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 NINE MONTHS ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

	Period from 1 April 2012 to 31 December 2012	Year ended 31 March 2012	Percentage Change
	HK$'000	*HK$'000*	*%*
Turnover	**51,031**	144,883	(64.8)
Loss attributable to owners of the Company	**(64,677)**	(55,238)	17.1

The board (the "Board") of directors (the "Directors") of China Environmental Technology Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the period from 1 April 2012 to 31 December 2012 together with the comparative figures for the year ended 31 March 2012.

CHAIRMAN'S STATEMENT

TO ALL SHAREHOLDERS:

I hereby present the annual results (the "**2012 Annual Results**") of the Company and its subsidiaries for the nine-month ended 31 December 2012 together with the comparative figures for the year ended 31 March 2012.

First of all, on behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I would like to take this opportunity to express our sincere apologies to all shareholders of the Company (the "**Shareholders**"), potential investors, business partners and other stakeholders for the suspension of trading of the shares of the Company (the "**Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 2 April 2013 (the "**Suspension**") due to the delay in publishing the 2012 Annual Results as a result of a letter dated 25 March 2013 made by the legal representatives of Ms. Song Xuan, a former Director of the Company, making certain allegations against the Company (the "**Allegations**").

THE ALLEGATIONS

The major events relevant to the Allegations are set out below:

Date	Events
26 March 2013	The Company received a letter dated 25 March 2013 from the legal representatives of Ms. Song Xuan (the "**Former Director**") addressing the Allegations
28 March 2013	The Company received a letter from PricewaterhouseCoopers ("**PwC**"), the former auditor of the Company, informing the Company that the audit procedures for the Company's financial statements for the nine months ended 31 December 2012 would have to be extended
31 March 2013	An independent committee (including three independent non-executive Directors, namely Mr. Wong Kam Wah, Professor Zhu Nan Wen and Professor Zuo Jiane) (the "**Independent Committee**") was established by the Board for the purpose of the Allegations
2 April 2013	At the Company's request, trading of the Shares on the Stock Exchange was suspended due to the expected delay in publishing the 2012 Annual Results and despatching of the relevant annual report for the nine-month ended 31 December 2012
16 April 2013	Mazars Corporate Recovery & Forensic Services Limited (the "**Independent Professional Adviser**") was appointed to conduct an independent investigation on the Allegations (the "**Independent Investigation**")
16 May 2013	The Independent Professional Adviser issued a report on the Independent Investigation
19 September 2013	The Company received a letter from the Stock Exchange where the resumption conditions were stated
13 December 2013	The Company made an announcement in respect of the key findings of the Independent Investigation and the preliminary management responses to the findings of the Independent Investigation

The Allegations

The following is a brief summary of the Allegations. Details in relation to the Allegations are set out in the Company's announcement dated 13 December 2013.

(1) The Former Director mainly alleged that (a) notices were not given for some Board meetings in connection with the acquisition of Beijing Jingrui Kemai Water Purification Technology Co., Ltd* (北京精瑞科邁淨水技術有限公司) ("**Beijing Jingrui**") by the Group in 2010; (b) there was a transfer of benefit to me, since the payment for a former acquisition of Beijing Jingrui by me in October 2010 had not been settled; and (c) the Company has failed to prepare an analysis on the return on investments ("**Allegation 1**");

(2) The Former Director mainly alleged that (a) notice was not given for the Board meeting approving the acquisition of Fanhe (Beijing) Water Investment Company Limited* (凡和(北京)水務投資管理有限公司) ("**Fanhe Beijing**"); and (b) it was a connected transaction on the basis that before acquiring Fanhe Beijing, I arranged Mr. Xu Xiao Yang, a Director, to establish Fanhe Beijing, and further arranged an executive Director to be the sole shareholder of Fanhe Beijing ("**Allegation 2**");

(3) The Former Director enquired about the propriety of the Company using about HK$1.8 million to acquire golf club memberships in Shenzhen ("**Allegation 3**");

(4) The Former Director was not satisfied with the performance of the Company, and made allegations about the amount of administrative expenses incurred in 2010 (i.e. almost three years ago) and also the considerations of some disposals of assets made in the same year ("**Allegation 4**").

Extended Audit Procedures, suspension of trading and the auditor of the Company

As a result of the Allegations made by the Former Director, on 28 March 2013, the Company received a letter from PwC, the former auditor of the Company (resigned on 19 July 2013), informing the Company that the audit procedures for the Company's financial statements for the nine months ended 31 December 2012 would have to be extended (the "**Extended Audit Procedures**"). Therefore, the Company was unable to dispatch the annual report for the nine months ended 31 December 2012 within the required time frame under Rule 13.46(2) of the Listing Rules.

The Company subsequently announced the abovementioned in an announcement dated 28 March 2013 and requested for the suspension of trading of its Shares from 9:00 am on 2 April 2013.

The Independent Committee and the Appointment of the Independent Professional Adviser

Due to the Allegations, the Independent Committee was established by the Board to handle the Allegations and to appoint an independent professional adviser to conduct a thorough review of the Allegations. As such, the Company has formally engaged Mazars Corporate Recovery & Forensic Services Limited, the Independent Professional Adviser to conduct the Independent Investigation in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants.

Findings of the Independent Investigation

The Independent Professional Adviser issued a report in relation to the Allegation 1, Allegation 2 and Allegation 3 on 16 May 2013. As for Allegation 4, the Board and the Independent Committee were of the view that in lack of sufficient information, it was difficult to conduct the Independent Investigation on this issue, given its unclear scope, and that it would not be in the interest of the Group to investigate on Allegation 4. As such, the Board decided to exclude Allegation 4 in the Independent Investigation.

The key findings of the Independent Investigation include, among other things, the following:

Allegation 1 : (i) The Independent Professional Adviser interviewed relevant Directors including Mr. Zhang Fang Hong, Ms. Song Xuan (the Former Director), Mr. Xu Xiao Yang, Mr. Ge Ze Min, Mr. Wong Kam Wah, Professor Zhu Nan Wen and me (the "**Interviewee Directors**"). Some Interviewee Directors confirmed that they had received notices for the relevant Board meetings, while others could not recall whether they had received notices for the relevant Board meetings due to the lapse of time. As at the date of the report on the Independent Investigation, the Independent Professional Adviser had not received the evidence of the said notices of the meeting.

(ii) The Independent Professional Adviser has reviewed a copy of the equity transfer agreement in respect of a former acquisition entered into in October 2010 and received a confirmation from me in writing that the relevant consideration was fully paid up on 29 October 2010.

The Independent Professional Advisor had also reviewed the relevant payment receipts for the said consideration and noted that the information appeared in the receipts matched with my representation.

(iii) According to the Board minutes dated 9 November 2010, it was unanimously resolved that the acquisition of Beijing Jingrui was in the interest of the Company. It was also noted from the attendance register attached to the minutes that Mr. Zhang Fang Hong, Mr. Xu Xiao Yang and the Former Director attended the Board meeting held on 9 November 2010. As I was a connected person (as such term is defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") of the Company, I did not participate in the voting on the relevant resolution in respect of the acquisition of Beijing Jingrui.

(iv) The Company had engaged an independent financial adviser (the "**IFA**") in respect of the acquisition of Beijing Jingrui. The IFA had listed out the reasons for and the benefits of the acquisition. As part of the due diligence, the IFA had considered the gross profit margins of the sewage treatment services companies listed on the main board of the Stock Exchange ranged from 51.8% to 61.0% and noted that the gross profit margins of the Beijing Jingrui were above 22.4% from 1 January 2008 to 31 October 2010, which were similar to that of the existing principal business of the Company. Moreover, the IFA concurred with the then Directors' view to the extent that the estimated profit margin of the sewage treatment business of the target companies under the acquisition would be similar to and possibly be higher than that of the then existing principal business of the Group.

Allegation 2 : (i) The Independent Professional Advisor interviewed the Interviewee Directors. Some Interviewee Directors confirmed that they had received notice for the relevant Board meeting, while others could not recall whether they had received notice for the relevant Board meeting due to the lapse of time. As at the date of the report on the Independent Investigation, the Independent Professional Advisor had not received the evidence of the said notice of the meeting.

(ii) The Independent Professional Advisor had conducted company searches on Fanhe Beijing and noted that before the acquisition of Fanhe Beijing, the then directors of the Company (including Mr. Xu Xiao Yang and me) were not the legal representative nor shareholder of Fanhe Beijing.

Allegation 3 : (i) Based on the relevant golf club membership acquisition agreements, only the membership transfer fees were to be received by the golf club, the remaining balances were to be received by the sellers of the golf club memberships (the "**Sellers**"). Based on the supplementary explanations prepared by the sellers dated 16 February 2011 and 14 March 2011 respectively, the Sellers provided the tax invoices of another golf club to SZ Fortune Creation Environmental Protection Technology Limited (深圳興創富啟環保科技有限公司)(now known as Shenzhen CETH Environmental Technology Co., Ltd. (深圳中環科環保科技有限公司), an indirect wholly owned subsidiary of the Company ("**SZ Fortune Creation**").

(ii) According to the articles of association of SZ Fortune Creation, the board of directors is composed of three members and significant matters have to be approved by two directors. According to the board resolution dated 24 January 2011, the acquisition of the golf club memberships has been approved by two directors as required by the articles of associations.

After due consideration of the report on the Independent Investigation and a legal opinion issued by the Company's legal advisers as to the laws of Hong Kong, the Board and the Independent Committee were of the view that unless there are other compelling evidence, the Allegations are not founded.

Further details of the above key findings of the Allegations and the Company's preliminary management responses were set out in the Company's announcement dated 13 December 2013.

Resumption conditions imposed by the Stock Exchange

As set out in the Company's announcement dated 26 September 2013, on 19 September 2013, the Company received a letter from the Stock Exchange, in which the Stock Exchange stated the following resumption conditions for the Company:

(i) publish an announcement disclosing the details of the Allegations, findings of the report on the Independent Investigation, the views and bases of the Board and the Independent Committee that the Allegations have been properly addressed; and

(ii) publish all outstanding financial results required by the Listing Rules and address any audit qualifications.

The Company should also comply with the Listing Rules and all applicable laws and regulations before resumption in the trading of the Shares (the "**Resumption**"). The Stock Exchange may modify any of the above and/or impose further conditions if the situation changes.

The publication of the Company's announcement dated 13 December 2013 fulfils condition (i) set out above. The publication of the 2012 Annual Results contained in this annual report will further fulfill part of condition (ii) set out above. It is expected that the Company's interim report in respect of the six months ended 30 June 2013 will be dispatched within April 2014, thereby fulfilling all of the conditions imposed by the Stock Exchange for the Resumption.

On behalf of the Board
Xu Zhong Ping
Chairman

Hong Kong, 20 March 2014

CONSOLIDATED INCOME STATEMENT

For the period from 1 April 2012 to 31 December 2012

	Note	Period from 1 April 2012 to 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
CONTINUING OPERATIONS			
Revenue	*5*	**51,031**	144,883
Cost of sales		**(50,290)**	(118,242)
Gross profit		**741**	26,641
Other revenue	*7*	**265**	201
Other losses, net	*8*	**(34,667)**	(8,073)
Distribution costs		**(2,846)**	(6,664)
Administrative expenses		**(41,258)**	(44,907)
Share of loss of an associate		**(779)**	—
Loss before taxation	*9*	**(78,544)**	(32,802)
Income tax credit	*10*	**10,379**	387
Loss for the period/year from continuing operations		**(68,165)**	(32,415)
DISCONTINUED OPERATIONS			
Profit/(loss) for the period/year from discontinued operations	*15(a)*	**2,880**	(23,247)
Loss for the period/year		**(65,285)**	(55,662)
Loss attributable to:			
Owners of the Company			
— Loss from continuing operations		**(67,557)**	(31,991)
— Profit/(loss) from discontinued operations		**2,880**	(23,247)
		(64,677)	(55,238)
Non-controlling interests			
— Loss from continuing operations		**(608)**	(424)
Loss for the period/year		**(65,285)**	(55,662)

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the period from 1 April 2012 to 31 December 2012

	Note	**Period from 1 April 2012 to 31 December 2012**	Year ended 31 March 2012
From continuing operations	*12*		
— Basic		**(HK2.70) cents**	(HK1.31) cents
— Diluted		**(HK2.70) cents**	(HK1.31) cents
From continuing and discontinued operations	*12*		
— Basic		**(HK2.59) cents**	(HK2.27) cents
— Diluted		**(HK2.59) cents**	(HK2.27) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 April 2012 to 31 December 2012

	Note	**Period from 1 April 2012 to 31 December 2012** *HK$'000*	Year ended 31 March 2012 *HK$'000*
Loss for the period/year		**(65,285)**	(55,662)
Other comprehensive (loss)/income			
Currency translation differences		**1,859**	6,854
Realisation of exchange differences transferred to profit or loss upon disposal of subsidiaries	*15(e)*	**(4,122)**	(175)
Net revaluation surplus on leasehold land and buildings, net of tax		**—**	695
Total other comprehensive (loss)/income for the period/year, net of tax		**(2,263)**	7,374
Total comprehensive loss for the period/year		**(67,548)**	(48,288)
Attributable to:			
Owners of the Company		**(66,944)**	(47,900)
Non-controlling interests		**(604)**	(388)
Total comprehensive loss for the period/year		**(67,548)**	(48,288)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	31 December 2012 HK$'000	31 March 2012 HK$'000
Non-current assets			
Prepaid land lease		—	—
Property, plant and equipment		**24,779**	8,456
Investment properties		—	—
Operating concessions		**224,613**	219,630
Intangible assets		**12,405**	54,920
Interest in an associate		**517**	—
Interests in jointly controlled entities		—	—
		262,314	283,006
Current assets			
Financial assets at fair value through profit or loss		**1,258**	2,828
Inventories		**7,557**	13,627
Trade and other receivables	*13*	**25,439**	27,045
Pledged bank deposits		**386**	—
Cash and cash equivalents		**39,573**	38,592
		74,213	82,092
Assets of disposal group classified as held-for-sale	*15(b)*	—	88,871
		74,213	170,963
Current liabilities			
Trade and other payables	*14*	**46,719**	61,799
Current income tax payable		**691**	—
Bank loans		**24,304**	12,792
		71,714	74,591
Liabilities of disposal group classified as held-for-sale	*15(b)*	—	51,740
		71,714	126,331
Net current assets		**2,499**	44,632
Total assets less current liabilities		**264,813**	327,638

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2012

	31 December 2012 *HK$'000*	31 March 2012 *HK$'000*
Non-current liabilities		
Bank loans	**62,000**	48,708
Deferred tax liabilities	**19,627**	30,585
	81,627	79,293
Net assets	**183,186**	248,345
EQUITY		
Share capital	**62,508**	62,508
Reserves	**120,480**	185,035
Equity attributable to owners of the Company	**182,988**	247,543
Non-controlling interests	**198**	802
Total equity	**183,186**	248,345

NOTES

For the period from 1 April 2012 to 31 December 2012

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the accounting of leasehold land and building, financial assets at fair value through profit or loss and investment properties.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2. CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a resolution of the Board of Directors of the Company dated 25 September 2012, the Company's financial year end date has been changed from 31 March to 31 December. The change is to align the financial year end date of the Company with that of its subsidiaries established in the People's Republic of China (the "PRC"), which have a statutory financial year-end date of 31 December.

As a result of the change in financial year end date, the current financial period covers a nine-month period from 1 April 2012 to 31 December 2012 (the "period ended 31 December 2012"), and the corresponding comparative amounts in these consolidated financial statements covers a twelve-month period from 1 April 2011 to 31 March 2012 (the "year ended 31 March 2012"). As a result, the corresponding comparative figures are not entirely comparable with those of the current period.

3. GOING CONCERN

During the period from 1 April 2012 to 31 December 2012, the Group incurred a loss attributable to owners of the Company of HK$64,677,000 and had net cash outflows from operating activities of HK$29,220,000. As at 31 December 2012, the Group had net debt of HK$46,345,000 and capital commitments of HK$77,658,000. In addition, the net current assets of the Group decreased to HK$2,499,000 as at 31 December 2012. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to attain profitable and positive cash flows from operations in the immediate and longer term and the financial support from banks and an indirect shareholder. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern as a result of which it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the directors considered that it is appropriate to adopt the going concern basis of accounting in preparing these consolidated financial statements.

In order to improve the Group's financial position, immediate liquidity and cash flows and otherwise to sustain the Group as a going concern, the Group has taken the following measures:

(a) On 14 March 2013, Beijing Jingrui Kemai Water Purification Technology Company Limited, a wholly-owned subsidiary, entered into an agreement to obtain a banking facility of RMB10,000,000 (equivalent to HK$12,400,000) from a PRC bank with a maturity term of not less than one year. The loan bears interest at 7.8% per annum and is secured by a guarantee from a subsidiary and the leasehold properties located in Beijing with a total carrying amount of approximately HK$11,158,000 as at 31 December 2012. The loan of RMB6,000,000 (equivalent to HK$7,440,000) of the loan facility was drawn down on 24 June 2013 and is due for repayment on 24 June 2014;

(b) on 19 March 2013, an entrusted loan agreement has been signed between an independent third party and a subsidiary of the Group. The lender lent an entrusted loan of RMB50 million (equivalent to HK$62 million) to the Group through commissioning a bank with a maturity term of three years. The loan is bearing interest at 12% per annum;

(c) the directors of the Company are also taking measures to dispose of non-core assets of the Group in order to release additional funds. On 9 September 2013, the Group entered into an agreement to dispose of certain leasehold land and buildings with a total carrying amount of HK$7,106,000 as at 31 December 2012 and received a net proceeds (after deducting expenses) of RMB4,744,000 (equivalent to HK$5,883,000);

(d) On 5 December 2013, Fanhe (Hulu lsland) Water Investment Company Limited, a wholly-owned subsidiary, entered into an agreement to borrow a bank loan of RMB18,000,000 (equivalent to HK$22,320,000) from a bank in the PRC for a period of 2 years from 5 December 2013 to 5 December 2015. The loan bears interest at 9% per annum and secured by the right of operating concessions. The loan was drawn down on 5 December 2013;

(e) On 11 February 2014, Fanhe (Hulu Island) Water Investment Company Limited, a wholly-owned subsidiary, entered into an agreement to borrow a bank loan of RMB11,000,000 (equivalent to HK$13,970,000) from a bank in the PRC for a period of three years from 11 February 2014 to 10 February 2017. The loan bears interest at 9.84% per annum and is secured by the right of operating concession. The loan was drawn down on 11 February 2014;

(f) On 28 February 2014, the Company entered into an unconditional financial support agreement for HK$150,000,000 with an indirect shareholder of the Company for a period of two years from 28 February 2014 (the “Period”). During the Period, the Company is entitled to borrow one or more loans from this indirect shareholder, at anytime and in any amount which in aggregate not exceeding HK$150,000,000. The loans are bearing interest at 3% per annum, unsecured and repayable in 2 years from the date of drawn down; and

(g) the directors of the Company have been taking various cost control measures to tighten the costs of operations and various general and administrative expenses;

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

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

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) New and amended standards adopted by the Group

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial period beginning on 1 April 2012.

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Transfer of Financial Assets

The application of the above new or revised HKFRSs in the current period has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these financial statements.

(b) Standards, amendments to existing standards and interpretations that are not yet effective and have not been early adopted by the Group

The following new standards, new interpretations and amendments to standards and interpretations have been issued but not effective for the financial year beginning 1 April 2012 and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 cycle [2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 cycle [4]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 cycle [4]
HKAS 1 (Amendment)	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income [1]
HKAS 19 (Revised)	Employee Benefits [2]
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions [4]
HKAS 27 (Revised)	Separate Financial Statements [2]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures [2]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities [3]
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-financial Assets [3]
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting [3]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine [2]
HK(IFRIC) — Int 21	Levies [3]
HKFRS 1 (Amendment)	First time adoption — Government Loans [2]
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities [2]
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [5]
HKFRS 9	Financial Instruments [5]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance [2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities [3]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosures of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement [2]
HKFRS 14	Regulatory Deferred Accounts [6]

1 Effective for annual reporting periods beginning on or after 1 July 2012
2 Effective for annual reporting periods beginning on or after 1 January 2013
3 Effective for annual reporting periods beginning on or after 1 January 2014
4 Effective for annual reporting periods beginning on or after 1 July 2014, with limited exceptions
5 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
6 Effective for annual reporting periods beginning on or after 1 January 2016

The Group is currently assessing the impact of the adoption of the above new standards, amendments to standards and interpretations, but is not yet in a position to state whether their adoption would have a significant impact to the Group's future consolidated financial statements.

5. TURNOVER

The principal activities of the Group's continuing operations are the provision of wastewater treatment services, construction of wastewater treatment plants services and trading of water treatment machineries.

Turnover represents the revenue from the sales of water treatment goods supplied to customers, the construction of wastewater treatment plants and the provision of wastewater treatment services. The amount of each significant category of revenue recognised in turnover during the period/year is as follows:

	Period from 1 April 2012 to 31 December 2012	Year ended 31 March 2012
	HK$'000	*HK$'000*
Continuing Operations		
Sales of water treatment goods	**21,096**	24,556
Construction of wastewater treatment plants	**14,982**	99,715
Wastewater treatment services	**14,953**	20,612
	51,031	144,883

6. SEGMENT REPORTING

The Group manages its business by divisions which are 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 executive directors, being the chief operating decision-maker ("CODM") for the purposes of resources allocation and performance assessment. The Group has presented the following five reportable segments. No operating segments has been aggregated to form following reportable segments:

Continuing operations:

(i) 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.

(ii) Wastewater treatment equipment trading

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

Discontinued operations:

(iii) Aviation, metro and railway equipment

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

(iv) Vehicles and spare parts and provision of engineering services

This segment derives its revenue from sales of coaches, trucks and spare parts of buses and provides warranty and maintenance services and after sales services.

(v) Dredging equipment

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

(a) Segment results, assets and liabilities

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

The accounting policies of the reportable segments follow the Group's accounting policies. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs such as directors' salaries and investment income. This is the measure reported to the CODM for purposes of resources 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 amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the income statement.

All assets are allocated to reportable segments other than the financial assets at fair value through profit or loss, unallocated cash and cash equivalents and corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than current and deferred tax liabilities, borrowings not attributable to individual segments and corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

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

For the period from 1 April 2012 to 31 December 2012

	Discontinued operations				Continuing operations			Unallocated	
	Aviation, metro and railway equipment HK$'000	Vehicles and spare parts and provision of engineering services HK$'000	Dredging equipment HK$'000	Subtotal HK$'000	Wastewater treatment and construction services HK$'000	Wastewater treatment equipment trading HK$'000	Subtotal HK$'000	HK$'000	Total HK$'000
Segment revenue									
Revenue from external customers	—	301	—	301	29,935	21,096	51,031	—	51,332
Reportable segment (loss)/ profit before tax	—	2,898	—	2,898	(3,490)	(45,062)	(48,552)	(27,890)	(73,544)
Interest income	—	(10)	—	(10)	(85)	(11)	(96)	(29)	(135)
Finance costs	—	35	—	35	—	—	—	—	35
Depreciation and amortisation	—	165	—	165	12,017	6,858	18,875	980	20,020
Write-down of inventories	—	—	—	—	—	1,221	1,221	—	1,221
Loss/(gain) on disposal of property, plant and equipment	—	3	—	3	—	(2,022)	(2,022)	—	(2,019)
Impairment loss on intangible assets	—	—	—	—	—	36,494	36,494	—	36,494
Impairment loss on other receivables	—	—	—	—	—	1,033	1,033	—	1,033
Impairment loss on amount due from jointly controlled entities	—	—	—	—	—	876	876	126	1,002
Additions to non-current assets (other than financial assets and deferred tax assets)	—	—	—	—	15,114	3,552	18,666	401	19,067
Share of loss of an associate	—	—	—	—	—	779	779	—	779

For the year ended 31 March 2012

	Discontinued operations				Continuing operations			Unallocated	
	Aviation, metro and railway equipment HK$'000	Vehicles and spare parts and provision of engineering services HK$'000	Dredging equipment HK$'000	Subtotal HK$'000	Wastewater treatment and construction services HK$'000	Wastewater treatment equipment trading HK$'000	Subtotal HK$'000	HK$'000	Total HK$'000
Segment revenue									
Revenue from external customers	449	12,661	17,417	30,527	120,327	24,556	144,883	—	175,410
Reportable segment (loss)/ profit before tax	(17,206)	(3,026)	1,484	(18,748)	18,784	(4,347)	14,437	(51,545)	(55,856)
Interest income	(60)	(3)	—	(63)	(170)	(17)	(187)	(13)	(263)
Finance costs	—	217	—	217	—	—	—	—	217
Depreciation and amortisation	944	88	5	1,037	2,788	8,938	11,726	1,463	14,226
Reversal of write-down of inventories	(1,499)	(140)	—	(1,639)	—	—	—	—	(1,639)
Write-down of inventories	—	—	—	—	—	2,683	2,683	—	2,683
Loss on disposal of property, plant and equipment	—	24	—	24	—	—	—	—	24
Impairment loss on trade receivables	3,559	—	—	3,559	—	—	—	—	3,559
Additions to non-current assets (other than financial assets and deferred tax assets)	—	—	—	—	100,101	4,692	104,793	517	105,310

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

As at 31 December 2012

	Discontinued operations				Continuing operations				
	Aviation, metro and railway equipment *HK$'000*	**Vehicles and spare parts and provision of engineering services** *HK$'000*	**Dredging equipment** *HK$'000*	**Subtotal** *HK$'000*	**Wastewater treatment and construction services** *HK$'000*	**Wastewater treatment equipment trading** *HK$'000*	**Subtotal** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Reportable segment assets (including interest in an associate)	**—**	**—**	**—**	**—**	**262,865**	**31,345**	**294,210**	**42,317**	**336,527**
Interest in an associate	**—**	**—**	**—**	**—**	**—**	**517**	**517**	**—**	**517**
Reportable segment liabilities	**—**	**—**	**—**	**—**	**104,181**	**14,323**	**118,504**	**34,837**	**153,341**

As at 31 March 2012

	Discontinued operations				Continuing operations				
	Aviation, metro and railway equipment *HK$'000*	Vehicles and spare parts and provision of engineering services *HK$'000*	Dredging equipment *HK$'000*	Subtotal *HK$'000*	Wastewater treatment and construction services *HK$'000*	Wastewater treatment equipment trading *HK$'000*	Subtotal *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Reportable segment assets	—	—	—	—	254,248	86,646	340,894	24,204	365,098
Assets of disposal group classified as held-for-sale	87,308	1,563	—	88,871	—	—	88,871	—	88,871
Reportable segment liabilities	—	—	—	—	87,639	17,415	105,054	48,830	153,884
Liabilities of disposal group classified as held-for-sale	45,766	5,974	—	51,740	—	—	51,740	—	51,740

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

	Period from 1 April 2012 to 31 December 2012 ***HK$'000***	Year ended 31 March 2012 *HK$'000*
Revenue		
Reportable segment revenue	**51,332**	175,410
Less: revenue attributable to discontinued operations	**(301)**	(30,527)
Revenue attributable to continuing operations	**51,031**	144,883

	Period from 1 April 2012 to 31 December 2012 HK$'000	Year ended 31 March 2012 HK$'000
(Loss)/profit		
Reportable segment loss	**(45,654)**	(4,311)
Less: reportable segment (profit)/loss from discontinued operations	**(2,898)**	18,748
Reportable segments' (loss)/profit from continuing operations	**(48,552)**	14,437
Other losses, net	**(14)**	(8,049)
Unallocated amortisation and depreciation	**(980)**	(825)
Unallocated head office and corporate expenses	**(28,998)**	(38,365)
Consolidated loss before taxation from continuing operations	**(78,544)**	(32,802)

	31 December 2012 HK$'000	31 March 2012 HK$'000
Assets		
Reportable segments' assets	**294,210**	340,894
Unallocated		
— financial assets at fair value through profit or loss	**1,258**	2,828
— cash and cash equivalents	**9,694**	10,126
— corporate assets	**31,365**	11,250
	336,527	365,098
Assets of disposal group classified as held-for-sale	**—**	88,871
Consolidated total assets	**336,527**	453,969
Liabilities		
Reportable segments' liabilities	**118,504**	105,054
Unallocated		
— current income tax payable	**691**	—
— deferred tax liabilities	**19,627**	30,585
— corporate liabilities	**14,519**	18,245
	153,341	153,884
Liabilities of disposal group classified as held-for-sale	**—**	51,740
Consolidated total liabilities	**153,341**	205,624

(c) Revenue from major product and services

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

	Period from 1 April 2012 to 31 December 2012	Year ended 31 March 2012
	HK$'000	*HK$'000*
Sales of water treatment goods	**21,096**	24,556
Construction of wastewater treatment plants	**14,982**	99,715
Wastewater treatment services	**14,953**	20,612
Attributable to continuing operations	**51,031**	144,883

(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 refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, operating concessions and intangible assets. The geographical location of property, plant and equipment is based on the physical location of the asset under consideration. In the case of operating concessions and intangible assets, it is based on the location of the operation to which the intangible assets relate.

	Revenues from external customers	
	Period from 1 April 2012 to 31 December 2012	Year ended 31 March 2012
	HK$'000	*HK$'000*
The PRC (place of domicile) — Attributable to continuing operations	**51,031**	144,883

	Non-current assets	
	31 December 2012	31 March 2012
	HK$'000	*HK$'000*
Hong Kong	**541**	724
The PRC	**261,256**	282,282
	261,797	283,006

(e) Information about major customers

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

	Period from 1 April 2012 to 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
Customer A — revenue from wastewater treatment — The PRC	**14,953**	20,612
Customer B — revenue from railway equipment trading — USA	**—**	6,264
Customer C — revenue from wastewater treatment equipment trading — The PRC	**13,879**	—

7. OTHER REVENUE

	Period from 1 April 2012 to 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
Continuing Operations		
Interest income on bank deposits	**125**	201
Total interest income on financial assets not at fair value through profit or loss	**125**	201
Others	**140**	—
	265	201

8. OTHER LOSSES, NET

	Period from 1 April 2012 to 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
Continuing Operations		
Net exchange gain/(loss)	**1**	(96)
Net gain on disposal of property, plant and equipment	**2,022**	—
Net loss on sale of financial assets at fair value through profit or loss	**(532)**	(2,337)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	**347**	(5,628)
Impairment loss on intangible assets	**(36,494)**	—
Others	**(11)**	(12)
	(34,667)	(8,073)

9. LOSS BEFORE TAXATION

Loss before taxation from continuing operations is arrived at after charging/(crediting) the following:

	Period from 1 April 2012 to 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
a) Finance costs		
Interest expenses:		
Bank borrowings wholly repayable within five years	**6,347**	3,877
Total interest expenses on financial liabilities not at fair value through profit or loss	**6,347**	3,877
Less: amount capitalised on qualifying assets	**(6,347)**	(3,877)
	—	—

The weighted average capitalisation rate on funds borrowed generally is 7.4% (year ended 31 March 2012: 6.3%) per annum.

	Period from 1 April 2012 to 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**13,465**	16,208
Equity-settled share-based payment expenses	**2,389**	6,156
Pension costs-defined contribution plans	**392**	115
	16,246	22,479
c) Other items		
Amortisation of operating concessions*	**11,828**	2,599
Amortisation of intangible assets*	**6,188**	8,177
Cost of inventories sold	**14,517**	8,538
Cost of construction contracts	**13,424**	90,890
Depreciation	**1,839**	1,773
Write-down obsolete inventories	**1,221**	2,683
Auditors' remuneration		
— audit services	**3,462**	1,550
— other services	**50**	250
Operating lease charges in respect of properties	**3,960**	3,943
Impairment loss on other receivables	**1,033**	—
Impairment loss on amount due from jointly controlled entities	**1,002**	1,000

* The amortisation of operating concessions and intangible assets (other than club memberships) are included in "Cost of sales" on the face of the consolidated income statement.

10. INCOME TAX CREDIT

	Period from 1 April 2012 to 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
PRC Enterprise Income Tax		
— Current year	**687**	2,123
— Underprovision in prior years	**80**	—
Deferred tax	**(11,146)**	(2,510)
Income tax credit	**(10,379)**	(387)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the period from 1 April 2012 to 31 December 2012 (year ended 31 March 2012: Nil).

The PRC Enterprise Income Tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the period/year based on existing legislation, interpretations and practices in respect thereof. In accordance with the PRC Enterprise Income Tax "CIT" Law and its Detailed Implementation Rule, Fanhe (Hulu Island) Water Investment Co., Ltd. ("Fanhe Hulu"), a wholly-owned subsidiary of the Company, enjoys CIT "3+3" holiday from 2010, that is, full exemption for the first 3 years and 50% exemption for the next 3 years, by reason that Fanhe Hulu is engaged in the operations of wastewater treatment.

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

There was no income tax relating to components of other comprehensive loss for the period (year ended 31 March 2012: income tax relating to net revaluation surplus on leasehold land and buildings amounted to HK$184,000).

11. DIVIDENDS

The board of directors do not recommend the payment of any dividend for the period from 1 April 2012 to 31 December 2012 (year ended 31 March 2012: HK$Nil).

12. LOSS PER SHARE

(a) From continuing operations

The calculations of basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:	**Period from 1 April 2012 to 31 December 2012** *HK$'000*	Year ended 31 March 2012 *HK$'000*
Loss attributable to owners of the Company	**(64,677)**	(55,238)
Less: (profit)/loss from discontinued operations	**(2,880)**	23,247
Loss for the purpose of basic and diluted loss per share from continuing operations	**(67,557)**	(31,991)
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	**2,500,303**	2,437,800

The computation of diluted loss per share for the period/year does not assume the exercise of the outstanding share options since the exercise price of the share options exceeded the average market price of ordinary shares during the period/year.

(b) From continuing and discontinued operations

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

	Period from 1 April 2012 to 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
Loss for the period/year attributable to the owners of the Company for the purposes of basic and diluted loss per share	**(64,677)**	(55,238)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

(c) From discontinued operations

For the period from 1 April 2012 to 31 December 2012, basic and diluted earnings per share for the discontinued operations were HK0.11 cents per share (year ended 31 March 2012: basic and diluted loss per share were HK0.96 cents), based on profit/(loss) for the period/year from the discontinued operations of HK$2,880,000 and HK$23,247,000 respectively and the denominators detailed above for both basic and diluted loss per share.

13. TRADE AND OTHER RECEIVABLES

	31 December 2012 *HK$'000*	31 March 2012 *HK$'000*
Trade receivables	**12,143**	14,010
Other receivables	**9,970**	7,215
Amount due from a jointly controlled entity	**—**	320
Loans and receivables	**22,113**	21,545
Trade deposits	**614**	1,944
Prepayments and deposits	**2,712**	3,556
	25,439	27,045
Reclassified as held-for-sale *(note 15(b))*	**—**	6,665
	25,439	33,710

As at 31 December 2012 and 31 March 2012, the ageing analysis of the trade receivables based on invoice date were as follows:

	31 December 2012 *HK$'000*	31 March 2012 *HK$'000*
Within 2 months	**7,040**	9,296
3 months	**1,701**	1,781
More than 3 months but less than 12 months	**2,184**	2,933
More than 12 months	**1,218**	—
	12,143	14,010

14. TRADE AND OTHER PAYABLES

	31 December 2012 *HK$'000*	31 March 2012 *HK$'000*
Trade payables	**19,973**	26,856
Other payables	**17,712**	15,165
Amount due to an associate	**372**	—
Financial liabilities measured at amortised cost	**38,057**	42,021
Sales deposits received	**8,662**	19,778
	46,719	61,799
Reclassified as held-for-sale *(note 15(b))*	**—**	32,068
	46,719	93,867

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

	31 December 2012 *HK$'000*	31 March 2012 *HK$'000*
Within 1 month	**4,344**	8,417
After 1 month but within 3 months	**1,793**	327
After 3 months but within 6 months	**—**	18,112
After 6 months but within 1 year	**742**	—
After 1 year	**13,094**	—
	19,973	26,856

15. DISCONTINUED OPERATIONS

On 9 March 2012, the Company entered into sale and purchase agreements with an independent third party to dispose of the Group's 100% equity interest in and shareholder's loan to Yardway Limited, Yardway Motors Limited and Yardway Logistics Equipment (Zhuhai) Company Limited (the "Disposal") at a total consideration of HK$17,500,000. These subsidiaries were operating within the vehicles and spare parts and provisions of engineering services segment. The Disposal was completed on 6 June 2012. Accordingly, the operating results of these subsidiaries up to the date of the Disposal are presented as discontinued operations in the financial statements. The operating results of the discontinued operations for the year ended 31 March 2012 included the results of aviation, metro and railway equipment, vehicle and spare parts, provision of engineering services and dredging equipment operations.

(a) Results of the discontinued operations:

	Period from 1 April 2012 to 6 June 2012	Year ended 31 March 2012
	HK$'000	*HK$'000*
Revenue	**301**	30,527
Cost of sales	**(128)**	(25,609)
Other revenue	**246**	1,127
Other gains	**115**	715
Distribution costs	**(761)**	(7,698)
Administrative expenses	**(1,312)**	(22,335)
Valuation loss on investment properties	**—**	(1,880)
Loss from operations of discontinued operations	**(1,539)**	(25,153)
Finance costs	**(35)**	(217)
Loss before taxation of discontinued operations	**(1,574)**	(25,370)
Income tax	**(18)**	(193)
	(1,592)	(25,563)
Gain on disposal of discontinued operations (net of nil tax) *(note 15(e))*	**4,472**	2,316
Profit/(loss) for the period/year	**2,880**	(23,247)

(b) Disposal group held-for-sale

(i) Assets of disposal group classified as held-for-sale

	31 March 2012 *HK$'000*
Leasehold land	430
Property, plant and equipment	17,316
Less: Impairment loss on property, plant and equipment	(2,600)
Investment properties	45,380
Inventories	17
Trade and other receivables *(note 13)*	6,665
Cash and cash equivalents	21,663
Total	88,871

The gross carrying amounts of investment properties of the Group held for use in operating leases were HK$45,380,000 as at 31 March 2012.

(ii) Liabilities of disposal group classified as held-for-sale

	31 March 2012 *HK$'000*
Trade and other payables *(note 14)*	32,068
Current income tax payable	1,052
Bank loans	9,395
Deferred income tax liabilities	4,448
Provision for warranty	4,777
Total	51,740

(iii) There are no cumulative income or expense recognised in other comprehensive income relating to the disposal group classified as held-for-sale.

(c) Results of the discontinued operations is arrived at after charging/(crediting) the following:

		Period from 1 April 2012 to 6 June 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
(i)	Finance costs:		
	Interest on bank advances wholly repayable within five years	**35**	217
(ii)	Staff costs:		
	Contributions to defined contribution retirement plan	**22**	1,257
	Salaries, wages and other benefits	**386**	11,824
		408	13,081
(iii)	Other items:		
	Interest income	**(10)**	(63)
	Amortisation of prepaid lease payment	**2**	10
	Depreciation	**163**	1,743
	Cost of inventories sold	**128**	25,609
	Reversal of write-down of inventories	**—**	(1,639)
	Auditor's remuneration	**—**	305
	Operating lease charges in respect of properties	**71**	1,256
	Impairment loss on trade receivables	**—**	3,559
	Loss on disposal of property, plant and equipment	**3**	24

(d) Cash flows of the discontinued operations:

	Period from 1 April 2012 to 6 June 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
Net cash used in operating activities	**(538)**	(5,915)
Net cash generated from investing activities	**10**	4,776
Net cash used in financing activities	**(139)**	(419)
Net cash outflows for the period/year	**(667)**	(1,558)

(e) Effect of the disposal on the financial position of the Group:

(i) For the period from 1 April 2012 to 31 December 2012

	HK$'000
Net assets disposed of:	
Property, plant and equipment	**1,878**
Leasehold land	**428**
Investment properties	**39,730**
Trade and other receivables	**5,883**
Inventories	**21**
Cash and cash equivalents	**20,996**
Bank loans	**(9,326)**
Trade and other payables	**(32,665)**
Current income tax payable	**(1,023)**
Deferred tax liabilities	**(4,448)**
Provision for warranty	**(4,367)**
Net identifiable assets	**17,107**
Exchange reserve realised on disposal	**(4,122)**
Gain on disposal of subsidiaries *(note 15(a))*	**4,472**
	17,457
Satisfied by:	
Cash consideration	**17,500**
Transaction costs	**(43)**
	17,457

Analysis of the net cash outflow in respect of the disposal of subsidiaries

Cash consideration	**17,500**
Transaction costs	**(43)**
Cash and cash equivalents disposed of	**(20,996)**
Net cash outflows	**(3,539)**

(ii) For the year ended 31 March 2012

During the year ended 31 March 2012, the Group completed the disposal of the entire 100% equity interest in Qifan Future Power Equipment (Beijing) Co., Limited and Yardway Dredging Equipment Limited which are inactive subsidiaries established in the PRC at a total cash consideration of HK$1,017,000, resulting in a total gain of HK$2,316,000.

Details of the net liabilities disposed of are summarised below.

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	117
Trade and other receivables	4,571
Inventories	1,624
Cash and cash equivalents	1,895
Trade and other payables	(4,852)
Amounts due to related companies	(1,584)
Amount due to immediate holding company	(2,895)
Net identifiable liabilities	(1,124)
Exchange reserve realised on disposal	(175)
Gain on disposal of subsidiaries *(note 15(a))*	2,316
	1,017
Satisfied by:	
Cash consideration	1,017

Analysis of the net cash outflow in respect of the disposal of subsidiaries

Cash consideration	1,017
Cash and cash equivalents disposed of	(1,895)
Net cash outflows	(878)

16. PLEDGE OF ASSETS

The assets pledged for certain banking facilities of the Group were as follows:

	31 December 2012 ***HK$'000***	31 March 2012 *HK$'000*
Operating concessions	**224,613**	219,630
Bank deposits	**386**	—
Assets of disposal group classified as held-for-sale	**—**	25,800
	224,999	245,430

CHANGE OF ACCOUNTING PERIOD

Pursuant to a resolution of the Board of Directors passed on 25 September 2012, the Company's financial year-end date was changed from 31 March to 31 December. Accordingly the current financial period covers a nine-month period from 1 April 2012 to 31 December 2012, and the comparative figures cover a twelve-month period from 1 April 2011 to 31 March 2012, which may not be comparable with amounts shown for the current period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will for the purpose of ascertaining rights of shareholders to attend and vote at the forthcoming extraordinary general meeting be closed from Friday, 25 April 2014 to Monday, 28 April 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming extraordinary general meeting to be held on 28 April 2014, 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 (which address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March, 2014) not later than 4:30 p.m. on 24 April 2014.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditors of the Company:

EMPHASIS OF MATTERS

We draw attention in note 2.1.2 to the consolidated financial statements which indicate that the Group incurred a loss attributable to owners of the Company of HK$64,677,000 and had net cash outflows from operating activities of HK$29,220,000 for the period from 1 April 2012 to 31 December 2012. As at 31 December 2012, the Group had net debts of HK$46,345,000 and capital commitments of HK$77,658,000. In addition, the net current assets of the Group decreased to HK$2,499,000 as at 31 December 2012. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the Group and the Company to attain profitable and positive cashflows from operations and the financial support from banks and an indirect shareholder. These conditions, along with other matters as set forth in note 2.1.2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Acquisition of a subsidiary

On 12 April 2013, Shenzhen CETH Environmental Technology Co., Ltd ("Shenzhen CETH") a wholly-owned subsidiary of the Company entered into an agreement (the "Agreement") with an independent third party (the "Vendor") to purchase 100% equity interest in Shenzhen Huaxin Zhongshui Protection Engineering Company Limited ("Shenzhen Huaxin") at a total consideration of RMB2,900,000 (equivalent to approximately HK$3,596,000). The acquisition was completed on 15 April 2013. Shenzhen Huaxin is engaged in the environmental engineering business. Through the acquisition, the Group is able to expand its business. Pursuant to the Agreement, the consideration for the acquisition shall be paid in cash as follows:

	HK$'000
Upon signing of the Agreement	1,079
Upon the receipt of a certificate of attestation	719
Upon the acceptance of application for the approval of the Acquisition by the Market Supervision Administration of Shenzhen	1,438
Upon the approval of the Acquisition granted by the Market Supervision Administration of Shenzhen	360
Total cash consideration	3,596

Subsequent to the reporting period, the Group has fully settled the consideration for the acquisition.

Identifiable assets and liabilities

	Acquiree's carrying amount before combination *HK$'000*	**Fair value adjustment** *HK$'000*	**Provisional fair value** *HK$'000*
Non-current assets			
Property, plant and equipment	89	—	89
Intangible assets	—	622	622
	89	622	711
Current assets			
Inventories	135	—	135
Trade and other receivables			
— Trade receivables	365	—	365
— Other receivables	3	—	3
	368		368
Cash and cash equivalents	275	—	275
	778	—	778
Current liabilities			
Trade and other payables			
— Advances from customers	301	—	301
— Value added tax payable	4	—	4
	305		305
Deferred tax liabilities	—	155	155
	305	155	460
Total net assets identified	562	467	1,029

The receivables acquired in this transaction carried at a fair value and the gross contractual amount is the same as the carrying amount. The best estimate at acquisition date of the contractual cash flows not expected to be collected is Nil.

As at the date of approval of these financial statements, the Group has not finalised the fair value assessment for the acquiree's identifiable assets, liabilities and contingent liabilities as at the date of acquisition. The relevant fair value of net assets acquired stated above is arrived at on a provisional basis awaiting the identification of identifiable assets and liabilities of Shenzhen Huaxin and the finalisation of their fair value. Hence, the goodwill may be subject to significant changes when the valuation has been finalised.

	HK$'000
Consideration transferred	3,596
Less: fair value of identifiable net assets acquired	(1,029)
Provisional goodwill	2,567

The provisional goodwill arose in the acquisition of Shenzhen Huaxin because the consideration paid for the combination effectively included the benefit of expected future growth and assembled workforce of Shenzhen Huaxin. This benefit is not recognised separately from goodwill because it does not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of the subsidiary:

	HK$'000
Cash consideration	3,596
Cash and cash equivalents in subsidiary acquired	(275)
Net cash outflow on acquisition of the subsidiary	3,321

The Group incurred acquisition-related costs of approximately HK$54,000 being legal and professional fees and other charges which have been excluded from the cost of acquisition.

Had the acquisition been completed on 1 April 2012, the Group's revenue would have been approximately HK$53,920,000 and loss for the period would have been approximately HK$71,798,000.

The above pro forma information on the Group's revenue and results is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2012, nor is it intended to be a projection of future results.

(b) On 27 February 2013, Fanhe (Hulu lsland) Water Investment Company Limited, a wholly-owned subsidiary, and the bank signed a Letter of Intent in respect of the banking facility of RMB10,000,000 (equivalent to HK$12,400,000) with a maturity term of not less than one year.

(c) On 14 March 2013, Beijing Jingrui Kemai Water Purification Technology Company Limited, a wholly-owned subsidiary, entered into an agreement to obtain a banking facility of RMB10,000,000 (equivalent to HK$12,400,000) from a PRC bank with a maturity term of not less than one year. The loan bears interest at 7.8% per annum and is secured by a guarantee from a subsidiary and the leasehold properties located in Beijing with a total carrying amount of approximately HK$11,158,000 as at 31 December 2012. The loan of RMB6,000,000 (equivalent to HK$7,440,000) of the loan facility was drawn down on 24 June 2013 and is due for repayment on 24 June 2014.

(d) On 19 March 2013, Shenzhen CETH Environmental Technology Co., Ltd., a wholly-owned subsidiary, entered into an entrusted loan agreement with an independent third party through commissioning a bank to borrow a loan of RMB50,000,000 (equivalent to HK$62,000,000) for a period of three years from 23 April 2013 to 22 April 2016. The loan is bearing interest at 12% per annum and is secured by a guarantee from the Company. The loan was drawn down on 23 April 2013.

(e) On 9 September 2013, the Group disposed of certain leasehold land and buildings with a total carrying amount of HK$7,106,000 as at 31 December 2012 to a third party and received a net proceeds (after deducting expenses) of RMB4,744,000 (equivalents to HK$5,883,000) and recorded a loss of HK$1,223,000 on the disposal.

(f) On 5 December 2013, Fanhe (Hulu lsland) Water Investment Company Limited, a wholly-owned subsidiary, entered into an agreement to borrow a bank loan of RMB18,000,000 (equivalent to HK$22,320,000) from a PRC bank for a period of 2 years from 5 December 2013 to 5 December 2015. The loan bears interest at 9% per annum and is secured by the right of operating concession. The loan was drawn down on 5 December 2013.

(g) On 11 February 2014, Fanhe (Hulu Island) Water Investment Company Limited, a wholly-owned subsidiary, entered into an agreement to borrow a bank loan of RMB11,000,000 (equivalent to HK$13,970,000) from a bank in the PRC for a period of three years from 11 February 2014 to 10 February 2017. The loan bears interest at 9.84% per annum and is secured by the right of operating concession. The loan was drawn down on 11 February 2014.

(h) On 28 February 2014, the Company entered into an unconditional financial support agreement for HK$150,000,000 with an indirect shareholder of the Company for a period of two years from 28 February 2014 (the "Period"). During the Period, the Company is entitled to borrow one or more loans from this indirect shareholder, at anytime and in any amount which in aggregate not exceeding HK$150,000,000. The loans are bearing interest at 3% per annum, unsecured and repayable in 2 years from the date of drawn down.

MANAGEMENT DISCUSSION AND ANALYSIS

Reconciliation with the draft financial statements announced on 26 March 2013

The loss attributable to owners of the Company for the 9 months ended 31 December 2012 has been adjusted from approximately HK$56,771,000 to approximately HK$64,677,000. This is due to (i) an increase of approximately HK$1,600,000 audited fees for services rendered by the new auditors, Crowe Horwath (HK) CPA Limited, (ii) a further impairment of approximately HK$8,408,000 to a patent for the period and (iii) the reversal of deferred tax in the sum of approximately HK$2,102,000 in relation to the further impairment of the said patent.

Results

For the nine month ended 31 December 2012, the Group's continuing operations recorded a turnover approximately HK$51,031,000 (year ended 31 March 2012: HK$144,883,000). The Group's loss attributable to owners of the Company was approximately HK$64,677,000 (year ended 31 March 2012: HK$55,238,000). Gross profit margin for the nine month ended 31 December 2012 was a profit of approximately 1.5% as compared to profit of 18.4% for the year ended 31 March 2012.

Business Review

According 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 solve the environmental 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 for water quality maintenance of the Guanqiao Lake, Donghu, Wuhan city in Hubei to prevent the deterioration of the water quality. The two projects are the significant proof of the efforts that the Group has devoted in the past few years.

The Group has also proactively promoted its stationary magnetic separation water treatment system to private enterprises in the PRC. 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. In November 2012, another project regarding an intensive industrial wastewater treatment in Shandong has been secured. In December 2012, an official bid-winning notice has been received from the municipal government of Zixing City in Hunan province that a comprehensive manipulation project of the rural environment along the lake in Xingning Town, Bailang County, Zixing City, Hunan province has been successfully secured. This Project is one of the ecology-oriented pilot projects dedicated to the implementation of the ecological environmental protection of the Dongjiang Lake. This is also the first strategic project implemented after signing a Cooperation Agreement with the municipal government of Zixing City in Hunan on 20 July 2012.

With the state-of-the-art magnetic separation patented technology and its effectiveness in water treatment, 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 corporations and the municipal governments so as to strengthen our market competitiveness.

On 12 July 2012, the Group has entered into a Co-operation Agreement with the China Railway 25th Bureau Group Co., Ltd. The Group anticipated that more innovative ideas and inspirations for business development can be brought up following the execution of this agreement. In addition, synergies and corporate competitiveness will be strengthened by capitalizing the resources of both parties. The agreement is also meaningful to 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 and has established a project leading group and a working group to implement the cooperation mainly through a newly-set up company by the Group in four main areas: 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 projects so as to achieve a mutually beneficial synergy. Subsequent to this Cooperation Agreement, a comprehensive manipulation project of the rural environment in Zixing City was obtained.

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 environmental protection project, we have confidence that we can build up a good model and showcase to the environmental protection industry in the future. 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 to deepen and broaden its range of services and applications, and will largely advance the application of the technology in water quality maintenance and purification of the rivers and lakes throughout the PRC.

Outlook

Looking forward, the Group will try its utmost effort to increase the its profit margin and to seize more business opportunities which will in turn enhance the long term development of the Group, such as focusing on the water quality maintenance of rivers and lakes and also the manipulation project of the rural environment. Most importantly, 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. To initiate these measures, internal control has been strengthened so as to make sure that the objectives can be attained effectively within the Group.

Employees and Remuneration Policy

As at 31 December 2012, the Group had 149 employees (31 March 2012: 158 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 December 2012, cash and bank balances including pledged bank deposits of the Group were HK$39,959,000 (31 March 2012: HK$38,592,000). The cash and bank balances consisted of about 15.1% in Hong Kong dollars, 0.8% in US dollars and 84.1% in Renminbi.

As at 31 December 2012, the Group had total assets of HK$336,527,000 (31 March 2012: HK$453,969,000) and total liabilities of HK$153,341,000 (31 March 2012: HK$205,624,000). As at 31 December 2012, the current ratio was 1.03 (31 March 2012: 1.35), calculated on the basis of current assets of HK$74,213,000 (31 March 2012: HK$170,963,000) over current liabilities of HK$71,714,000 (31 March 2012: HK$126,331,000).

The Group's bank borrowings amounted to HK$86,304,000 (31 March 2012: HK$61,500,000). The Group's borrowings, denominated in Renminbi, mainly comprise 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 25.6% (31 March 2012:13.5%).

Charge on assets

As at 31 December 2012, the Group's operating concession right of HK$224,613,000 (31 March 2012: HK$219,630,000) and bank deposits of HK$386,000 were pledged with a bank to secure banking facilities granted to the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the nine months ended 31 December 2012 (31 March 2012: Nil).

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.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer. The options vest in four equal instalments with the first installment vesting from the date of grant. The second, third and fourth instalments vest from one, two and three years after the date of grant respectively. The options are exercisable after the vesting date but within a period of five years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company.

The total number of securities available for issue under the share option scheme as at 31 December 2012 was 64,500,000 shares which represents 2.58% of the issued share capital of the Company as at 31 December 2012. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

Offer of an option shall have been accepted when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance of HK$1 is received within such time as may be specified in the offer, which shall not be later than 21 days from the date of offer. The share option scheme will expire 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 recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the corporate governance code (the "**CG Code**"), Appendix 14 to the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Throughout the nine months ended 31 December 2012, 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.

Non-compliance with Code Provision A.6.7

Code Provision A.6.7 which provides other Non-executive Directors and the Independent Non-executive Directors of the Company should, *inter alia*, attend general meetings.

Mr. Ge Ze Min was absent from the Extraordinary General Meeting of the Company held in May 2012 and Annual General Meeting of the Company held in August 2012 due to personal reason. This is a deviation from Code Provision A.6.7.

Mr. Fong Sai Mo was absent from the Extraordinary General Meeting of the Company held in May 2012 and Annual General Meeting of the Company held in August 2012 due to personal reason. This is a deviation from Code Provision A.6.7.

Mr. Xin Luo Lin was absent from the Extraordinary General Meeting of the Company held in May 2012 and Annual General Meeting of the Company held in August 2012 due to personal reason. This is a deviation from Code Provision A.6.7.

Professor Zhu Nan Wen was absent from the Extraordinary General Meeting of the Company held in May 2012 and Annual General Meeting of the Company held in August 2012 due to personal reason. This is a deviation from Code Provision A.6.7.

Professor Zuo Jiane was absent from the Extraordinary General Meeting of the Company held in May 2012 and Annual General Meeting of the Company held in August 2012 due to personal reason. This is a deviation from Code Provision A.6.7.

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.

NON-COMPLIANCE WITH THE LISTING RULES

Non-compliance with Rule 13.46(2) of the Listing Rules

Pursuant to Rule 13.46(2) of the Listing Rules, the Company is required to dispatch to every shareholder of the Company and other holders of its listed securities its annual report not more than four months after the year ended 31 December 2012 (i.e. 30 April 2013).

However, due to the allegations raised by Ms. Song Xuan, the Company was unable to dispatch its annual report for the 9 months ended 31 December 2012 within the prescribed time limit as set out in the relevant Listing Rules. The Board acknowledges that the delay in the dispatch of the annual report constitutes non-compliance with Rule 13.46(2).

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

This results announcement is published on the website of HKExnews of The Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.cethl.com.

The Company's 2012 annual report containing all the information required under the Listing Rules will be despatched to the shareholders and will be published on the websites of the Company and The Stock Exchange in due course.

INDEPENDENT NON-EXECUTIVE DIRECTORS, AUDIT COMMITTEE AND REVIEW OF RESULTS

The Group has complied with Rules 3.10 and 3.10(A) of the Listing Rules relating to appointment of a sufficient number of the independent non-executive directors ("INEDs") and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed four INEDs including one with financial management expertise, details of their biographies will be set out in the 2012 Annual Report of the Company.

The Audit Committee is comprised of four INEDs. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the consolidated financial statements of the Company for the period ended 31 December 2012. The financial information of the Group's results for the period ended 31 December 2012 as set out in page 8 to 32 above have been agreed by the Company's auditor, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the 9 months ended 31 December 2012 as approved by the Board. The work performed by Crowe Horwath (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, the Hong Kong Standards on Review Engagements or the Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe Horwath (HK) CPA Limited on this announcement.

SUSPENSION OF TRADING

At the Company's request, trading in the Shares was suspended from 9:00 a.m. on 2 April 2013, and will remain suspended until further notice. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares. The publication of this announcement does not warrant any approval from the Stock Exchange on the resumption of trading of the Shares. The Company will keep the public informed of the latest development by making further announcements as and when appropriate.

By Order of the Board
China Environmental Technology Holdings Limited
Li Wang Hing, Nelson
Company Secretary

Hong Kong, 20 March 2014

As at the date of this announcement, the executive directors are Mr. Xu Zhong Ping, Mr. Pan Yutang, Mr. Zhang Fang Hong 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.