amount due to immediate holding company	(18,480)
Borrowings	(9,326)
Current income taxation payable	(1,023)
Provision for warranty	(4,367)
Deferred income tax liabilities	(4,448)
Release of exchange reserve upon disposal	(4,122)
Net assets disposed of	12,985
Gain on disposal of subsidiaries	4,472
Other disposal expenses paid	43
Total consideration	17,500

Satisfied by:

Deposit received as at 31 March 2012	5,000
Cash consideration received for the period	7,500
Cash consideration receivable	5,000
	17,500

The cash consideration receivable of HK\$5,000,000 will be settled in cash by December 2012.

Net cash outflow arising on disposal of subsidiaries for the period

Cash consideration received	7,500
Other disposal expenses paid	(43)
Bank balances and cash disposed of	(20,995)
	(13,538)

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

During the six months ended 30 September 2012, the Group recorded a revenue of HK\$27,363,000, representing a decrease of 70.48% as compared to HK\$92,682,000 for the same period last year. Gross profit for the period decreased to HK\$6,018,000 (six months ended 30 September 2011: HK\$20,953,000). The result of the Group attributable to the owners of the Company for the period was a loss of HK\$13,763,000 (six months ended 30 September 2011: loss of HK\$8,391,000) mainly due to a significant decrease in activity attributable to construction of wastewater treatment plants.

The operation of wastewater treatment and construction services for the six months ended 30 September 2012 generated a profit of HK\$3,231,000, compared to HK\$15,534,000 for the corresponding period last year.

The operation of wastewater treatment equipment trading recorded a loss of HK\$4,711,000 (six months ended 30 September 2012: profit of HK\$384,000).

Future Outlook

Accordingly to the Twelfth Five-Year Plan for Environmental Protection, it clearly states that “restoring environmental health to rivers and lakes” is one of the key missions for environment governance projects. To help the China government to solve the problem, the Group was actively involved in the projects of water quality enhancement in rivers and lakes during the period under review.

In April 2012, the Group has provided several units of mobile magnetic separation water treatment system devices to Qinhuangdao in Hebei to help them resolving the pollution problem of the rivers. In May 2012, the Group won the project bidding of water quality maintenance of the Guanqiao Lake, Donghu, Wuhan city in Hubei to prevent the deterioration of the water quality. In July 2012, the Group has signed a contract with Hunan Dongfang Mining Co., Ltd to provide comprehensive wastewater treatment service for its electrolytic manganese production line.

With the state-of-the-art magnetic separation patented technology and its effectiveness of the water treatment performance, the Group’s mobile magnetic separation water treatment system devices were well positioned in the market. To explore more business opportunities in these areas, especially those one-stop “green projects” specifying on the water treatment in rivers and lakes, the Group has initiated a strategic alliance among the corporations and the municipal governments so as to strengthen our market competitiveness.

On 12 July, 2012, the Group has entered into a non-legally binding Strategic Co-operation Agreement with the China Railway 25th Bureau Group Co., Ltd. The Group anticipated that more innovative ideas and inspirations for the business development can be brought up following the execution of this agreement. In additions, synergies and corporate competitiveness will be strengthened by capitalizing the resources of both parties. The agreement is also meaningful to the mutual development and allows the Group to further expand its environmental protection and related projects in a larger scale.

On 20 July, 2012, the Group entered into a Cooperation Agreement with the municipal government of Zixing City in Hunan. The Group and Zixing Municipal Government agree to cooperate with each other. Both parties will jointly establish a project leading group and a working group to implement the cooperation mainly through a newly-set up company by the Group in such four fields as ecological environment protection of Dongjiang Lake, urban infrastructure constructions, tourism development projects, as well as investment attraction from other major companies both at home and abroad in respect of individual project so as to achieve a mutually beneficial synergy.

The Group believes that signing the Cooperation Agreement with the municipal government is a good start to develop our environmental protection business. By leveraging on our patented mobile magnetic separation technology and the experience of managing the environmental protection project, we have confidence that we can build up a good model and showcase to the environmental protection industry. It is also signifying that the Group has grasped the business opportunity in line with the 12th Five-Year Plan as most of the “green project” has been initially included in the scope of the pilot scheme project under national environmental protection policy. Apart from that, these Agreements will also help the Group to further utilize our patented technology effectively in a wider extent, and will largely advance the application of the technology in water quality maintenance and purification of the rivers and lakes throughout the PRC.

Looking forward, the Group will further sustain its profit margin and to seize more business opportunities which will in turn enhance the long term development of the Group, a series of prudent management policies, including cautious cost control, reallocation of resources and business restructuring will continue to be implemented so as to increase our financial liquidity, strengthen our business fundamental and further maintain the momentum growth in our environmental protection related businesses.

Financial Review

On 25 September 2012, the Group has changed its financial year end date from 31 March to 31 December. The reason for the change of the financial year end date is mainly due to the Group’s main operations are primarily conducted through its subsidiaries in the PRC. The financial results of the Company’s subsidiaries that are established in the PRC are required under relevant laws to close their accounts with the financial year end on 31 December. The change of the financial year end of the Company is to align with the financial year end dates of the Group members and streamline the preparation of the consolidated financial statements of the Group.

Liquidity

The Group continued to maintain a liquid position. As at 30 September 2012, cash and bank balances of the Group were HK\$48,929,000 (31 March 2012: HK\$38,592,000).

As at 30 September 2012, the Group had total assets of HK\$403,526,000 (31 March 2012: HK\$453,969,000) and total liabilities of HK\$171,286,000 (31 March 2012: HK\$205,624,000). As at 30 September 2012, the current ratio was 1.72 (31 March 2012:1.35).

The Group’s bank borrowings amounted to HK\$85,608,000 (31 March 2012: HK\$61,500,000). The Group’s borrowings, denominated in Renminbi, comprise bank loan pledged on the Group’s concession right. The Group’s gearing ratio, based on the total borrowings to total assets, was 21.2% (31 March 2012: 13.5%).

Charge on Assets

As at 30 September 2012, the Group’s operating concessions with carrying value amounting to HK\$225,917,000 (31 March 2012: HK\$219,630,000) was pledged with the banks to secure banking facilities granted to the Group.

Employees and Remuneration Policy

The total number of employees of the Group as at 30 September 2012 was 136 (31 March 2012: 158). The Group remunerates its employees based on their performance, work experience and the prevailing market price. 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 eligible Directors and employees of the Group to recognise their contribution to the success of the Group. The packages are reviewed annually by the management and the remuneration committee.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the period under review.

CORPORATE GOVERNANCE

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 has complied with the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules, throughout the six months ended 30 September 2012 except for the code provision in respect of A.4.1. Details of the deviations from code provision A.4.1 of CG Code in respect of service term of the non- executive Directors respectively are set out in the section “Corporate Governance Report” on page 19 of the 2012 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct in respect of Directors’ dealings in the Company’s securities. Specific enquiry has been made of all the Directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2012.

AUDIT COMMITTEE

The Company’s audit committee is composed of three independent non-executive Directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2012.

CHANGE OF FINANCIAL YEAR END DATE

As announced on 25 September 2012, the Directors resolved to change the financial year end date of the Company from 31 March to 31 December. Accordingly, the next published audited financial statements shall cover a period of nine months from 1 April 2012 to 31 December 2012. The Company will announce and publish its final results for the nine months ended 31 December 2012 on or before 31 March 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this announcement.

ACKNOWLEDGEMENT

Last but not least, the Board would like to take this opportunity to thank the management and staff for their dedication and hard working during the period. The Board would also like to thank all the Group's customers and shareholders for their continued support.

By order of the Board
China Environment Technology Holdings Limited
Xu Zhong Ping
Chairman

Hong Kong, 23 November 2012

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