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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)

UNABLE TO EXERCISE CONTROL OVER CERTAIN SUBSIDIARIES JUDICIAL MANAGERS APPOINTED IN RELATION TO A SUBSIDIARY AND PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions.

UNABLE TO EXERCISE CONTROL OVER CERTAIN SUBSIDIARIES

The Board of the Company hereby announces that due to the occurrence of certain triggering events in 2018 and 2019 as described below, the Group is no longer able to exercise control over the assets and operations over PFI Cayman Group. Accordingly, the Board is of the view that PFI Cayman Group should not be considered as subsidiaries and therefore should not be consolidated into the Group's financial statements for full financial year ended 31 December 2018. As a result, the Group's interim results contained in the Company's announcement dated 31 August 2018 and in the Group's interim report despatched on 10 September 2018 should be restated. The Company will publish the restated interim results as soon as reasonably practicable to reflect the impact of the de-consolidating the PFI Cayman Group on the Group's financial position for the six months ended 30 June 2018.

JUDICIAL MANAGERS APPOINTED IN RELATION TO A SUBSIDIARY

On 22 February 2019, judicial managers were appointed upon an application filed in the High Court of Singapore ("**Singapore Court**") by Acromec Engineers to place PFI Singapore under judicial management. Acromec Engineers claimed that as at 1 February 2019, a balance of S$1,273,689.20 was due and owing to Acromec Engineers by PFI Singapore in relation to the renovation work provided by Acromec Engineers to the premises located at Royal Square Level 8, 103 Irrawaddy Road (the "**Application**").

The Company will seek legal advice on the matter. Further announcement will be made as and when appropriate.

PROFIT WARNING

The PFI Cayman Group contributed approximately HK$50,934,000 (representing 64%) to the Group's consolidated revenue and a profit of approximately HK$11,183,000 to the Group's consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2017.

However, due the facts that (i) the Suspected Misappropriation by Mr. Leon Li in 2018, the beneficial owner of the other shareholder of PFI Cayman, and (ii) the repeated refusal to act in accordance with the direction of the Board by Mr. Xu Xiao Yang, our former CEO and former executive Director who had been redesignated as non-executive Director in January 2019 and a director of PFI Cayman appointed by the Company, the Company is unable to secure the assets and obtain financial information in PFI Cayman Group anymore. In this regard, the Board considered it is very difficult, if not impossible to regain the operating control and recover any asset therefrom and thus, it would be appropriate for the Company to write-off PFI Cayman Group to its entirety. Consequently, the Board wishes to advise its shareholders and potential investors that it is preliminary estimated the Group may record a substantial decrease in the total revenue and a substantial increase in the net loss attributable to shareholders in the financial year ended 31 December 2018. The decrease in revenue and the increase in net loss are expected to be not less than a 35% and 500%, respectively, when compared with the results of the financial year ended 31 December 2017.

The information contained in this section of the announcement is only a preliminary assessment by the Board based on the management accounts with reference to the information currently available and have not been reviewed or audited by the auditor of the Company.

The Company will keep its shareholders and public informed of any material development in connection with the above matters and will make further announcement(s) as and when appropriate in accordance with the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by China Environmental Technology Holdings Limited (the "**Company**") pursuant to Rule 13.09(2)(a) and Rule 13.25(1)(b) of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 17 January 2019 (the "**January Announcement**"). Unless the context otherwise required herein, defined terms shall have the same meaning as ascribed to them in the January Announcement. In this announcement, the term "Board" shall be construed to include all the Board members except Mr. Xu Xiao Yang.

UNABLE TO EXERCISE CONTROL OVER CERTAIN SUBSIDIARIES

The Board of the Company hereby announces that due to the occurrence of certain triggering events in 2018 and 2019 as described below, the Group is no longer able to exercise control over the assets and operations over PFI Cayman Group.

Background of PFI Cayman

The Company, through INNOMED, acquired 50% shareholding interests in PFI Cayman on 31 March 2017 from PFI BVI which is ultimately wholly owned by Mr. Leon Li (the "**Acquisition**"). As of the date of this announcement, PFI Cayman was indirectly owned as to 50% by the Company and 50% by Mr. Leon Li. Upon the completion of the Acquisition, INNOMED appointed two new directors to the board of directors of PFI Cayman to gain majority control. In this regard, PFI Cayman was considered as a subsidiary of the Company since the completion of Acquisition.

Leon Li incident

As stated in the January Announcement, the Company suspected that Mr. Leon Li has misappropriated funds in PFI Cayman Group and the Company reported the Suspected Misappropriation to the Hong Kong Police Force on 17 January 2019. Mr. Leon Li has also been convicted for other four counts of criminal offence (involving forge identity document) by the Eastern Magistrates' Court of Hong Kong and was sentenced to an 18-month imprisonment on 8 February 2019. According to article 26I of the articles of association of PFI Cayman, the office of director shall be automatically vacated if the director is convicted of an arrestable offence. Therefore, Mr. Leon Li should have been automatically disqualified as a director of PFI Cayman upon his conviction. It is also expected that Mr. Leon Li will not be able to manage the business operation of PFI HK and controls PFI HK's subsidiary, Pacific Fertility Institutes Inc. (an 80% owned subsidiary of PFI Cayman incorporated in Saipan (the Commonwealth of the Northern Mariana Islands)) effectively as he is currently serving his term in jail. In addition, under the management of Mr. Leon Li, the Company has been, and is still, denied with access to the books and accounts of PFI HK and PFI Inc. for the financial year 2018. The abovementioned convictions, put Mr. Leon Li's integrity into a question and the Board considered Mr. Leon Li would no longer be suitable to act as a director of PFI HK.

Xu Xiao Yang incident

Since Mr. Leon Li is the sole director of PFI HK, the Board has tried to effect the removal of his directorship in PFI HK as well as to appoint new directors to oversee the daily operations by put through a board resolutions at the board of directors of PFI Cayman (in its capacity as the sole shareholder of PFI HK). As at the date hereof, PFI Cayman have two directors, namely Mr. Xu Zhong Ping (our Chairman) and Mr. Xu Xiao Yang (our former chief executive officer and former executive Director who was removed from the office of chief executive officer and re-designated as a non-executive Director on 17 January 2019), both appointed to the board of directors of PFI Cayman by INNOMED upon the completion of the Acquisition pursuant to the terms of the sale and purchase agreement of the Acquisition to safeguard the Company's interests. However, to the surprise of all other members of the Board, Mr. Xu Xiao Yang repeatedly refused to act in accordance with the Board's decision. Additionally, without the consent of the Company and the authorisation of the board of directors of PFI Cayman, Mr. Leon Li by himself, appointed three additional directors to the board of directors of PFI HK on the exact same date he was sentenced.

Impact on the Group

Given that (i) the management deadlocks in PFI Cayman at both shareholders level and board level are unlikely to be resolved in the foreseeable future and (ii) the Company lost its control over PFI Cayman and its subsidiaries due to the uncooperative and irresponsible behaviour of Mr. Xu Xiao Yang despite the fact that the Board has taken all reasonable steps and has its best endeavours to resolve the matter, the Board resolved that the Group no longer had the power to govern the financial and operating policies of PFI Cayman, and the control over PFI Cayman was lost. Accordingly, the Board is of the view that PFI Cayman Group should no longer be considered as subsidiaries of the Company and therefore should not be consolidated into the Group's financial statements for full financial year ended 31 December 2018. As a result, the Group's interim results contained in the Company's announcement dated 31 August 2018 and in the Group's interim report despatched on 10 September 2018 should be restated. The Company will publish the restated interim results as soon as reasonably practicable to reflect the impact of de-consolidating the PFI Cayman Group on the Group's financial position for the six months ended 30 June 2018.

JUDICIAL MANAGERS APPOINTED IN RELATION TO A SUBSIDIARY

Acromec Engineers filed on 21 February 2019, in the Singapore Court, Originating Summons (Case No. HC/OS 221/2019) seeking an appointment of judicial managers over PFI Singapore. Acromec Engineers claimed that as at 1 February 2019, a balance of S$1,273,689.20 was due and owing to Acromec Engineers by PFI Singapore in relation to the renovation work provided by Acromec Engineeers to the premises located at Royal Square Level 8, 103 Irrawaddy Road.

On 22 February 2019, the Singapore Court has made the following orders, pending the substantive hearing of the Application:

1. Andrew Grimmett and Lim Loo Khoon c/o Deloitte & Touche LLP, 6 Shenton Way #33-00, OUB Downtown Two, Singapore 068809 be appointed as the joint and several Interim Judicial Managers of the PFI Singapore (the "Interim Judicial Managers");

2. The affairs, business and property of the PFI Singapore be managed by the Interim Judicial Managers during the period in which the order for interim judicial management is in force;

3. The Interim Judicial Managers be empowered and authorised to exercise all powers and entitlements set out in Section 227G, Section 227H and the Eleventh Schedule of the Companies Act (Cap. 50) of Singapore (the "Act"), and all powers and entitlements of directors of the Company conferred by virtue of the Act or by the memorandum and articles of association of the Company, or any other law in force or otherwise, but nothing in the Order herein shall require the Interim Judicial Managers to call any meetings of the Company.

Substantive hearing is set to be held on 7 March 2019.

The Company will seek legal advice on the matter. Further announcement will be made to inform its shareholders and potential investors of any material development of the court proceedings as and when appropriate.

PROFIT WARNING

The PFI Cayman Group contributed approximately HK$50,934,000 (representing 64%) to the Group's consolidated revenue and a profit of approximately HK$11,183,000 to the Group's consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2017.

Since the Group is no longer able to exercise control over the assets and operations over PFI Cayman Group and in the case that the Application succeeded, the Company will lose a substantial part in its fertility business which contributed HK$50,934,000 (representing 64%) to the revenue and a profit contribution of HK$11,183,000 to the Group's profit and loss, respectively, for the financial year ended 31 December 2017. Further, due to the facts that (i) the Suspected Misappropriation by Mr. Leon Li in 2018, the beneficial owner of the other shareholder of PFI Cayman, and (ii) the repeated refusal to act in accordance with the direction of the Board by Mr. Xu Xiao Yang, our non-executive Director and a director of PFI Cayman appointed by the Company, the Company is unable to secure the assets and obtain financial information of the PFI Cayman Group anymore. In this regard, the Board considered it is very difficult, if not impossible, to regain the operating control of the PFI Cayman Group and to recover any assets therefrom and thus, it would be appropriate for the Company to write-off the PFI Cayman Group to its entirety. Consequently, the Board wishes to inform its shareholders and potential investors that it is preliminarily estimated the Group may record a substantial decrease in the total revenue and a substantial increase in net loss attributable to shareholders in the financial year ended 31 December 2018. The decrease in revenue and the increase in net loss are expected to be not less than a 35% and 500%, respectively, when compared with the results of the financial year ended 31 December 2017.

Please be advised that the information contained in this section of the announcement is only a preliminary assessment by the Board based on the management accounts with reference to the information currently available and have not been reviewed or audited by the auditor of the Company.

The Company will keep its shareholders and public informed of any material development in connection with the above matters and will make further announcement(s) as and when appropriate in accordance with the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

"Acromec Engineers"	Acromec Engineers Pte Ltd, a company incorporated in Singapore;
"Board"	the board of Directors, which shall be construed to include all the Board members except Mr. Xu Xiao Yang for the purpose of this announcement;
"Director(s)"	the director(s) of the Company;
"Group"	the Company and its subsidiaries;

"INNOMED"	INNOMED Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
"PFI BVI"	Pacific Fertility Institutes Holding Company Limited, a company incorporated in the British Virgin Islands and to the best knowledge of the Directors, is indirectly wholly owned by Mr. Leon Li;
"PFI Cayman"	Pacific Fertility Institutes Holding Company Limited, a limited liability company, a company incorporated in the Cayman Islands which is owned as to 50% by INNOMED and 50% by PFI BVI. PFI Cayman and its subsidiaries together shall be collectively referred to as the "**PFI Cayman Group**";
"PFI HK"	Pacific Fertility Institutes (HK) Holding Company Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of PFI Cayman;
"PFI Inc."	Pacific Fertility Institutes Inc., a company incorporated in Saipan and an indirect non-wholly owned subsidiary of the PFI Cayman; and
"PFI Singapore"	Pacific Fertility Institutes (Singapore) Pte. Ltd., a company incorporated in Singapore and an indirect wholly owned subsidiary of the Company.

By order of the Board
China Environmental Technology Holdings Limited
XU Zhong Ping
Chairman

Hong Kong, 5 March 2019

As at the date of this announcement, the executive directors are Mr. Xu Zhong Ping and Ms. Hu Yueyue; the non-executive directors are Mr. Ma Tianfu and Mr. Xu Xiao Yang; and the independent nonexecutive directors are Mr. Tse Chi Wai, Professor Zhu Nan Wen and Professor Li Jun.