THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Environmental Technology Holdings Limited**, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)

DISCLOSEABLE TRANSACTION FOR ACQUISITION OF 50% EQUITY INTEREST IN THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EGM

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Board is set out on page 5 to 17 of this circular.

A notice convening the EGM of China Environmental Technology Holdings Limited to be held at Unit 1003-5, 10th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong at 2:30 p.m. on Wednesday, 22 March 2017 is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and deposit the same with the Company’s Hong Kong branch share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the commencement of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

22 February 2017

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Interest by the Purchaser pursuant to the SP Agreement;
"Board"	the board of Directors of the Company;
"Business Day"	a day on which banks in Hong Kong are open for business other than a Saturday or a Sunday or a day on which a tropical cyclone warning signal number 8 or above or a black rainstorm signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.;
"Company"	China Environmental Technology Holdings Limited (中國環保科技控股有限公司), a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange (stock code: 646);
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the SP Agreement;
"Completion Date"	the third Business Day immediately after the day where all the Conditions are fulfilled (or waived where applicable) or such other date as the parties hereto may agree;
"Conditions Precedent" or "Conditions"	the conditions precedent to Completion as set out in the SP Agreement;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the consideration payable by the Purchaser to the Vendor for the Sale Interest under the SP Agreement;
"Consideration Shares"	650,000,000 new Shares of HK$0.27 each to be allotted and issued by the Company to the Vendor;
"Crowe Horwath"	Crowe Horwath (HK) Consulting & Valuation Limited, an independent valuation specialist;
"Director(s)"	the director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened for approving, among other matters, the grant of the Specific Mandate for the allotment and issue of the Consideration Shares under the SP Agreement;

"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Independent Third Party(ies)"	person(s) or company(ies) who or which is/are not connected person(s) of the Company;
"Issue Price"	HK$0.27 per Consideration Share;
"Latest Practicable Date"	17 February 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for considering applications for listing and the granting of listing on the Main Board of the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	30 June 2017 (or such later date as the Purchaser and the Vendor may agree in writing);
"Net Profit"	the audited consolidated net profit of the Target Group according to its audited consolidated financial statements for the year ending 31 December 2017, excluding one-time gain or loss for the period and minority interests, as determined by an accounting firm acceptable to the Purchaser and the Vendor;
"Notice"	the notice convening the EGM as set out on pages EGM-1 to EGM-3 of this circular;
"percentage ratios"	As defined in the Listing Rules;
"PFI (HK)"	Pacific Fertility Institutes (HK) Holding Company Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Target Company;
"PFI Inc"	Pacific Fertility Institutes Inc., a company incorporated in Saipan and a member of the Target Group;
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

"Purchaser"	INNOMED Group Limited, a company incorporated under the laws of British Virgin Islands, a wholly-owned subsidiary of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Interest"	50% equity interest in the Target Company;
"SFO"	Securities and Futures Ordinance, Cap 571;
"Shareholder(s)"	holder(s) of the Shares;
"Share(s)"	issued shares of nominal value of HK$0.025 in the Company;
"SP Agreement"	the sale and purchase agreement dated 30 December 2016 entered into among the Purchaser, the Vendor, the Vendor Warrantor and the Company relating to the Acquisition;
"Specific Mandate"	the specific mandate proposed to be granted to the Directors in relation to the allotment and issue of the Consideration Shares at the EGM;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	Pacific Fertility Institutes Holding Company Limited, a company incorporated in the Cayman Islands, which is wholly-owned by the Vendor;
"Target Group"	the Target Company, PFI (HK) and PFI Inc;
"United States"	The United States of America;
"USD"	United States Dollar, the lawful currency of the United States;
"Valuation Report"	the valuation report prepared by Crowe Horwath dated 22 February 2017 in respect of the Acquisition, the full text of which is set out in Appendix I to this circular;
"Vendor"	Pacific Fertility Institutes Holding Company Limited, a company incorporated in the British Virgin Islands;
"Vendor Warrantor"	Mr. Leon Li, the ultimate beneficial owner of the Vendor;
"Warranties"	the representation, warranties and undertakings given by the Vendor and Vendor Warrantor under the SP Agreement;

"Zhonghui"	ZHONGHUI ANDA CPA Limited, an Independent Accountants, Certified Public Accountants; and
"%"	per cent.

For the purpose of illustration only and unless otherwise stated, conversion of USD into HK$ in this circular is based on the exchange rate of 1 to 7.8. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at those or any other rates.

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)

Executive Directors:
Mr. Xu Zhong Ping
Mr. Zhang Fang Hong
Mr. Xu Xiao Yang

Non-executive Director:
Mr. Cao Guoxian
Mr. Ma Tianfu

Independent non-executive Directors:
Mr. Tse Chi Wai
Professor Zhu Nan Wen
Professor Li Jun

Registered office:
P.O. Box 10008
Willow House
Cricket Square
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Cayman Islands

Principal place of business in Hong Kong:
Unit 1003-5
10th Floor, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

22 February 2017

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION FOR ACQUISITION OF 50% EQUITY INTEREST IN THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company dated 30 December 2016. On 30 December 2016 (after trading hours), the Company, the Purchaser, the Vendor and the Vendor Warrantor entered into the SP Agreement in relation to the Acquisition by the Purchaser of the Sale Interest in the Target Company at a consideration of HK$175,500,000. The consideration is to be satisfied by the Company by allotting and issuing new Shares at the Issue Price of HK$0.27 per Consideration Share to the Vendors under the Specific Mandate to be sought from the Shareholders.

The purpose of this circular is to provide you with further information and give you notice of the EGM to consider and, if thought fit, to approve the SP Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate.

THE SP AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date

30 December 2016

Parties

(1) INNOMED Group Limited (the Purchaser);

(2) Pacific Fertility Institutes Holding Company Limited (the Vendor);

(3) Mr. Leon Li (the Vendor Warrantor); and

(4) The Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor Warrantor and the Vendor are third parties independent of the Company and its connected persons respectively. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor Warrantor and the Vendor are third parties independent of the Company and its connected persons respectively.

Assets to be acquired

Pursuant to the SP Agreement, the Vendor has conditionally agreed to sell the Sale Interest, representing 50% equity interest in the Target Company, and the Purchaser has conditionally agreed to purchase the Sale Interest.

Consideration

The Consideration payable by the Purchaser to the Vendor for the Sale Interest shall be HK$175,500,000 and shall be satisfied by the allotment and issue of the Consideration Shares by the Company at the Issue Price, credited as fully paid, to the Vendor at Completion.

The number of Consideration Shares to be allotted and issued to the Vendor is calculated by dividing the Consideration with the Issue Price, rounded down to the nearest multiple integral of the board lot size of the Shares (being 650,000,000 Consideration Shares). The Issue Price of approximately HK$0.27 per Consideration Share:

a. is identical to the closing price of HK$0.27 per Share as quoted on the Stock Exchange on the date of the SP Agreement; and

b. represents a premium of approximately 6.97% to the average closing price of HK$0.2524 per Share as quoted on the Stock Exchange in the five consecutive trading days immediately preceding (and including) the date of the SP Agreement.

The Consideration Shares shall be allotted and issued under the Specific Mandate. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Issue Price of the Consideration Shares

The Issue Price of HK$0.27 per Consideration Share was arrived at after arm's length negotiation between the Purchaser and the Vendor which is identical to the closing price of the Shares on the date of the SP Agreement. The number of Consideration Shares to be allotted and issued to the Vendor is calculated by dividing the Consideration with the Issue Price, rounded down to the nearest multiple integral of the board lot size of the Shares (being 8,000 Consideration Shares), i.e. a total of 650,000,000 Consideration Shares will be allotted and issued by the Company, representing approximately 21.66% of the issued share capital of the Company as at the Latest Practicable Date and approximately 17.81% of the issued share capital of the Company as enlarged by the Consideration Shares.

The Issue Price represents:

(a) a premium of approximately 5.88% to the closing price of HK$0.2550 per Share as quoted on the Stock Exchange on 29 December 2016, being the last trading day before the date of the SP Agreement;

(b) a premium of approximately 6.97% to the average closing price of HK$0.2524 per Share as quoted on the Stock Exchange for the last five trading days up to 29 December 2016;

(c) a premium of approximately 3.57% to the average closing price of HK$0.2607 per Share as quoted on the Stock Exchange for the last ten trading days up to 29 December 2016; and

(d) a premium of approximately 18.94% to the closing price of HK$0.227 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Ranking

The Consideration Shares shall be allotted and issued, credited as fully paid, and rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue, including the rights to all dividends and other distributions which may be declared, made or paid in respect thereof, the record date for which falls or after the date of such allotment and issue.

Basis of determination of the Consideration

The Consideration has been arrived at on an arm's length basis under normal commercial terms pursuant to the negotiations between the parties after taking into account, among others, the preliminary valuation of the Target Group as of 31 October 2016 (i.e. USD46,400,000) conducted by an independent qualified professional valuer using income approach.

Valuation Report

The Valuation Report was prepared by Crowe Horwath, a qualified professional valuer and an Independent Third Party and was issued on 22 February 2017.

Please refer to the Appendix I to this circular for the full text of the Valuation Report.

A. 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.

- The various revenues, relevant prices and costs relied on in the valuation are based on the historical data provided by the Target Group.

B. Confirmation from Zhonghui

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. Please refer to Appendix II to this circular for the full text of the letter from Zhonghui.

C. Confirmation from the Board

The Directors have confirmed that the profit forecasts underlying the valuation have been made after due and careful enquiry and the text of the letter from the Board is set out in Appendix III to this circular.

D. Qualifications, Interests and Consents of Crowe Horwath and Zhonghui

The following are the qualifications of the experts who have given their opinion, letter and advice included in this circular:

Name	**Qualification**
Crowe Horwath	Independent Valuation Specialist
Zhonghui	Certified Public Accountants

As at the date of this circular, none of Crowe Horwath and Zhonghui is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group. To the best of the Directors' knowledge, information and belief, each of Crowe Horwath and Zhonghui is an Independent Third Party.

Each of Crowe Horwath and Zhonghui has given and has not withdrawn its consent to the publication of this circular with the inclusion of its opinion, letter and all references to its name in the form and context in which they appear.

Conditions Precedent

Completion is conditional upon fulfillment and/or waiver (as the case may be) of the following Conditions Precedent before the Long Stop Date:

(a) the passing of the necessary resolutions by the Vendor approving the SP Agreement and all other transactions contemplated thereunder and the granting of such regulatory approvals as may be necessary;

(b) all necessary authorisations, consents, licences, agreements, approvals or permissions of any kind of, from or by third parties and/or government or regulatory authorities required to implement all the transactions contemplated under the SP Agreement having been obtained by the Vendor and/or the Target Group on terms acceptable to the Purchaser and remaining in full force and effect;

(c) the Stock Exchange having granted or having agreed to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Consideration Shares;

(d) the passing of the ordinary resolution(s) by the Shareholders (to the extent they are not prohibited from voting on such resolution(s) under the Listing Rules) at the EGM approving the grant of the Specific Mandate for the allotment and issue of the Consideration Shares under the SP Agreement;

(e) the representation, warranties and/or undertakings given by the Vendor and the Vendor Warrantor under the SP Agreement are given on and as at the date of the SP Agreement with respect to the facts and circumstances subsisting as at the date of the SP Agreement and shall remain true, accurate in all material respects and not misleading in any material respect throughout the period from the date of the SP Agreement to the Completion Date, and there having been no breach by any party of the SP Agreement which has a material adverse effect;

(f) the Purchaser being satisfied with the results of the due diligence review on the Target Group; and

(g) legal opinions issued by local counsel in respect of the due incorporation and valid existence of each member of the Target Group having been obtained.

In the event that the Conditions shall not have been fulfilled (or waived in accordance with the terms of the SP Agreement) at or before 12:00 noon (Hong Kong time) on the Long Stop Date, the SP Agreement shall lapse and be of no further effect (save for certain clauses which shall continue to take effect), and no party to the SP Agreement shall have any liability and obligation to the other parties, save in respect of any antecedent breaches of the SP Agreement.

Undertaking

The Vendor undertakes and guarantees to the Purchaser that the Net Profit will be no less than USD5,000,000 (the "**Guaranteed Profit**").

In the event that the Net Profit is less than USD5,000,000, the Vendor shall pay a compensation amount (the "**Compensation Amount**") to the Purchaser in cash by 31 March 2018 and in manners as requested by the Purchaser. The Compensation Amount shall be calculated in the following manner:

$$Z = (A - B) \times C / 2$$

Z = the Compensation Amount
A = USD5,000,000
B = Net Profit *(Note 1)*
C = 9 *(Note 2)*

Notes:

1. *For the avoidance of doubt, if the Target Group records a net loss in its audited consolidated financial statements for the year ending 31 December 2017, component B shall be equal to zero.*

2. *Such figure was arrived at with reference to (i) the Guaranteed Profit (i.e. USD5,00,000); and (ii) the estimated net profit of PFI Inc for the year ending 31 December 2017 (i.e. USD5,191,428) and the market value of PFI Inc as at 31 October 2016 (i.e. USD46,400,000) as set out in the Valuation Report.*

The Target Group has finished its trial operation stage in 2016. Provided that the demand for fertility medical treatment market in the PRC is growing steadily, 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 said expectation is consistent with the financial forecast under the Valuation Report. The Guaranteed Profit is approved both by the Company and the Vendor.

The Company reviewed the Vendor Warrantor's asset portfolio and is of the view that the Vendor Warrantor's financial ability is sufficient to compensate the Guaranteed Profit.

Completion

Subject to the fulfillment or waiver (as the case may be) of all the Conditions, Completion shall take place on the Completion Date.

Immediately after Completion, the Company will hold 50% of the equity interest of the Target Company (assuming that there is no change to the equity interest of the Target Company from the Latest Practicable Date up to Completion).

Application for Listing

The Consideration Shares, when issued and fully paid, will rank *pari passu* among themselves and with the Shares in issue at the time of allotment and issue of the Consideration Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to, deal in the Consideration Shares.

INFORMATION ABOUT THE GROUP AND THE PURCHASER

The Group is principally engaged in the environmental related business in the PRC including the provision of environmental technologies, products, equipments and system integration relating to water treatment, conservation, purification, recycling and management, and wastewater treatment.

The Purchaser is a company incorporated in the British Virgin Islands, which is a direct wholly-owned subsidiary of the Company and is principally engaged in the business of investment holding.

INFORMATION ABOUT THE VENDOR AND THE VENDOR WARRANTOR

The Vendor is a company incorporated in the British Virgin Islands and is principally engaged in the business of investment holding. The Vendor Warrantor is the ultimate beneficial owner of the Vendor.

INFORMATION ABOUT THE TARGET GROUP AND ITS ASSETS

The principal business of the Target Company is investment holding.

PFI (HK) is a company incorporated in Hong Kong and is wholly-owned by the Target Company. The principal business of PFI (HK) is investment holding.

PFI Inc is a company incorporated in Saipan and PFI (HK) holds 80% equity interest in PFI Inc. The remaining 20% equity interest in PFI Inc is held by a third party independent of the Company and its connected persons. The principal business of PFI Inc is principally engaged in the provision of fertility medical treatment services in a Saipan.

Financial information of the Target Group

Set out below are certain unaudited combined financial information of the Target Group for the years ended 31 December 2014 and 2015 prepared in accordance with Generally Accepted Accounting Principles (United States):

	For the year ended 31 December	
	2014	**2015**
	USD	*USD*
Net profit/(loss) before taxation and extraordinary items	(374,303)	16,732
Net profit/(loss) after taxation and extraordinary items	(375,225)	16,732

	As at 31 December	
	2014	**2015**
	USD	*USD*
Total assets	271,265	495,398
Net (liabilities)/assets	(139,877)	(123,145)

Upon Completion, the Group will hold 50% equity interest in the Target Company and the financial results of the Target Group will be consolidated into the Group's financial information.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates (by reference to the information on shareholdings available to the Company as at the date of this announcement) the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after allotment and issue of the Consideration Shares, on the assumption that there will be no other change to the share capital of the Company between the date of this announcement and the date of issuance of such Consideration Shares.

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares	
Name of Shareholders	Number of Shares	Approximate %	Number of Shares	Approximate %
Xu Zhong Ping *(Note)*	1,264,098,431	42.13	1,264,098,431	34.63
Xu Xiao Yang	20,000,000	0.67	20,000,000	0.55
The Vendor	-	-	650,000,000	17.81
Other public Shareholders	1, 716,260,330	57.20	1,716,260,330	47.01
	3,000,358,761	100.00	3,650,358,761	100.00

Note: 1,200,000,000 Shares were held under the name of Gentle International Holdings Limited ("**Gentle**"). Classy Jade Limited owns 60% of the issued share capital of Gentle. Mr. Xu Zhong Ping is the sole shareholder of Classy Jade Limited. Mr. Xu was therefore deemed to be interested in the said 1,200,000,000 Shares held by Gentle under Part XV of the SFO. Mr. Xu Zhong Ping is the beneficial owner of the remaining 64,098,431 Shares.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Group 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.

The Acquisition expands the Company's business to medical services and aligns with the Company's strategy to develop in the healthcare field. In the meantime, the Directors consider that entering into the SP Agreement will potentially 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.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules exceed(s) 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company will seek the Shareholders' approval at the EGM for the Specific Mandate to allot and issue the Consideration Shares. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the SP Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares pursuant to the Specific Mandate. A circular containing, among other things, further details of (i) the Acquisition and the transactions contemplated thereunder; (ii) the Specific Mandate; and (iii) the notice of the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

EGM

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM to allot and issue 650,000,000 Consideration Shares to the Vendor pursuant to the terms and conditions of the SP Agreement.

A notice convening the EGM to be held at Unit 1003-5, 10th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong at 2:30 p.m. on Wednesday, 22 March 2017 is set out on pages EGM-1 to EGM-3 of this circular.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Shareholder has material interest in the SP Agreement and therefore, no Shareholder would be required to abstain from voting at the EGM. The resolution(s) proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company on the results of the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the endorsed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so desire.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Monday, 20 March 2017 to Wednesday, 22 March 2017, both dates inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the EGM. In order to qualify for the right to attend and vote at the meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 17 March 2017.

RESPONSIBLE STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

On the basis of the information set out in this circular, the Directors consider that the SP Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) are in the best interests of the Company and the Shareholders as a whole and therefore recommend you to vote in favour of the resolutions for approving the SP Agreements and transactions contemplated thereunder and the granting of the Specific Mandate at the EGM.

Yours faithfully,
For and on behalf of the Board of
China Environmental Technology Holdings Limited
Li Wang Hing, Nelson
Company Secretary

The follow is the text of the valuation report prepared by Crowe Horwath, which was prepared for inclusion in this circular.

Crowe Horwath™

國富浩華（香港）諮詢評估有限公司
Crowe Horwath (HK) Consulting & Valuation Limited
Member Crowe Horwath International

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Ref No.: VC/RWA/1468/2016

22 February 2017

To the Board of Directors
China Environmental Technology Holdings Limited

Dear Sirs,

Ref: The Valuation of the 100% Equity Interest of the Pacific Fertility Institute

At the request of the China Environmental Technology Holdings Limited (the "**Instructing Party**"), we were engaged to perform a valuation on the market value basis of the 100% equity interest of the Pacific Fertility Institute Holdings Company Limited (the "**PFI**" or the "**Company**") as at 31 October 2016 (the "**Valuation Date**"), for the circular reference purpose of the Instructing Party.

We confirm that we have made relevant enquiries and obtained such further information as we deem necessary to provide our opinion.

This valuation is complied with the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors ("**RICS**") and International Valuation Standards ("**IVS**") published by the International Valuation Standards Council. Our valuation on the equity interest of PFI is based on its market value, on the assumption that the Company operates on a going concern basis.

1. BACKGROUND OF PFI

Pacific Fertility Institute, with its In Vitro Fertilization (IVF) Center based in Saipan, is principally engaged in the provision of fertility medical treatment services to patients from the PRC and the Asian-Pacific Region. It has set up a fertility medical center in Saipan, the sole free-visa island in the United States of America for Chinese citizens. It has been operating for three years with a core team comprising of experts with rich experience in fertility medical treatment field.

PFI is principally engaged in the provision of fertility medical treatment services. It provides patients with one-stop medical solutions, with its dedicated medical team offering one-on-one customized services featuring high privacy. Major services include IVF surgeries, Additional Frozen Embryo Transfer (AFET) and Pre-Implantation Genetic Screening (PGS).

Targeted patients include:

- Females with difficulty in sperm ovum binding due to salpingemphraxis and salpingemphraxis caused by gynecologic inflammation, fallopian tube agenesis and bilateral salpingo-oophorectomy as a result of tubal ligation or ectopic pregnancy;
- Females with anovulation;
- Females with endometriosis and uterine adenomyosis;
- Males with oligoasthenospermia;
- Patients with immune infertility, such as antisperm antibody, anti-endometrial antibody;
- Patients with unexplained infertility; and
- Females with ovarian function failure and males with azoospermia.

The operating arm of PFI was established in September 2013. It completed renovation equipment procurement, medical staff recruitment and training, and established operational procedure for medical treatments and laboratory operation in 2014. From 2015 to 2016, PFI was put into trial operation. It run its Standard Operating Procedure (SOP) and standardized its service systems through medical practices, laying solid foundation for providing high quality services consistently in the future. As its technology continues to improve and its SOP gets more advanced and standardized, PFI has become one of the renowned clinics providing IVF medical services in the Asia-Pacific region. The clinic is managed in accordance with U.S. Standard in providing excellent clinical service and laboratory technology. It also has built up an experienced medical team comprised of US medical staffs, and its achieved pregnancy success rate is higher than the average in the United States.

2. MARKET ANALYSIS

The fertility medical treatment service industry in the PRC is considered to be a promising sector with strong growing momentum. According to a survey published by China Population Association (中國人口協會) in 2012 (when the latest nationwide population census was conducted), infertility rate has reached to approximately 12.5% to 15%, which means approximately 1 out of 8 couples suffers from infertility issue. Meanwhile, market size of assisted reproduction medical services in the PRC is estimated to be approximately RMB120 billion, with a potential market size of RMB480 billion. Considering the trend of delay of the average childbearing age and implementation of the Universal Two-Child Policy, a surging demand is expected for fertility medical treatment market in the PRC and market size will continue to grow over the coming years.

Currently, the supply of fertility medical treatment services in the PRC is below demand. According to a report speech by Ma Xiaowei, the Deputy Director of National Health and Family Planning Commission of the People's Republic of China, mentioned in the National People's Congress and Chinese People's Political Consultative Conference in 2016, only approximately 700,000 IVF cycles have been completed in the PRC in 2015, much lower than the observed demand. Based on our investigation, in tier-1 cities where fertility medical treatment services market is more active, patients who need IVF services usually have to wait for half a year or even longer.

In 2016, the operational statistics observed from some fertility medical treatment service providers are listed as below: For public-owned institutions, 30,000 IVF cycles were completed by Reproductive & Genetic Hospital of Citic-Xiangya; 18,000 IVF cycles were completed by Reproductive Center of Peking University Third Hospital and 12,500 IVF cycles were completed by the Fertility Medical Treatment Department of Shanghai Ninth People's Hospital, Shanghai JiaoTong University School of Medicine. For private-owned institutions, 9,000 IVF cycles were completed by Chengdu Xinan Gynecological Hospital and 14,000 IVF cycles were completed by the IVF Medical Group.

Considering the growing demand in the PRC, the management of PFI has strategically targeted mainland China as its main patient source starting from 2017. PFI's core competitive advantages include advanced medical technology, SOP and medical experience of American doctors. Its business will benefit from the big market size as well as supply shortage in the PRC over the next 5-8 years. The Instructing Party will also utilize its business network, social resources and media relations in the PRC to improve market presence of PFI.

The management prudently expected that PFI will complete at least 400 IVF cycles in 2017, based on the target Group's channel development, physical capacity of medical equipment, market demand and performance of comparable institutes.

3. VALUATION METHODOLOGY

During the valuation process, three traditional valuation approaches are considered, namely the asset approach (or cost approach), income approach and market approach. Normally one or two of them, or a combination of them are selected to conduct the valuation based on actual conditions.

Asset Approach (or Cost Approach)

Asset approach, also known as cost approach, is an asset-based rather than a market-oriented method. It requires valuing the assets on an individual basis to add up to the total valuations of assets.

Under this approach, the expenses or costs on replacing or re-acquiring individual items or parts are estimated by valuers on an itemized basis, thus arriving at the valuation of target assets.

Generally, the market value of individual assets of a company, mainly the tangible assets, can be valued using the asset approach.

Income Approach

Income approach, or sometimes known as investment value approach, is an income-oriented method rather than an asset-based valuation method, assuming that the investors may invest in alternative business with similar characteristics but not necessarily identical with the subject business.

Under the income approach, asset value equals to the present value of the future expected income of the asset, which involves the principle of capitalization. Generally, capitalization is a process through which the expected income is discounted based on the required rate of return (risk factors).

As the future income generated from assets is estimated and subjective to assumptions, valuers must have a deep understanding of the operation of assets and carefully estimate the financial variables.

Market Approach

Market approach is the most direct valuation method in determining the market value of assets/ business. Under this approach, valuers seek to identify the transaction cases having been executed and qualified as a reference for value comparison. It is normally difficult to apply the approach to small non-listed companies, as there are insufficient comparable cases for reference and it is difficult for valuers to obtain the public and reliable financial information.

4. SELECTION OF VALUATION APPROACH

The 100% Equity Interest of PFI

Cost approach was not adopted in this valuation. According to the discussion with the management, we noted that PFI is an asset-light company, which provides medical technologies and services. As the cost approach cannot reflect the profitability and value generated by PFI from providing such services, it is not suitable for this valuation.

Market approach was not adopted in this valuation. The market approach is based on the Company's existing profitability and book value of its assets. As PFI has not yet entered a stable operation period, its financial performance may change significantly in the future due to the Company's business expansion, the price multipliers generally adopted in the market approach are not applicable.

We finally adopted income approach to value the 100% equity interest of PFI. Based on the adequate understanding of daily operation and prospects of PFI, we believe that a method based on a set of financial forecasts with future income discounted at the risk-adjusted discount rate can give a comprehensive view of the business nature, development potential and risk factors of PFI.

Discounted Cash Flow Method

Under the income approach, we adopted the discounted cash flow method for the valuation. Free cash flows are defined as the part of cash available for distribution to a company's creditors and shareholders, which is the remaining cash out of the company's profit (mainly in cash), starting from its revenue, net of cost of sales and operating expenses, after making short-term investments of working capital (such as trade receivables, inventories and trade payables) and other long-term investments (such as capital expenditure, properties and equipment) as well as the adjustments to non-cash profit.

As an application of income approach, the discounted cash flow method is a widely used valuation method under which company value is derived at through discounting future cash flows into present value at reasonable discount rate(s) selected based on the estimation of future free cash flows and the relevant risks. This approach is based on assumption that the Company's financial performance will fluctuate in the short term, but is stable in the long run.

5. DISCUSSION OF FINANCIAL FORECAST

During the course of our valuation, having discussed with the management of the Company and made relevant enquiries, we obtained the information on the financial forecast of PFI from 2017 to 2021, which is taken as the basis of our valuation.

Financial items	2017	2018	2019	2020	2021
Total revenue	**14,425,000**	**16,367,500**	**18,579,250**	**21,098,425**	**23,968,705**
Cost of principal business	-3,688,000	-4,156,800	-4,687,480	-5,288,478	-5,969,413
Gross profit	**10,737,000**	**12,210,700**	**13,891,770**	**15,809,947**	**17,999,292**
Gross profit margin	*74%*	*75%*	*75%*	*75%*	*75%*
Total	-3,929,870	-4,429,067	-4,997,196	-5,639,677	-6,372,419
Profit before tax	**6,807,130**	**7,781,633**	**8,894,574**	**10,170,270**	**11,626,872**
Pre-tax profit margin	*47%*	*48%*	*48%*	*48%*	*49%*
Corporate tax	-1,615,702	-1,900,912	-2,233,952	-2,635,184	-3,105,210
Net profit	**5,191,428**	**5,880,721**	**6,660,623**	**7,535,086**	**8,521,663**
Net profit margin	*36%*	*36%*	*36%*	*36%*	*36%*

Unit: US dollars

According to the discussion with the management, we noted that as PFI will actively expand its business from 2017 to 2021. Its principal business scale is expected to increase and its profit margin is also expected to improve slightly. The principal business scale of PFI from 2017 to 2021 is set out as follows:

Classification of the principal business	2017	2018	2019	2020	2021
IVF	400	460	529	608	700
Additional Frozen Embryo Transfer	115	127	139	153	168
Pre-Implantation Genetic Screening	170	187	206	226	249
Other IVF-related medical services	60	66	73	80	88

Unit: cases

In addition, it is expected that the capital expenditure of US$200,000 to US$300,000 per annum will be required for PFI to acquire the fixed assets, such as medical equipment and office equipment.

6. DISCOUNT RATE AND OTHER VALUATION ADJUSTMENTS

We adopted the weight average cost of capital ("**WACC**") as the benchmark discount rate in valuing the equity interests of the PFI. WACC comprises two components: cost of equity and cost of debt. Cost of equity was developed using Capital Asset Pricing Model (the "**CAPM**"). The CAPM states that an investor requires excess returns to compensate systematic risks and an efficient market provides no excess return for other risks. Cost of debt was developed with reference to the 5-year prime lending rate.

As PFI is expected to expand its business during the financial forecast period and usually fast-growing companies are facing extra uncertainties, an additional risk premium has been applied.

Our determined WACC for the PFI is 13.1%.

Comparable Companies

We have selected a group of comparable companies listed on stock exchanges to provide a reasonable reference in order to evaluate the industry's beta and capital structure used. Our selection criteria are that the comparable companies should:

- Primarily be engaged in the medical technology services business;
- Having their primary operations within the Greater China Region; and
- Information on the peer firms must be extracted from a reliable source.

We have selected seven comparable companies, representing an exhaustive list of comparable companies base on our selecting criteria, which are shown as below:

Ticker	Company Name	Place of Listing	Business Description
3689 HK	Guangdong Kanghua Healthcare Co., Ltd.	Hong Kong	Guangdong Kanghua Healthcare Co., Ltd. owns and operates medical centers. The company offers healthcare, cardiovascular related, and medical services. The company primarily serves patients in China.
1526 HK	Rici Healthcare Holdings Limited	Hong Kong	Rici Healthcare Holdings Limited operates private integrate health care centers. The Company provides high-end medicare, specialized hospital, physical examination, medical products supply, and other related services throughout China.

Ticker	Company Name	Place of Listing	Business Description
593 HK	SkyOcean International Holdings Limited	Hong Kong	SkyOcean International Holdings Limited invests in and operates healthcare facilities. The company owns and operates elderly care homes and facilities as well as provides healthcare services.
648 HK	China Wah Yan Healthcare Ltd	Hong Kong	China Wah Yan Healthcare Ltd, through its subsidiaries, manages and operates a network of medical centers specializing in the diagnosis and treatment of tumors and cancer in China.
1419 HK	Human Health Holding Limited	Hong Kong	Human Health Holding Limited is an integrated healthcare service provider. The company provides comprehensive outpatient services covering general practices, specialty, and dental services. .
600763 CH	Topchoice Medical Investment Corporation	Shanghai	Topchoice Medical Investment Corporation provides dental and oral health care services, and has obtained license for fertility medical treatment business.
002044 CH	Meinian Onehealth Healthcare Holdings Co., Ltd	Shenzhen	Meinian Onehealth Healthcare Holdings Co., Ltd. operates in the medical industry. The company offers health examination, evaluation, and consulting services throughout China.

Lack of Marketability Discount

We have adopted a lack of marketability discount of 20% in the valuation of the equity interest to compensate for the potential difficulty of selling the equity shares, which are not traded on a stock exchange, compared with those of the peer companies that are traded publicly in stock exchange markets.

The 20% discount is source from 2016 edition of the FMV Restricted Stock Study Companion Guide, which was published by FMV Opinions, Inc., one of the preeminent firms offering a broad range of financial advisory services to private and public companies. The result is concluded based on 736 observed transactions.

7. SOURCE OF INFORMATION AND CONSIDERATIONS

Our investigation covers the discussions between the Instructing Party and the management and the collection of the information regarding the history, business and development prospects of the Company. We have also considered the industry trends and relevant laws. In order to conduct a detailed review and make an impartial and independent valuation work, we requested and understood the detailed information of the Company. We assume that the opinions and statements expressed and the data provided in the valuation process by the Instructing Party and the management are reasonable and accurate. As we are not able to audit the business data provided by the management, we have no reason to doubt the accuracy of the information. However, in case of any discrepancy between the data provided and the facts, we reserve the right to modify our valuation.

The factors we have taken into account in our valuation include but are not limited to the following:

- History and development of PFI;
- Market performance of the service provided by PFI;
- Operational model and management experience of PFI;
- Development of the medical technology service industry in the PRC and the Asian Pacific Region;
- Current economic conditions and the industry prospect;
- Financial and business risks of PFI, including the continuity of income and expected future performance; and
- Other factors that would have impact on the valuation conclusion.

8. DISCLAIMER

The services provided by Crowe Horwath comply with professional valuation standards and are subject to the general valuation enquiry conditions set out in the disclaimer.

Under the circumstances that we cannot conduct independent verification, we assume the data obtained is accurate. As an independent outsourcing service provider, we reserve the right to use sub-contractors.

The Company has agreed to indemnify us against any relevant losses, claims, lawsuits, damage, costs or obligations, including the attorney fees for this engagement with the Company as subject, in order to ensure that we have no relation with them, nor will it assume any liability for any of our omission. The scope of protection should include any related persons of Crowe Horwath, including directors, officers, employees, contractors, branches or agents. Should Crowe Horwath have to make compensation for any liability arising from this engagement, the amount of our compensation is only limited to the lower of ten times of the service fees for this engagement and HK$500,000.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

This valuation report reflects the facts and factors as at the Valuation Date. We take no responsibility or obligation for updating this report according to the events or circumstances occurred after the date of this report.

Unless otherwise specified, a business valuation takes no consideration of any potential economic benefit or loss arising from or incidental to contingent assets or liabilities or events.

As the quality of corporate management may have a direct impact on business valuation or feasibility, we assume that the management is adequately capable and the corporate ownership belongs to the person in charge unless otherwise specified herein.

Any decision to purchase, sell or transfer any interest in the valuation subjects shall be the owners' sole responsibility, as well as the structure to be utilized and the price to be accepted.

The considerations in determining trading price are a subject beyond the information obtained by or provided to us. The prices involved in actual business transactions may be higher or lower than our valuation, depending on the specific circumstances such as transaction time, business, knowledge and motivation of buyers and sellers.

All facts and data referred to herein are based on what we are aware of and are true and accurate in our belief. We have made no investigation on any legal title or corporate ownership, and we assume that the shareholders' claims and interests in business are effective and valid. Except for the auditor's report, if any, we did not take into account any lien or mortgage right of the Company.

Unless expressly specified, the valuation hereunder is based on the assumption that all assets are used in the Company's business. We rely on the representations of shareholders and the management as to other assets or liabilities. We have no responsibility for confirming the free use of assets and the existence of definite pre-emptive rights and mortgage right, or the sound asset ownership of the Company.

9. VALUATION CONCLUSION

The conclusion of value is based on the accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the PFI, the Instructing Party and/or Crowe Horwath.

Based on the above considerations and calculation, we are of the opinion that according to the primary assumptions and limitations and conditions, including those referred to in this report, the market value of the 100% equity interest of PFI as at 31 October 2016 is as follows:

Valuation Subject	Market Value
100% equity interest of the Pacific Fertility Institute	US$46,400,000

We hereby certify that we have neither present nor prospective interests in the Instructing Party, the PFI or the value reported.

For and on behalf of
Crowe Horwath (HK) Consulting & Valuation Limited

Stella KY Law
Executive Director

Ms. Stella Law, being the person signing off this Valuation Report, (i) is a Member of Royal Institution Chartered Surveyors (MRICS); and (ii) specializes in business valuation with over 10 years' experience in the industry.

The following is the text of the letter dated 22 February 2017 from Zhonghui, which was prepared for inclusion in this circular.

中汇
ZHONGHUI

22 February 2017

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 as at reference date of 31 October 2016 in connection with the circular of China Environmental Technology Holdings Limited (the "**Company**") date 22 February 2017 (the "**Circular**"). 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 as set out in Appendix I of the Circular.

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

The following is the text of the letter issued by the Board dated 22 February 2017 which was prepared for inclusion in this circular.

22 February 2017

Listing Division
The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre,
1 Harbour View Street,
Central, Hong Kong

Dear Sirs,

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

We refer to the valuation report dated 22 February 2017 ("**Valuation Report**") regarding the fair value of the Target Company and its subsidiaries ("**Target Group**") prepared by an independent valuer, Crowe Horwath (HK) Consulting & Valuation Limited ("**Valuer**"), the valuation of which constitute a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have reviewed and discussed the basis and assumptions upon which the valuation of the business enterprise value of the Target Group has been carried out with the Valuer and the independent accountants of China Environment Technology Holdings Limited ("**Company**"), Zhonghui ("**Independent Accountants**"), Certified Public Accountants. We have also considered the letter from the Independent Accountants dated 22 February 2017 regarding the calculations of the profit forecasts in the Valuation Report.

On the basis the above, we confirm that the profit forecasts underlying the valuation the business enterprise value of the Target Group as contained in the Valuation Report have 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
Company Secretary

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)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN THAT an EGM of China Environmental Technology Holdings Limited (the "**Company**") will be held at Unit 1003-5, 10th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong at 2:30 p.m. on Wednesday, 22 March 2017 to consider and, if thought fit, passing, with or without modifications, the following ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the sale and purchase agreement entered into between INNOMED Group Limited ("**Purchaser**"), Pacific Fertility Institutes Holding Company Limited ("**Vendor**"), Mr. Leon Li and the Company dated 30 December 2016 ("**SP Agreement**"), pursuant to which the Purchaser has conditionally agreed to acquire 50% equity interest in Pacific Fertility Institutes Holding Company Limited at a consideration of HK$175,500,000, which will be satisfied by the Company by allotting and issuing 650,000,000 new Shares ("**Consideration Shares**" and each a "**Consideration Share**") to the Vendor at an issue price of HK$0.27 per Consideration Share, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the directors of the Company (the "**Directors**") be and are hereby granted a specific mandate ("**Specific Mandate**") to exercise the powers of the Company to allot and issue 650,000,000 Consideration Shares to the Vendor in accordance with the terms and conditions of the SP Agreement, where such Consideration Shares shall rank equally in all respects among themselves and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue and the Specific Mandate is in addition to, and shall not prejudice nor revoke, any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

(c) any one Director be and is hereby authorised to do all such things and acts as he may in his discretion consider as necessary, appropriate, expedient or desirable for the purpose of or in connection with the implementation of the SP Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the allotment and issue of Consideration Shares, provided that all such things and acts shall be limited to administrative nature and ancillary to the implementation of the SP Agreement."

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

Hong Kong, 22 February 2017

Registered office:
P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

Principal place of business in Hong Kong:
Unit 1003–5
10th Floor, Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint one or, if he is the holder of two or more shares, one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the offices of the Company's Hong Kong branch share registrar, Tricor Standard Limited at Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the commencement of the above meeting or any adjournment thereof.

3. The transfer books and register of members of the Company will be closed from Monday, 20 March 2017 to Wednesday, 22 March 2017, both days inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the EGM. In order to qualify for the right to attend and vote at the meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited at Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 17 March 2017.

4. In the case of joint holders of a share, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

5. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date of this circular, 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.