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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)

FURTHER ANNOUNCEMENT

PROFIT FORECAST IN RELATION TO DISCLOSEABLE TRANSACTION FOR ACQUISITION OF 50% EQUITY INTEREST IN THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We refer to the announcement (the "**Announcement**") of China Environmental Technology Holdings Limited (the "**Company**") dated 30 December 2016 in relation to the acquisition (the "**Acquisition**") of 50% equity interest in Pacific Fertility Institutes Holding Company Limited (the "**Target Company**") by INNOMED Group Limited. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

Crowe Horwath (HK) Consulting & Valuation Limited ("**Crowe Horwath**" or the "**Independent Valuer**"), an independent valuer commissioned by the Company to conduct a fair value estimate of the valuation of 100% equity interest in the Target Company and its subsidiaries ("**Target Group**") which forms the basis for determining the consideration of the Acquisition, the Independent Valuer has relied primarily on the income approach to determine the fair value estimate of the valuation of 100% equity interest in the Target Group as USD46,400,000.

Accordingly, the valuation report prepared by the Independent Valuer (the "**Valuation Report**") constitutes a profit forecast under Rule 14.61 of the Listing Rules. This announcement is therefore subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast.

Assumptions of valuation

While the valuation is prepared primarily based on discounted cash flow method, the principal assumptions, including commercial assumptions, both specific and general, upon which the Valuation Report was based are as follows:

Specific assumptions:

- The projection of Target Group's income stream is concluded based on its existing operation capacity, its established business partnership and the future trend of the fertility medical treatment services market.

- The revenue of Target Group in the year ending 31 December 2017 is estimated to be approximately US$14.4 million. From 2017 to 2021, the growth of Target Group's revenue is estimated to be approximately 13.5%, with details as below:

    - The growth of Target Group's revenue from its In Vitro Fertilization ("**IVF**") business from 2017 to 2021 is estimated to be approximately 15% per annum. In 2017, approximately 400 cycles are expected to be completed. From 2017 to 2021, the estimated revenue from IVF business represents approximately 69% to 73% of Target Group's total estimated revenue.

    - The growth of Target Group's revenue from its Additional Frozen Embryo Transfer ("**AFET**") business from 2017 to 2021 is estimated to be approximately 10% per annum. In 2017, approximately 110 - 120 AFETs are expected to be completed.

    - The growth of Target Group's revenue from its Preimplantation Genetic Screening ("**PGS**") business from 2017 to 2021 is estimated to be approximately 10% per annum. In 2017, approximately 170 PGSs are expected to be completed.

    - The growth of Target Group's revenue from its other fertility-related medical services business from 2017 to 2021 is estimated to be approximately 10% per annum. In 2017, approximately 60 customers are expected to be treated.

    - The above revenue for the year ending 31 December 2017 is estimated by the management of Target Group, with reference to (i) the physical capacity of the medical facility owned by Target Group; and (ii) the contracted number of customer referral from Target Group's cooperating marketing agencies, etc.

    - The growth rates from 2017 to 2021 are estimated by the management of Target Group, with reference to (i) trend of growing infertility rate in the PRC; (ii) trend of easing fertility policies in the PRC such as the Universal Two-Child Policy; (iii) growing household disposable income that supports the PRC customers to seek more fertility medical treatment services; and (iv) the total market size of fertility medical treatment services in the PRC, etc.

- The discount rate adopted for the Target Group is 13.1%, determined from the traditional CAPM and WACC model.
- The marketability discount adopted for the Target Group is 20%, with reference to relevant academic studies.

General assumptions:

- the business of the Target Group does and, based on the relevant data and information, will continue to be in operation;
- the Target Group, based on its existing assets and resources, will continue to operate legally and will not cease to operate in the foreseeable future because of whatever reason;
- the Valuation Report does not take into consideration, unless otherwise stated, any unusual factors which will affect the valuation of the Target Group;
- there will not be any material changes in the existing laws, policies or macroeconomics of the PRC, or the political, economical or social environment of the regions in which the Target Group is situated;
- there will not be any material changes in the tax rate applicable to the Target Group and the credit policy, interest rates and exchange rates are largely stable;
- the valuation does not take into account the effects of inflation;
- the business licences, articles of association, executed agreements, financial information and other information provided by the Target Group are true and valid;
- the existing and future management team of the Target Group is and will be diligent, will not commit any material breaches which will affect the development and revenue of the Target Group, and will continue to operate the Target Group on the existing management model;
- the business contracts entered into by the Target Group are valid and enforceable;
- the valuation is a reasonable estimate of the future based on the current market conditions and does not take into account the unforeseeable material changes and fluctuations in the future market, such as political riot, economic turmoil and adverse inflation; and
- the various revenues, relevant prices and costs relied on in the valuation are based on the historical data provided by the Target Group.

Profit Guarantee

The Target Group has finished its trial operation stage in 2016. Provided that the demand for fertility medical treatment services market in the PRC is growing solidly, the guaranteed profit of no less than USD5,000,000 represents the expected Net Profit that the Target Group could earn for the year ending 31 December 2017, and reflects the Target Group's normal level of profitability in a growing market. The Guaranteed Profit is approved both by the Company and the Vendor.

Confirmations

ZHONGHUI ANDA CPA Limited ("**Zhonghui**"), acting as the Company's auditor, has examined the calculations of the valuation of the Target Group in which the Valuation Report was based.

Zhonghui has reported to the Directors in respect of the compilation, in accordance with the assumptions described above, of the valuation of 100% equity interest in the Target Group prepared by the Independent Valuer as set out in the Valuation Report.

The Directors are solely responsible for the assumptions described above and the work performed by Zhonghui did not include any assessment of the reasonableness or validity of the assumptions.

The Directors confirm that the valuation of the shareholders' equity interest in the Target Group has been made after due and careful enquiry.

A letter from Zhonghui dated 9 January 2017 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

Experts and consents

The qualifications of the experts who have given their statements in this announcement are as follows:

Name	Qualification
Crowe Horwath	Independent Valuation Specialist
Zhonghui	Certified Public Accountants

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, each of the Independent Valuer and Zhonghui is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither the Independent Valuer nor Zhonghui has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the Independent Valuer and Zhonghui has given and has not withdrawn its respective written consent to the issue of this announcement with inclusion of its name, statements and all references to its name (including its qualification) in the form and context in which they are included.

For the purposes of this announcement, the exchange rate of US$1.00 = HKD7.8 have been used, where applicable, for purpose of illustration only and do not constitute a representation that any amount has been, could have been or may be exchanged at the above rate or at any other rates or at all.

By the Order of the Board
CHINA ENVIRONMENTAL TECHNOLOGY HOLDINGS LIMITED
Li Wang Hing, Nelson
Company Secretary

Hong Kong, 23 January 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.

APPENDIX I – REPORT FROM THE COMPANY'S AUDITOR

The Board of Directors
China Environmental Technology Holdings Limited

Dear Sirs,

We have examined the calculations of the discounted cash flow forecast (the "**Forecast**") underlying the valuation (the "**Valuation**") of the entire equity interest of Pacific Fertility Institutes Holding Company Limited (the "**Target Company**") performed by Crowe Horwath (HK) Consulting & Valuation Limited (the "**Valuer**") in relation to the proposed acquisition on the Target Company by the China Environmental Technology Holdings Limited (the "**Company**"). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Directors' Responsibilities

The directors of the Company are solely responsible for the preparation of the Forecast and the reasonableness and validity of the assumptions based on which the Forecast is prepared (the "**Assumptions**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Forecast based on our procedures and to report our opinion solely to you, as a body, solely for the purpose in connection with the Circular and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Forecast in accordance with the Assumptions adopted by the directors and as to whether the Forecast is presented on a basis consistent in all material respects with the accounting polices normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Because the Forecast relates to cash flows, no accounting policies of the Company have been adopted in its preparation.

Opinion

In our opinion, so far as the calculations are concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the directors.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

APPENDIX II – LETTER FROM THE BOARD

23 January 2017

Listing Division
The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sir / Madam,

Re: Discloseable transaction - Acquisition of 50% Equity Interest in the Target Company involving Issue of Consideration Shares under Specific Mandate

We refer to the announcements of China Environmental Technology Holdings Limited (the "**Company**") dated 30 December 2016 and 23 January 2017 in relation to the acquisition of 50% equity interest (the "**Acquisition**") in Pacific Fertility Institutes Holding Company Limited (the "**Target Company**"). Unless the context otherwise requires, terms defined in the Announcements shall have the same meanings when used herein.

We have reviewed and discussed the independent Valuation Report prepared by Crowe Horwath, which forms the basis for determining the consideration for the Acquisition. We note that the methodology applied in deriving the fair value estimate of the valuation of 100% equity interest in the Target Group is regarded as a profit forecast under Rule 14.61 of the Listing Rules. Pursuant to Rule 14.62 of the Listing Rules, we have engaged Zhonghui, acting as the Company's auditor, to examine the arithmetical accuracy of the calculation of the Valuation Report in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA.

On the basis of the above, we confirm that the fair value estimate of the valuation of 100% equity interest in the Target Group as contained in the Valuation Report has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the board of directors of
China Environmental Technology Holdings Limited
Li Wang Hing, Nelson