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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2016	Year ended 31 December 2015	Percentage Change
	HK$'000	*HK$'000*	*%*
Revenue from continuing operations	34,689	61,999	(44.05)
Revenue from discontinued operations	–	21,459	N/A
Loss attributable to owners of the Company from continuing operations	(55,239)	(70,148)	21.25
Loss attributable to owners of the Company from discontinued operations	–	(3,969)	N/A

The Board (the "Board") of Directors (the "Directors") of China Environmental Technology Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	2016 *HK$'000*	2015 *HK$'000*
CONTINUING OPERATIONS			
Revenue	*3*	**34,689**	61,999
Cost of sales		**(27,923)**	(41,702)
Gross profit		**6,766**	20,297
Other income	*5*	**377**	945
Other losses, net	*6*	**(11,854)**	(20,401)
Distribution costs		**(855)**	(1,083)
Administrative expenses		**(47,438)**	(60,852)
Loss from operations		**(53,004)**	(61,094)
Finance costs	*7*	**(9,537)**	(9,104)
Loss before tax		**(62,541)**	(70,198)
Income tax credit/(expenses)	*8*	**2,454**	(687)
Loss for the year from continuing operations	*9*	**(60,087)**	(70,885)
DISCONTINUING OPERATIONS			
Loss for the year from discontinued operations		**-**	(3,969)
Loss for the year		**(60,087)**	(74,854)
Attributable to:			
Owners of the Company			
- Loss from continuing operations		**(55,239)**	(70,148)
- Loss from discontinuing operations		**-**	(3,969)
		(55,239)	(74,117)
Non-controlling interests			
- Loss from continuing operations		**(4,848)**	(737)
		(60,087)	(74,854)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**7,460**	1,638
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**-**	(7,341)
		7,460	(5,703)

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

For the year ended 31 December 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Item that will not be reclassified to profit or loss:			
Revaluation deficit on leasehold land and buildings		**-**	(521)
Income tax relating to revaluation surplus		**-**	193
		-	(328)
Other comprehensive income/(expenses) for the year, net of tax		**7,460**	(6,031)
Total comprehensive expenses for the year		**(52,627)**	(80,885)
Attributable to:			
Owners of the Company		**(47,467)**	(80,231)
Non-controlling interests		**(5,160)**	(654)
		(52,627)	(80,885)
Loss per share	*11*		
From continuing and discontinued operations			
- Basic		**(HK2.19) cents**	(HK2.96) cents
- Diluted		**(HK2.19) cents**	(HK2.96) cents
From continuing operations			
- Basic		**(HK2.19) cents**	(HK2.80) cents
- Diluted		**(HK2.19) cents**	(HK2.80) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**3,484**	29,001
Intangible assets		**3,927**	5,901
Interest in an associate		**-**	-
		7,411	34,902
Current assets			
Inventories		**7,878**	6,043
Gross amount due from customers for contract work		**-**	11,754
Trade and other receivables	*12*	**57,883**	68,868
Financial assets at fair value through profit or loss		**93**	99
Restricted and pledged bank deposits		**755**	4,284
Bank and cash balances		**95,363**	25,156
		161,972	116,204
Current liabilities			
Trade and other payables	*13*	**66,006**	76,787
Current tax liabilities		**11,932**	13,639
Borrowings		**61,013**	70,210
Deferred revenue		**221**	565
Finance lease payables		**1,736**	3,496
		140,908	164,697
Net current assets/(liabilities)		**21,064**	(48,493)
Total assets less current liabilities		**28,475**	(13,591)
Non-current liabilities			
Borrowings		**22,750**	17,450
Deferred revenue		**-**	236
Finance lease payables		**-**	1,850
Deferred tax liabilities		**657**	2,527
		23,407	22,063

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
NET ASSETS/(LIABILITIES)	**5,068**	(35,654)
Capital and reserves		
Share capital	**75,009**	62,508
Reserves	**(62,971)**	(96,352)
Equity attributable to owners of the Company	**12,038**	(33,844)
Non-controlling interests	**(6,970)**	(1,810)
TOTAL EQUITY/(CAPITAL DEFICIENCY)	**5,068**	(35,654)

NOTES

For the year ended 31 December 2016

1. GENERAL INFORMATION

China Environmental Technology Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 31 August 2001 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and principal place of business of the Company are located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and Unit 1003-5, 10th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong respectively. The principal activity of the Company is investment holding.

At 31 December 2016, the Directors consider the immediate parent of the Company to be Gentle International Holdings Limited, which is incorporated in the British Virgin Islands; and the ultimate parent of the Company to be Classy Jade Limited, which is incorporated in the Republic of Seychelles and controlled by Mr. Xu Zhong Ping, the chairman of the Company. The immediate and ultimate parent company do not produce financial statements available for public use.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

The Group's revenue is as follows:

	2016	2015
	HK$'000	*HK$'000*
Sales of wastewater treatment machines and related services	**19,791**	35,721
Sales of goods	**598**	172
Wastewater treatment services	**14,300**	26,106
	34,689	61,999

4. SEGMENT INFORMATION

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 executive 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 segments has been aggregated to form the following reportable segments:

i. Wastewater treatment and construction services

This segment engages in the provision of wastewater treatment plants construction and operation services.

ii. Wastewater treatment equipment trading

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

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 unallocated other income/losses. This is the measure reported to the CODM for purposes of resources allocation and performance assessment. Taxation charge/(credit) is not allocated to reportable segments.

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 consolidated statement of profit or loss.

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.

(a) Information about reportable segment profit or loss, assets and liabilities:

	Wastewater treatment and construction services *HK$'000*	Wastewater treatment equipment trading *HK$'000*	Subtotal *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
For the year ended 31 December 2016					
Revenue from external customers	14,300	20,389	34,689	-	34,689
Segment loss	(6,739)	(33,170)	(39,909)	(22,632)	(62,541)
Interest income	36	115	151	2	153
Finance costs	262	7,829	8,091	1,446	9,537
Depreciation and amortisation	3,808	646	4,454	91	4,545
Write-down of inventories	-	7,750	7,750	-	7,750
Loss on disposal and write off of property, plant and equipment	6,979	1,994	8,973	998	9,971
Impairment loss on trade and other receivables	3,267	37	3,304	-	3,304
Additions to non-current assets (other than financial assets and deferred tax assets)	30	61	91	-	91
As at 31 December 2016					
Reportable segment assets	19,655	54,820	74,475		
Reportable segment liabilities	20,864	103,300	124,164		
For the year ended 31 December 2015					
Revenue from external customers	26,106	35,893	61,999	-	61,999
Segment loss	(3,088)	(25,602)	(28,690)	(41,508)	(70,198)
Interest income	16	837	853	1	854
Finance costs	546	8,261	8,807	297	9,104
Depreciation and amortisation	3,363	1,009	4,372	472	4,844
Write-down of inventories	795	-	795	-	795
Loss on disposal and write-off of property, plant and equipment	-	151	151	26	177
Impairment loss on goodwill	3,818	-	3,818	-	3,818
Impairment loss on trade and other receivables	374	6,200	6,574	11,400	17,974
Reversal of impairment loss on amount due from a joint venture	-	1,016	1,016	-	1,016
Additions to non-current assets (other than financial assets and deferred tax assets)	3,894	1,853	5,747	-	5,747
As at 31 December 2015					
Reportable segment assets	43,509	86,432	129,941		
Reportable segment liabilities	29,936	120,147	150,083		

(b) Reconciliations of reportable segment profit or loss:

	2016	2015
	HK$'000	*HK$'000*
Total loss of reportable segments	**(39,909)**	(28,690)
Other losses, net	**(127)**	(11,456)
Unallocated amortisation and depreciation	**(91)**	(472)
Unallocated head office and corporate expenses	**(22,414)**	(29,580)
Consolidated loss before tax from continuing operations	**(62,541)**	(70,198)

(c) Reconciliations of reportable segment assets and liabilities:

	At 31 December	
	2016	2015
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**74,475**	129,941
Elimination of intersegment assets	**-**	(2,639)
Unallocated		
– financial assets at fair value through profit or loss	**93**	99
– cash and cash equivalents and restricted deposits	**93,290**	7,565
– corporate assets	**1,525**	16,140
Consolidated total assets	**169,383**	151,106
Liabilities		
Total liabilities of reportable segments	**124,164**	150,083
Elimination of intersegment liabilities	**-**	(2,639)
Unallocated		
– current tax liabilities	**11,932**	13,639
– deferred tax liabilities	**657**	2,527
– corporate liabilities	**27,562**	23,150
Consolidated total liabilities	**164,315**	186,760

(d) Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The geographical location of property, plant and equipment is based on the physical location of the asset under consideration. In the case of the intangible assets and goodwill, it is based on the location of the operation to which they are allocated.

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**-**	-	**182**	273
The PRC	**34,689**	61,999	**7,229**	34,629
	34,689	61,999	**7,411**	34,902

(e) Revenue from major customers

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

	2016	2015
	HK$'000	*HK$'000*
Continuing operations:		
Wastewater treatment operation services		
PRC customer A	**10,230**	23,353
Wastewater treatment equipment trading		
PRC customer B	**8,451**	14,857
PRC customer C	**-**	11,978
PRC customer D	**-**	5,586
PRC customer E	**3,496**	-
PRC customer F	**3,455**	-

5. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Interest income on bank deposits	**153**	854
Interest income on other receivable	**110**	-
Others	**114**	91
	377	945

6. OTHER LOSSES, NET

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Net loss on disposal of property, plant and equipment	**(2,992)**	(118)
Write-off of property, plant and equipment	**(6,979)**	(59)
Fair value loss on financial assets at fair value through profit or loss	**(6)**	(41)
Impairment loss on goodwill	**-**	(3,818)
Gain on sale and leaseback of property, plant and equipment	**556**	589
Reversal of impairment loss on amount due from a joint venture	**-**	1,016
Impairment loss on trade receivables	**(3,304)**	(11,774)
Impairment loss on other receivables	**-**	(6,200)
Other	**871**	4
	(11,854)	(20,401)

7. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Finance lease charges	**262**	506
Interest expenses on:		
– Bank borrowings	**628**	761
– Entrusted loan	**7,130**	7,543
– Bonds	**1,446**	294
– Others	**71**	-
Total borrowing costs	**9,537**	9,104

8. INCOME TAX (CREDIT)/EXPENSES

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2016	2015
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
– Provision for the year	**-**	963
– Over provision in prior years	**(633)**	-
Deferred tax	**(1,821)**	(276)
Income tax (credit)/expenses	**(2,454)**	687

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the years ended 31 December 2016 and 2015.

Beijing Jingrui Kemai Water Purification Technology Company Limited, a wholly-owned subsidiary of the Company enjoys high-tech enterprise income tax benefit from 2015 to 2017 and the tax rate is 15%.

Withholding tax is applicable to PRC subsidiaries which pay dividend, interest, rent, royalty to non-resident companies. Pursuant to the new PRC Enterprise Income Tax 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.

The reconciliation between the income tax (credit)/expenses and the product of loss before tax multiplied by the applicable tax rates is as follows:

	2016	2015
	HK$'000	*HK$'000*
Loss before tax	**(62,541)**	(70,198)
Notional tax on loss before tax, calculated at the rates applicable to losses in the tax jurisdictions concerned	**(13,048)**	(14,621)
Tax effect of		
– non-deductible expenses	**6,422**	3,128
– non-taxable income	**(262)**	(796)
– tax losses not recognised	**5,067**	13,813
– utilisation of unused tax losses	**-**	(837)
– over provision in prior years	**(633)**	-
Income tax (credit)/expenses	**(2,454)**	687

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year from continuing operations is stated after charging the following:

	2016	2015
	HK$'000	*HK$'000*
Amortisation of intangible assets*	**1,685**	1,893
Cost of inventories sold	**16,747**	38,349
Depreciation	**2,860**	2,951
Write-down of obsolete inventories (included in cost of sales)	**7,750**	795
Impairment loss on goodwill	**-**	3,818
Net loss on disposal of property, plant and equipment	**2,992**	118
Auditors' remuneration	**720**	980
Staff costs (including Directors' emoluments)		
– Salaries, wages and other benefits	**19,221**	26,917
– Pension costs – defined contribution plans	**1,487**	1,066
	20,708	27,983
Operating lease charges in respect of properties	**7,627**	7,099
Impairment loss on trade receivables	**3,304**	11,774
Impairment loss on other receivables	**-**	6,200

* The amortisation of intangible assets (other than club memberships) are included in "Cost of sales" on the face of the consolidated statement of profit or loss.

10. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: HK$Nil).

11. LOSS PER SHARE

(a) 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:

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	**(55,239)**	(74,117)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**2,518,220**	2,500,303

(b) From continuing operations

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

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the year	**(55,239)**	(74,117)
Less: Loss for the year from discontinued operations	**-**	(3,969)
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	**(55,239)**	(70,148)

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

(c) From discontinued operations

Basic and diluted loss per share from the discontinued operations for the year ended 31 December 2015 is HK0.16 cents per share, based on the loss of approximately HK$3,969,000 for the year ended 31 December 2015 from discontinued operations attributable to the owners of the Company and the denominators used are the same as those detailed above for both basic and diluted loss per share.

12. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**37,274**	36,905
Less: allowance for doubtful debts	**(15,112)**	(11,992)
	22,162	24,913
Other receivables	**32,487**	33,072
Trade deposits	**73**	79
Prepayments and deposits	**3,161**	10,804
	57,883	68,868

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

As at 31 December 2016 and 2015, the ageing analysis of the trade receivables, based on the invoice date, and net of allowance were as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 2 months	**4,795**	11,102
More than 2 months but within 3 months	**-**	1,638
More than 3 months but less than 12 months	**3,610**	3,438
More than 12 months	**13,757**	8,735
	22,162	24,913

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

As of 31 December 2016, trade receivables of approximately HK$750,000 (2015: approximately HK$4,608,000) were past due but not impaired. These relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group did not hold any collateral over these balances. The ageing analysis of these trade receivables is as follows:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**21,412**	20,305
Less than 1 month past due	**-**	1,003
More than 2 months but within 3 months past due	**-**	10
More than 12 months past due	**750**	3,595
	22,162	24,913

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

As at 31 December 2016, trade receivables of the Group amounting to HK$15,112,000 (2015: approximately HK$11,992,000) were individually determined to be impaired. The individually impaired receivables were outstanding for more than 12 months at the end of the reporting period.

Movements in the allowance for doubtful debts

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**11,992**	231
Allowance for the year	**3,304**	11,774
Exchange adjustments	**(184)**	(13)
At 31 December	**15,112**	11,992

The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

13 TRADE AND OTHER PAYABLES

	2016 *HK$'000*	2015 *HK$'000*
Trade payables	**20,660**	19,464
Other payables	**32,520**	34,186
Amount due to non-controlling interests	**4,705**	1,533
Amount due to a former subsidiary	**-**	5,189
Sales deposits received	**8,121**	16,415
	66,006	76,787

The amount due to non-controlling interests of approximately HK$1,156,000 (2015: approximately HK$833,000) was unsecured, interest-bearing at a fixed rate of 15% per annum and repayable within one year. The remaining amount due to non-controlling interests of approximately HK$3,549,000 (2015: approximately HK$700,000) was unsecured, interest-free and has no fixed term of repayment.

The ageing analysis of the trade payables based on the date of receipt of goods/services, is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Within 1 month	**4,905**	6,017
After 1 month but within 3 months	**249**	4,435
After 3 months but within 6 months	**4,058**	178
After 6 months but within 1 year	**3,699**	2,999
After 1 year	**7,749**	5,835
	20,660	19,464

RESULTS

For the year ended 31 December 2016, the Group recorded a revenue of approximately HK$34,689,000 (2015: HK$61,999,000), representing a decrease of about 44.05% compared to that of 2015 from continuing operations. The Group's loss attributable to owners of the Company was approximately HK$55,239,000 (2015: HK$70,148,000) from continuing operations. Gross profit margin was approximately 19.50% as compared to 32.74% in last year from continuing operations. Due to successful control of expenditure, the Group's loss was reduced.

BUSINESS REVIEW

In 2016, the Group continued its management reform and simplified the management structure aiming at revitalising its inherent vitality. During the reporting period, the main source of operating revenue of the Group remained to be wastewater treatment.

In order to fulfill to diversify the Group's revenue base, the board had made few important decisions.

On 28 July 2016, the Company entered into a major acquisition by issuing consideration shares and made an announcement. Terms used hereafter shall have the same meaning as defined in the above announcement. The target group is responsible for the rental and management of the Nanjing Subway Properties and has sublet the Nanjing Subway Properties to Independent Third Parties which used them for retail purposes. The Board considers that the said acquisition would enable the Group to expand its source of revenue to the properties management. As at 27 March 2017, this acquisition is still not yet completed.

Completion of the subscription of new shares under general mandate on 24 November 2016 and the completion of placing of new shares under general mandate on 22 December 2016, the Company has sufficient funds for existing business and for development of new business if opportunities arise.

On 30 December 2016, the Company entered into a discloseable acquisition (the "Acquisition") by issuing consideration shares and made an announcement. Terms used hereafter shall have the same meaning as defined in the above announcement. This Acquisition will expand the Company's business to medical services and aligns with the Company's strategy to develop in the healthcare field. The principal business of this acquisition is engaged in the provision of high-quality In-Vitro Fertilization ("IVF") medical treatment services to patients, targeting primarily at patients from the United States, the Asia-Pacific region and the PRC. This Acquisition will be completed on or before end of April 2017.

During the Thirteenth Five-Year Plan phase, the Chinese government aims at improving the development of ecological civilisation in China. In this regard, the Chinese government has further intensified its support by policies to the industry and accelerated the implementation of relevant policies. Upcoming new environmental policies and consistent growth of the China's economics will present ample market opportunities, the Group will formulate a market investment system, perfect its diversify business structures, implement aggressive strategy and thus achieve its yearly goals and lay the solid foundation for the next five-year plan.

OUTLOOK

In 2016, the Company has successful to put through the management reform. New management will start to bring a new page for the Company from 2017.

The Group will still engage in the environmental related business in the PRC including the provision of environmental technologies, products, equipment and system integration relating to water treatment, conservation, purification, recycling and management, and wastewater treatment.

Upon completion of the Acquisition, the Directors consider that will benefit the Company and the Shareholders as a whole as the Acquisition is considered as an opportunity for the Group to broaden its range of investment, thus increasing its revenue sources and enhancing its profitability.

The business of the Acquisition is principally engaged in the provision of high-quality In-Vitro Fertilization ("IVF") medical treatment services to patients, targeting primarily at patients from the United States, the Asia-Pacific region and the PRC. The medical institution is located in Saipan. The IVF medical services sector is an industry with solid growth and rigid demand. The Acquisition enables the Company to enter this sector. Based on the preliminary estimation, the market size of IVF medical treatment in the PRC is approximately RMB120 billion, with a potential size of RMB480 billion under the Universal Two-child Policy. With the implementation of the Universal Two-Child Policy, there will be a surging demand for IVF industry and a further expansion for market space over the coming years. With regard to the supply and demand relationship, the supply of IVF medical treatment services in the PRC is far below the demand currently. According to the survey results published by China Population Association (中國人口協會) in 2012, infertility was presently on the rise and infertility rate has reached about 12.5% to 15%, which means 1 out of 8 couples is suffering from infertility, and a growing trend was shown on year-on-year basis. As the average childbearing age for women in the PRC is postponed, there is a higher tendency for them to choose IVF.

In 2017, the Company will continue to take possible opportunities in the financial markets to raise funds to facilitate future merger and acquisition activities and/or to increase the working capital of the Group.

Notwithstanding previous and current challenges, we still believe, with our team and core competence, we would excel in the future. In fact, the structural reform in 2016 have given us great confidence in bringing more business breakthroughs in the coming year.

EMOLUMENT POLICY

As at 31 December 2016, the Group had 95 employees (2015: 110 employees). The remuneration policy and packages are reviewed annually by the management and the Remuneration Committee. The Group remunerates its employees based on their performance, work experience and the prevailing market rate. The remuneration packages include basic salary, double pay, commission, insurance and mandatory provident fund. The Group operates a share option scheme for the purpose of providing incentives and rewards to (among others) eligible Directors and employees of the Group to recognise their contribution to the result of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity

As at 31 December 2016, the total cash and bank balances including restricted and pledged bank deposits of the Group were HK$96,118,000 (2015: HK$29,440,000). The cash and bank balances consisted of about 97.07% in Hong Kong dollars and 2.93% in Renminbi.

As at 31 December 2016, the Group had total assets of HK$169,383,000 (2015: HK$151,106,000) and total liabilities of HK$164,315,000 (2015: HK$186,760,000). As at 31 December 2016, the current ratio was 1.15 (2015: 0.71), calculated on the basis of current assets of HK$161,972,000 (2015: HK$116,204,000) over current liabilities of HK$140,908,000 (2015: HK$164,697,000).

The Group's borrowings and finance lease payables amounted to HK$85,499,000 (2015: HK$93,006,000). The Group's borrowings and finance lease payables are denominated in Renminbi and Hong Kong dollars, bearing fixed interest rates. The Group's gearing ratio, being the ratio of the total debts to total assets, was 50.48% (2015: 61.55%).

Charge on assets

As at 31 December 2016, the restricted deposit of the Group amounting to approximately HK$755,000 will be paid to customer once the Company breach of contract.

As at 31 December 2015, the pledged deposit of the Group amounting to approximately HK$4,284,000 was pledged to banks 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 years ended 31 December 2016 and 2015.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

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

Throughout the year ended 31 December 2016, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following deviation from the code provisions:

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. There is no service contract between the Company and Mr. Cao Guoxian and Mr. Ma Tianfu, the non-executive Director, Mr. Tse Chi Wai, Prof. Zhu Nan Wen and Prof. Li Jun, the independent non-executive Directors. They were not appointed for any specific length of service with the Company.

The Company has also put in place certain recommended best practices as set out in the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices periodically to ensure these continue to meet the requirements of the CG Code and align with the latest developments.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

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

The Company's annual report for the financial year ended 31 December 2016 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

AUDIT COMMITTEE

The audit committee of the Company has discussed with the independent auditor of the Company, Messrs. ZHONGHUI ANDA CPA Limited, and reviewed the Group's annual results for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group.

The audit committee is of the opinion that the Group's annual results comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The audit committee therefore recommended for the Board's approval of the Group's annual results for the year ended 31 December 2016.

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

Hong Kong, 27 March 2017

As at the date of this announcement, the executive directors are Mr. Xu Zhong Ping, Mr. Xu Xiao Yang and Mr. Zhang Fang Hong; 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.