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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 JUNE 2016

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 June 2016 together with the comparative figures for the corresponding period in 2015.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016 – Unaudited

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
Turnover	*4*	**32,349**	22,432
Cost of sales		**(21,333)**	(15,105)
Gross profit		**11,016**	7,327
Other income	*5*	**62**	86
Other (losses)/gain, net	*5*	**(897)**	8,454
Distribution costs		**(622)**	(734)
Administrative expenses		**(26,783)**	(32,666)
Loss from operations		**(17,224)**	(17,533)
Finance costs	*6a*	**(4,645)**	(4,103)
Loss before taxation	*6*	**(21,869)**	(21,636)
Income tax credit	*7*	**1,071**	260
Loss for the period from continuing operations		**(20,798)**	(21,376)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2016 – Unaudited

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations		**–**	1,009
Loss on disposal of subsidiary		**–**	(17,894)
Loss for the period		**(20,798)**	(38,261)
Loss for the period attributable to:			
Owners of the Company		**(20,917)**	(36,677)
Non-controlling interests		**119**	(1,584)
		(20,798)	(38,261)
Loss attributable to owners of the Company arising from:			
Continuing operations		**(20,917)**	(19,792)
Discontinued operations		**–**	(16,885)
		(20,917)	(36,677)
Loss per share from continuing and discontinued operations *(HK cents)*	*9*		
From continuing operations		**(0.84)**	(0.79)
From discontinued operations		**–**	(0.68)
		(0.84)	(1.47)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2016 – Unaudited

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Loss for the period		**(20,798)**	(38,261)
Other comprehensive income:			
Exchange differences on translating of foreign operations		**3,420**	151
Total other comprehensive income for the period		**3,420**	151
Total comprehensive loss for the period		**(17,378)**	(38,110)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(17,497)**	(36,526)
Non-controlling interests		**119**	(1,584)
		(17,378)	(38,110)
Total comprehensive loss for the period attributable to owners of the Company arises from:			
Continuing operations		**(17,497)**	(19,641)
Discontinued operations		**–**	(16,885)
		(17,497)	(36,526)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 – Unaudited

	Note	At 30 June 2016 (Unaudited) *HK$'000*	At 31 December 2015 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**19,149**	29,001
Intangible assets		**4,968**	5,901
Goodwill		**–**	–
Interests in an associate		**–**	–
Interests in joint ventures		**–**	–
		24,117	34,902
Current assets			
Financial assets at fair value through profit or loss		**69**	99
Inventories		**6,333**	6,043
Trade and other receivables	*11*	**70,418**	68,868
Cash and cash equivalents	*12*	**18,795**	29,440
Gross amount due from customers for contract work		**11,574**	11,754
		107,189	116,204
Total assets		**131,306**	151,106
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**62,508**	62,508
Reserves		**(113,849)**	(96,352)
		(51,341)	(33,844)
Non-controlling interests		**(1,691)**	(1,810)
Total Equity		**(53,032)**	(35,654)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2015 – Unaudited

	Note	At 30 June 2015 (Unaudited) *HK$'000*	At 31 December 2014 (Audited) *HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*14*	**22,750**	17,450
Deferred revenue		**232**	236
Finance lease payables		**340**	1,850
Deferred tax liabilities		**1,421**	2,527
		24,743	22,063
Current liabilities			
Trade and other payables	*15*	**73,589**	76,787
Current tax liabilities		**13,412**	13,639
Borrowings	*14*	**68,602**	70,210
Deferred revenue		**556**	565
Finance lease payables		**3,436**	3,496
		159,595	164,697
Total liabilities		**184,338**	186,760
Total equity and liabilities		**131,306**	151,106
Net current liabilities		**(52,406)**	(48,493)
Total assets less current liabilities		**(28,289)**	(13,591)

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 December 2015.

2. GOING CONCERN

For the period ended 30 June 2016, the Group incurred a loss for the period of HK$20,798,000 and had net cash outflows from operating activities of HK$20,185,000. As at 30 June 2016, the Group had net current liabilities and net liabilities of HK$52,406,000 and HK$53,032,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group'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. Accordingly, the directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to attain profitable and positive cash flows from operations in the immediate and longer term, and the continued financial support from the Group's bankers and independent bond holders. The directors considered that it is appropriate to adopt the going concern basis of accounting in preparing the condensed financial statements, in particular based on the facts below.

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

(b) The directors of the Company are presently exploring different alternatives of equity or other financing, including but not limited to issuance of bonds and disposal of assets.

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 meet its financial obligations as and when they fall due in the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

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

3. 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 December 2015, except for the adoption of the following amendments issued by the HKICPA which became effective for the Group's financial year beginning on 1 January 2016.

Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied for the first time, the following new standards and amendments to HKFRSs issued by HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

HKFRS 14 Regulatory	Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012– 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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

In the current period, the Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[3]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after 1 January 2017

Except as described below, the directors of the Company anticipate that the application of the new standards and amendments to HKFRSs will have no material impact on the results and financial position of the Group.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipates that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures in the Group's condensed consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-to-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-to-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 will be effective for annual periods on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 "Revenue from Contracts with the Customers" at or before the date of initial application of HKFRS 16. The directors of the Company anticipate that the application of HKFRS 16 in the future may affect the amounts reported and related disclosures in the Group's condensed consolidated financial statements. However, it is not practicable to provide a reasonable estimate of effect of HKFRS 16 until the Group performs a detailed review.

Other than the above, the directors of the Company anticipate that the application of the other new standards and amendments to HKFRSs also will have no material impact on the results and the financial position of the Group.

4. 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 provide information about components of the Group. These information are reported to and reviewed by the Directors, being the chief operating decision-maker ("CODM") for the purposes of resources allocation and performance assessment. The Group has presented the following two reportable segments. No operating segment has been aggregated to form following reporting segments:

1. 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.

2. Wastewater treatment equipment trading

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

(a) **Segment results**

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

	Segment revenue Six months ended		**Segment profit (loss) Six months ended**	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Continuing operations				
Wastewater treatment and construction services	**21,362**	9,887	**(1,779)**	305
Wastewater treatment equipment trading	**10,987**	12,545	**(437)**	(6,376)
Total for continuing operations	**32,349**	22,432	**(2,216)**	(6,071)
Discontinued operations				
Wastewater treatment and construction service-BOT	**–**	21,459	**–**	(51)
Total for discontinued operations	**–**	21,459	**–**	(51)
Unallocated items	**–**	–	**–**	–
Total for continuing and discontinued operations	**32,349**	43,891	**(2,216)**	(6,122)

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

	Six months ended	
	30 June 2016	30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment results	**(2,216)**	(6,071)
Other income and other losses, net	**(835)**	8,540
Depreciation and amortisation	**(1,334)**	(336)
Finance costs	**(4,645)**	(4,103)
Unallocated head office and corporate expenses	**(12,839)**	(19,666)
Consolidated loss before taxation attributable to continuing operations	**(21,869)**	(21,636)
Consolidated loss before taxation attributable to discontinued operations	**–**	(573)
	(21,869)	(22,209)

5. OTHER INCOME AND OTHER GAIN, NET

	Six months ended	
	30 June	30 June
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income on bank deposits	**62**	81
Others	**–**	5
Attributable to continuing operations	**62**	86
Attributable to discontinued operations	**–**	–
	62	86
Other gain, net		
Net unrealised (loss)/gain on financial assets at fair value through profit or loss	**(30)**	68
Gain on deemed disposal of interest in joint ventures	**–**	3,500
Gain on sale and leaseback of property, plant and equipment	**–**	299
Loss on disposal of property, plant and equipment	**(857)**	–
Reversal of impairment loss on amount due from a joint venture	**–**	4,587
Others	**(10)**	–
Attributable to continuing operations	**(897)**	8,454
Attributable to discontinued operations	**–**	–
	(897)	8,454

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June 2016 HK$'000 (Unaudited)	30 June 2015 HK$'000 (Unaudited)
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	**4,645**	4,103
Attributable to continuing operations	**4,645**	4,103
Attributable to discontinued operations	**–**	695
	4,645	4,798
(b) Other items:		
Continuing operations		
Amortisation of intangible assets	**933**	1,084
Depreciation of property, plant and equipment	**401**	1,537
Discontinued operations		
Amortisation of operating concessions	**–**	869
Depreciation of property, plant and equipment	**–**	110

7. INCOME TAX CREDIT

	Six months ended 30 June 2016 HK$'000 (Unaudited)	30 June 2015 HK$'000 (Unaudited)
Current tax – PRC corporate income tax	**35**	–
Deferred tax	**(1,106)**	(260)
	(1,071)	(260)

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 June 2016. PRC taxation is charged at the appropriate current rate of taxation ruling in the PRC.

8. INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

9. LOSS PER SHARE

Basic

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

	Six months ended	
	30 June 2016	30 June 2015
	HK$'000	*HK$'000*
Attributable to the owners of the Company		
From continuing operations	**(20,917)**	(19,792)
From discontinued operations	**–**	(16,885)
	(20,917)	(36,677)

	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares in issue	**2,500,303**	2,500,303

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

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK$2,430,000 (six months ended 30 June 2015: HK$101,000) on property, plant and equipment.

During the period, the Group disposed the leasehold land and building of the carrying amount HK$7,021,000.

11. TRADE AND OTHER RECEIVABLES

	30 June 2016 HK$'000 (Unaudited)	30 December 2015 HK$'000 (audited)
Trade receivables	**27,059**	24,913
Other receivables	**40,434**	33,072
Prepayments and deposits	**2,925**	10,883
	70,418	68,868

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

	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (audited)
Within 2 months	**7,666**	11,102
More than 2 months but within 3 months	**5,093**	1,638
More than 3 months but less than 12 months	**5,077**	3,438
More than 12 months	**9,223**	8,735
	27,059	24,913

12. CASH AND CASH EQUIVALENTS

	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (audited)
Cash and bank balances	**14,583**	25,156
Pledged bank deposits	**4,212**	4,284
	18,795	29,440

13. SHARE CAPITAL

	No. of shares	Amount
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.025 each	8,000,000	200,000
Issued and fully paid:		
Ordinary shares		
At 31 December 2015 and 30 June 2016	2,500,303	62,508

14. BANK LOANS

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(audited)
Non-current liabilities		
Bonds	**22,750**	17,450
Current liabilities		
Portion of bank loans and other borrowings due for repayment within 1 year	**68,602**	70,210
Total borrowings	**91,352**	87,660

15. TRADE AND OTHER PAYABLES

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(audited)
Trade payables	**17,576**	19,464
Other payables and accruals	**43,397**	39,375
Amount due to non-controlling interests	**819**	1,533
Sale deposits received	**11,797**	16,415
	73,589	76,787

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

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(audited)
Within 1 month	**1,868**	6,017
After 1 month but within 3 months	**236**	4,435
After 3 months but within 6 months	**301**	178
After 6 months but within 1 year	**9,326**	2,999
After 1 year	**5,845**	5,835
	17,576	19,464

16. OPERATING LEASE COMMITMENTS

As lessee

At 30 June 2016, the total future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(audited)
Within 1 year	**2,185**	5,368
After 1 year but within 5 years	**3,458**	2,322
	5,643	7,690

17. CAPITAL COMMITMENTS

At 30 June 2016 and 31 December 2015, the Group had not commitments in respect of capital expenditure outstanding but not provided for in the consolidated financial statements.

18. COMPARATIVE AMOUNTS

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

19. DISCONTINUED OPERATIONS

On 19 December 2014, the Group entered into a sale and purchase agreement with Beijing Capital Co., Ltd to dispose of the entire equity interest in Fanhe Hulu at a total consideration of RMB102 million (equivalent to approximately HK$129 million). The principal asset of Fanhe Hulu is the concession rights to a wastewater treatment plant project under a BOT basis. The disposal was completed on 17 February 2015. The results of the discontinued operations included in the loss for the year are set out below.

	Period from 1.1.2015 to 17.2.2015 *HK$'000*

(a) Loss for the year from discontinued operations:

Revenue	21,459
Cost of sales	(19,624)
Administrative expenses	(199)
Profit from operations	1,636
Finance costs	(695)
Profit before tax	941
Income tax credit	68
	1,009
Gain on disposal of operations	7,515
Income tax expenses	(12,493)
Loss for the year from discontinued operations (attributable to the owners of the Company)	(3,969)

(b) Loss for the year from discontinued operation includes the following:

Interest expenses on bank borrowings	695
Amortisation of operating concessions (included in cost of sales)	869
Depreciation	104
Cost of construction contracts	17,238
Staff costs	100

(c) Cash flows from discontinued operations:

	2015 *HK$'000*
Net cash inflows from operating activities	40,117
Net cash outflows from investing activities	(19,246)
Net cash outflows from financing activities	(18,114)
Net cash inflows	2,757

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

During the six months ended 30 June 2016, the Group recorded a turnover from continuing operations of approximately HK$32,349,000, representing an increase of 44.21% as compared to HK$22,432,000 for the six months ended 30 June 2015. Gross profit from continuing operations for the period increase to approximately HK$11,016,000 (six months ended 30 June 2015: HK$7,327,000). The Group's loss from continuing operations attributable to owners of the Company for the period was approximately HK$20,917,000 (six months ended 30 June 2015: loss HK$19,792,000).

During the period under review, the Group has expanded its environmental business to more service oriented scope, such as water quality maintenance in the rivers and lakes and the comprehensive manipulation project in the rural areas.

Outlook

The global economy lacked momentum in the first half of 2016 with macro-economic downturns. However, China will likely avoid a hard landing. With the deepening of environmental law-making of China in recent years, the public awareness of environmental protection has heightened. To reduce water pollution, the State Council has published the "Water Pollution Prevention and Control Action Plan" to tighten up requirements on the prevention of industrial pollution and treatment of urban living waste.

The Group will continue to focus on business and revenue in water treatment business to expand the revenue stream and stable cash flow. The management remains confident that our prudent and deliberate management approach will lead the Group through the challenging times.

On 28 July 2016, the Company had made an announcement. Terms used hereafter shall have the same meaning as defined in the above announcement. The Board considers that the Acquisition would enable the Group to expand its source of revenue to the properties management business and diversify the Group's revenue base.

As mentioned in the annual report of 2015, the Company will keep on working its new page with a prosperity future. The management will still explore other business and investment opportunities with an active manner to put efforts into raising value of the shareholders.

Liquidity

The Group continued to maintain a liquid position. As 30 June 2016, cash and bank balances of the Group were approximately HK$18,795,000 (31 December 2015: HK$29,440,000 including those classified as part of a disposal group held for sale).

As at 30 June 2016, the Group had total assets of approximately HK$131,306,000 (31 December 2015: HK$151,106,000) and total liabilities of approximately HK$184,338,000 (31 December 2015: HK$186,760,000). As at 30 June 2016, the current ratio was 0.67 (31 December 2015: 0.73).

The Group's borrowings and finance lease payables for the period amounted to approximately HK$95,128,000 (31 December 2015: HK$93,006,000 including those classified as part of a disposal group held for sale). The Group's borrowings and finance lease payables are denominated in Renminbi, mainly comprise term loans bearing fixed and variable interest rates and an entrusted loan at fixed interest rate. The Group's gearing ratio, being the ratio of the total debts to total assets, was 72.45% (31 December 2015: 61.55%).

Charge on Assets

As at 30 June 2016, the Group's bank deposits of HK$4,212,000 (31 December 2015: HK$4,284,000) was pledged with the banks to secure banking facilities granted to the Group.

Foreign Currency Exposure

The Group had major investments, accounts receivable, bank balances, accounts payable and bank loans denominated in Renminbi, hence the Group had direct exposure to foreign exchange fluctuation. During the period under review, the Group did not use any foreign currency derivative product to hedge its exposure to currency risk. However, the management managed and monitored the exposure to ensure appropriate measures were implemented on a timely and effective manner.

Employees and Remuneration Policy

The total number of employees of the Group as at 30 June 2016 was 102 (31 December 2015: 110). 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.

Proposed Issue of Convertible Bonds Under General Mandate & Termination of the Subscription Agreement in Relation to Issue and Subscription of Convertible Bonds

Reference is made to announcements of the Company dated 29 March 2016 and 19 May 2016. Terms used hereinafter shall have the same meaning as defined in the above announcements.

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.

SUBSEQUENT EVENTS

Reference is made to announcements of the Company dated 28 August 2016 and 29 August 2016. Terms used hereinafter shall have the same meaning as defined in the above announcements.

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 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the six months ended 30 June 2016 except for the code provisions in respect of A.4.1 and E.1.2. Details of the deviations from code provisions A.4.1 and E.1.2 in respect of service term of the non-executive Directors and the chairman of the Board should attend the annual general meeting are explained in the section "Corporate Governance" on pages 18 of the 2015 Annual Report respectively.

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 June 2016.

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 June 2016.

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 interim report.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express our sincere appreciation to all our management and staff members for their ongoing contribution and hard work. We would also like to thank our shareholders, customers and suppliers as well as our business associates for their continuing support.

By Order of the Board
CHINA ENVIRONMENTAL TECHNOLOGY HOLDINGS LIMITED
Xu Zhong Ping
Chairman

Hong Kong, 30 August 2016

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. Cao Guoxian and Mr. Ma Tianfu; and the independent non-executive directors are Mr. Tse Chi Wai, Professor Zhu Nan Wen and Professor Li Jun.