CETH

China Environmental Technology Holdings Limited

(Incorporated in the Cayman Island with limited liabitily

Stock Code: 646

Better **environment**
for the better **heart**

ANNUAL REPORT 2016

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Corporate Information

Board of Directors

Executive Directors:

Mr. Xu Zhong Ping *(Chairman)*
Mr. Xu Xiao Yang *(Chief Executive Officer)*
Mr. Zhang Fang Hong

Non-executive Directors:

Mr. Cao Guoxian
Mr. Ma Tianfu

Independent Non-executive Directors:

Mr. Tse Chi Wai
Prof. Zhu Nan Wen
Prof. Li Jun

Audit Committee

Mr. Tse Chi Wai *(Chairman)*
Prof. Zhu Nan Wen
Prof. Li Jun

Remuneration Committee

Mr. Tse Chi Wai *(Chairman)*
Prof. Zhu Nan Wen
Prof. Li Jun

Nomination Committee

Mr. Xu Zhong Ping *(Chairman)*
Mr. Tse Chi Wai
Prof. Zhu Nan Wen
Prof. Li Jun

Company Secretary

Mr. Li Wang Hing, Nelson

Independent Auditor

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Legal Advisers

Conyers Dill & Pearman

Principal Share Registrar and Transfer Office

Tricor Services (Cayman Islands) Limited
P.O. Box 10008,
Willow House, Cricket Square
Grand Cayman KY1-1001,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

P.O. Box 10008,
Willow House, Cricket Square
Grand Cayman KY1-1001,
Cayman Islands

Head Office and Principal Place of Business

Unit 1003–5
10th Floor, Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2511 1870
Fax: (852) 2511 1878

Listing Information

The Stock Exchange of Hong Kong Limited
Stock Code: 646

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

Company Website

www.cethl.com

Chairman's Statement

Dear Shareholders,

On behalf of the Board (the "Board") of Directors (the "Directors") of China Environmental Technology Holdings Limited ("CETH" or the "Company", together with its subsidiaries collectively referred to as the "Group"), I am pleased to present to the shareholders the annual results of the Group for the year ended 31 December 2016.

2016 has been a year of changeling for the Group. Due to the change of key management, the Group starts a new page with a new culture. The completions of "subscription of new shares" and "placing of new shares" that proving the confidence of the investors to the Company. That will be a milestone with the successfully of the acquisition of medical services, those will strength the development and diversify of the business of the Group.

During the year, our Directors, senior management officers and all our staff continued to adhere to their pragmatic, diligent and resolute working attitude, in pursuit of excellence in performance and quality of work. On behalf of all members of our Group, I would like to express my gratitude and appreciation to all our shareholders, business community and valuable partners for their dedicated support over the years.

On behalf of the Board
Mr. Xu Zhong Ping
Chairman

Hong Kong, 27 March 2017

Management
Discussion and Analysis

Results

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

Business Review

In 2016, the Group continued its management reform aiming at revitalising its inherent vitality. During the reporting period, the main sources of operating revenues of the Group were mainly from wastewater treatment.

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

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

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

On 30 December 2016, the Company entered into a discloseable acquisition (the "Acquisition") by issuing consideration shares and made an announcement. Terms used hereafter shall have the same meaning as defined in the above announcement. This Acquisition will expand the Company's business to medical services and aligns with the Company's strategy to develop in the healthcare field. The principal business of this acquisition is engaged in the provision of high-quality In-Vitro Fertilization ("IVF") medical treatment services to patients, targeting primarily at patients from the United States, the Asia-Pacific region and the PRC. This Acquisition will be completed on or before 31 March 2017.

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

Outlook

In 2016, the Group had successful to put through the management reform, thus will start to bring a new page for the Group from 2017 onward.

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

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

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

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

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

Capital Structure

Subscription of New Shares Under The General Mandate

On 29 August 2016, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 55,608,000 Subscription Shares at the Subscription Price of HK$0.18 per Subscription Share. The aggregate gross proceeds of the Subscription will be approximately HK$10 million. The aggregate net proceeds of the Subscription, after the deduction of the related expenses, will be approximately HK$10 million, representing a net issue price of approximately HK$0.18 per Subscription Share. The Company intends to use the net proceeds from the Subscription for its general working capital. The completion of the Subscription took place on 24 November 2016. Further details of the Subscription are set out in the announcements of the Company dated 29 August 2016, 2 November 2016 and 29 November 2016 (the "Subscription Announcements"), respectively. Unless otherwise expressly indicated, capitalised terms used herein shall have the same meaning as those defined in the Subscription Announcements.

Placing of New Shares Under The General Mandate

On 21 November 2016, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place as the Company's placing agent on a best effort basis the Placing Shares up to 444,448,000 new Shares at the Placing Price of HK$0.18 per Placing Share. The maximum gross proceeds of the Placing will amount to HK$80 million. The maximum net proceeds from the Placing, after deduction of the Placing commission and other related expenses, are estimated to be approximately HK$79 million. The net proceeds of the Placing are intended to be used as general working capital for existing business and for development of new business if opportunities arise. The completion of the Placing took place on 22 December 2016. Further details of the Placing are set out in the announcements of the Company dated 21 November 2016 and 22 December 2016 (the "Placing Announcements"), respectively. Unless otherwise expressly indicated, capitalised terms used herein shall have the same meaning as those defined in the Placing Announcements.

Emolument Policy

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

Liquidity and Financial Resources

Liquidity

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

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

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

Charge on assets

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

As at 31 December 2015, the pledged deposit of the Group amounting to approximately HK$4,284,000 was pledged to banks to secure banking facilities granted to the Group.

BIOGRAPHICAL
DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Xu Zhong Ping, aged 54, is the Chairman and an executive Director of the Company. Mr. Xu is a director of Gentle International Holdings Limited. Mr. Xu has over 20 years' experience in enterprise management, business investment and international economic strategic cooperation. He has been a standing director of the China Council for the Promotion of International Economy and Culture* (中國國際經濟文化促進會) since 1996. Mr. Xu studied statistics and graduated from Nanjing University of Finance & Economics (formerly known as Nanjing Liangshi Economics College*), the PRC in 1986. Mr. Xu joined the Group in 2009.

Mr. Xu was a director of each of the following private companies registered in Hong Kong, which was dissolved by striking off pursuant to Section 291 of the Companies Ordinance (Chapter 32, Laws of Hong Kong): CVIC Commercial Development Co., Limited (中創商業發展有限公司), Gorden Hong Kong Limited (高登香港有限公司), Jumbo Star Development Limited (百利星發展有限公司) and Rich Harbour Holdings Limited (譽港集團有限公司). According to Mr. Xu, each of the said companies was solvent at the time of it being struck off.

Mr. Xu Xiao Yang, aged 49, is an executive Director and the CEO of the Company. He has over 20 years of management experience in the businesses of foreign trading, logistics, finance, education and real property. Before Mr. Xu joined the Company and its subsidiaries in 2008, he worked as a general manager of investment department of Neo-China Land Group (Holdings) Limited (stock coed: 563). Mr. Xu graduated from Beijing Foreign Language Institute and was major in English. He is now studying a master degree at Peking University Guanghua School of Management.

Mr. Zhang Fang Hong, aged 51, is an executive Director of the Company. Mr. Zhang is a director of Gentle International Holdings Limited and Yield Tech International Holdings Limited. Mr. Zhang holds a bachelor's degree in Economics from Nanjing University of Finance & Economics (formerly known as Nanjing Liangshi Economics College*), the PRC, a master's degree in Economics from Zhongnan University of Economics and Law (formerly known as Zhongnan University of Finance and Economics*), the PRC and an executive master's degree in business administration from China Europe International Business School, the PRC. He has served various executive roles in several companies in the PRC and Hong Kong. During the period from 2 October 2007 to 28 December 2007, Mr. Zhang served as an executive director of Great World Company Holdings Limited (formerly known as T S Telecom Technologies Limited), the shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") (stock code: 8003). Mr. Zhang joined the Group in 2009.

Non-executive Director

Mr. Cao Guoxian, aged 53, is a non-executive Director of the Company, Mr. Cao has extensive experience in overseas investment and finance. He also has considerable knowledge and operating experience in international investment and financing and capital market. Mr. Cao graduated from the Graduate School of Chinese Academy of Social Sciences in 1998 and has served in the foreign language department of Henan Normal University and Bureau of International Cooperation under the Chinese Academy of Sciences. He has worked as a manager of the oversea business department of Beijing Jingfang Economic Development Corporation, as an assistant to the chairman of Capital Land Ltd. and deputy officer of the office of Beijing Capital Group Co., Ltd. He is currently the deputy general manager of Beijing Capital Co., Ltd and an executive director and chief executive officer of Capital Environment Holdings Limited (formerly known as New Environmental Energy Holdings Limited), the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 3989). Mr. Cao joined the Group in 2014.

BIOGRAPHICAL
DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ma Tianfu, aged 70, is a non-executive Director of the Company. Mr. Ma is a director of Gentle International Holdings Limited and Superform Investment Development Limited; he is also a director and senior engineer of Shanghai Shi Dong Kou Embankment Development Engineering Company Limited (上海石洞口圍堤開發工程有限公司). Mr. Ma graduated from Shanghai University of Electric Power (formerly known as Shanghai Electric Power School) in the PRC and completed a four-year study in thermal engineering automatic system in power plants and has years of experience in the field of electricity power engineering and construction projects. He was awarded a Science and Technology Progress Award of Shanghai in 1993 issued by the Science and Technology Progress Awards Jury of Shanghai Municipality. Mr. Ma was issued with a certificate as a researcher for life of the Enterprises Committee of the Chinese Academy of Management Science in 2002. Mr. Ma joined the Group in 2012.

Independent Non-executive Directors

Mr. Tse Chi Wai, aged 49, is an independent non-executive Director of the Company. He has over 20 years' experience in auditing, accounting and corporate finance. Mr. Tse has been an executive director, financial controller and company secretary of China Information Technology Development Limited, a company listed on the Growth Enterprise Market ("GEM") Board of The Stock Exchange of Hong Kong Limited (stock code: 8178) since 15 August 2011, an independent non-executive director of Sunac China Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1918) since 19 December 2012, an independent non-executive director of Great Water Holdings Limited, a company listed on the GEM Board of the Stock Exchange (Stock code: 8196) since 8 December 2015, an independent non-executive director of Huarong Investment Stock Corporation Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 2277) since 19 April 2016, an independent non-executive director of Greens Holdings Ltd, a company listed on the Main Board of the Stock Exchange (stock code: 1318) from 15 March 2015 to 19 November 2015. He has also been an executive director of Jih Sun Financial Holding Company Limited, a company listed on the Emerging Stock Board of the Taiwan Stock Exchange Corporation (stock code: 5820) since December 2010. Mr. Tse joined the Group in 2015.

Mr. Tse graduated from the University of Hong Kong in 1989 with a Bachelor of Social Science (Honour) degree. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants in Hong Kong.

During the period between March 2015 and November 2015, Mr. Tse was an independent non-executive director of Greens Holdings Ltd. ("Greens Holdings") (Stock Code: 1318), a company incorporated in the Cayman Islands and principally engaged in the manufacture and supply of heat transfer products and solutions, the shares of which are listed on the Main Board of the Stock Exchange. Greens Holdings announced that (i) on 2 September 2015, Greens Holdings filed a winding up petition with the Grand Court of the Cayman Islands (the "Cayman Court") as the Company was unable to repay its debts; (ii) on 29 September 2015, a winding up petition was filed with the High Court of Hong Kong against Greens Holdings by a bondholder for an outstanding debt under the unlisted bonds issued by Greens Holdings in January 2015; (iii) on 8 October 2015, joint provisional liquidators were appointed pursuant to an order of the Cayman Court; (iv) the winding up petition hearing in Hong Kong which was originally scheduled on 2 December 2015, has been adjourned several times to 3 August 2016, of which the petitioner was granted leave to withdraw the winding up petition in Hong Kong; (v) the Cayman Court convened a case management conference on 7 April 2016 and ordered that the winding up petition with the Cayman Court be listed for directions hearing on 17 May 2016, which was adjourned and rescheduled for several times until a date to be fixed after 30 April 2017; and (vi) the Stock Exchange issued a letter dated 28 October 2016 to Greens Holdings stating that it had decided to place Greens Holdings into the third delisting stage. Mr. Tse confirmed that (i) there is no wrongful act on his part leading to the said winding up petitions and he is not aware of any actual or potential claim which has been or will be made against him as a result of the said winding up petitions; and (ii) his involvement in Greens Holdings during his tenure was part and parcel of his services as a director thereof and no misconduct or misfeasance on his part had been involved in the said winding up petitions.

Professor Zhu Nan Wen, aged 48, is an independent non-executive Director of the Company. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee respectively. Professor Zhu obtained his doctoral degree in Environmental Engineering, Tongji University, the PRC in 2000, a master degree in microbiology, Zhe Jiang University (formerly known as Zhejiang Agriculture University* (浙江農業大學)), the PRC in 1996, and a bachelor degree in crop, Faculty of Agronomy*, Zhe Jiang University, the PRC in 1991. Professor Zhu has been working at Shanghai Jiao Tong University, the PRC since 2000. He has been a professor of School of Environmental Science and Engineering, Shanghai Jiao Tong University, the PRC since August 2005. He was an associate professor and a lecturer in the same school during the period from August 2001 to August 2005 and from March 2000 to July 2001 respectively. Professor Zhu is also the head of the Institute of Solid Waste Treatment and Disposal* (固體廢棄物處理處置技術研究所) at Shanghai Jiao Tong University, the PRC and is appointed as an expert in assessment and planning in selected projects of the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部), Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會), the PRC and Shanghai Chengtou Corporation (上海市城市建設投資開發總公司), the PRC. Professor Zhu has participated in various investment projects in wastewater treatment, environmental microbiology and waste treatment related fields which were registered as invention patents in the PRC. Professor Zhu joined the Group in 2009.

Prof. Li Jun, aged 52, is an independent non-executive Director of the Company since 6 April 2016. He is a professor and PhD student tutor in Beijing University of Technology, Registered Environmental Protection Engineer, Visiting Professor of The University of Tokyo, director of Research Institute of Municipal Engineering and Supervisor of Sewage and Sludge Treatment and Recycling Technology Research Laboratory in Beijing University of Technology. Prof. Li graduated from the School of Municipal and Environment Engineering, Harbin Institute of Technology with a Bachelor Degree in Water Supply and Drainage, a Master Degree in Environmental Engineering and a Doctorate Degree in Environmental Engineering. From 1996 to 1999, he worked as a post-doctorate researcher in Chiba University of Japan, and a researcher in The University of Tokyo, Japan from 2006 to 2007. He is currently the director of China Water Industry Association CCES, Deputy Secretary General and Member of the Committee of Environmental Engineering of Chinese Society of Environmental Sciences, Member of the Drainage Committee of CCES, Member of the Water Supply Committee of CCES, expert of Water Pollution Control Committee of China Association of Environmental Protection Industry, associate editor for "Water Pollution Control Engineering" of Encyclopedia of Chinese Environment, editor for China Water & Wastewater, Water & Wastewater Asia and Asia Environmental Protection, evaluation expert of The State Science and Technology Awards, National Natural Science Foundation of China, National 863 Program and National Science & Technology Pillar Program of China, financial evaluation expert of Ministry of Finance, evaluation expert of Central Financial Special Fund and Beijing Municipal Science & Technology Commission, Beijing evaluation expert, vice-chairman for evaluating the professional titles for water affair in Beijing, senior expert for evaluating the professional titles for engineering and technology series in Beijing, technical expert for ecological residential project of China Environmental Certification Center of MEP, editor for Environmental Publishing Center of Chemical Industry Press in China and consulting expert for H2O China (中國水網). He was awarded as Beijing Nova in Science in 2000, young and middle-aged backbone teacher in Beijing in 2006 and was elected as the Leading Entrepreneurial High-Tech Talent in 2014 (321 Strategy). He was awarded one First-Class, two Second-Class and one Third-Class Ministry-level Progress Prize in Scientific and Collective Technology awarded one Second-Class Prize in Ministry-level Outstanding Book, one First-Class Progress Prize in Provincial Science and Technology for Environmental Protection, two First-Class Progress Prizes in Science and Technology for Beijing Hydraulic Engineering Society. He was the chief editor (translator) of 5 monographs, participated in drafting 2 National Standards, 5 monographs and teaching materials and obtained 12 patents. He published over 200 papers on international and domestic journals and conferences like Water Research, Water Science & Technology, Biochemical Engineering Journal, Process Biochemistry, Journal of Residuals Science & Technology, RSC advances, Desalination and Water Treatment, China Environmental Science, ACTA Scientiae Circumstantiae, CIESC Journal, China Water & Wastewater, Environmental Science, Modern Chemical Industry, Water & Wastewater Engineering, Journal of Harbin University of Civil Engineering and Architecture, Acta Energiae Solaris Sinica, Environmental Engineering, Journal of Harbin Institute of Technology, Techniques and Equipment for Environmental Pollution Control, over 70 of which were recorded by SCI and EI.

Prof. Li Jun has been engaged in the research for sewage treatment technology for many years. He is the member of the evaluation panel of the point source control project of the capital water resources sustainable development strategies in the 21st century, national water treatment major project, acceptance of national water treatment major project, supervisor of national water treatment major project, National 863 Program, national science and technology support project etc.. He successively completed over 40 national and provincial subjects research, in which includes over 30 national and provincial subjects and international cooperation programs, such as the "Technology and Mechanism Research of Reduction Reactor of Residual Sludge Base on Environmental Impact of the Separation and Multiple Redox Reaction" (50678008), "Biodegraded Characteristic and Mechanism Research of Estrogenic Hormone in the Process of Denitrification and Dephosphorization of sewage treatment" (51078008), "Production and Process Control of N2O in the Process of Biological Denitrification of Different Sewage" (50478040) under the National Natural Science Foundation Project; the sub-topic of the "Key Technology Research and Integrated Demonstration of Urban Recycle Water Quality Improvement in Beijing" (2008ZX07314-008), the sub-topic research of the "Technology Integration and Engineering Demonstration of Quality-based Utilization of Recycle Water and Water Environment Control in Beijing" (2008ZX07314-009), the sub-topic of the "Key Technology Research and Integrated Demonstration of Upgrading and Reconstruction of Urban Sewage Treatment Plant subject to High Emission Standard" (2008ZX07317-02) under the national water pollution control and management of science and technology major projects; the "Technology Research of Effective Advanced Treatment and Reuse of Sewage" (2003AA601010), the "Technology Research of SBR (Sequencing Batch Reactor) Denitrification and Dephosphorization of Urban Sewage" (2004AA601020) under the sub-topic of the National 863 Program; the "Technology Research of New Sewage Treatment Reactor" under the project of Ministry of Education; "Synchronization of Denitrification and Dephosphorization Technology base on the Submerged Biofilm Process" under the project of Ministry of Construction and the sub-topic of the National 973 Proram, the National Scientific Key Project of the Ninth Five-Year Plan, the National Scientific Key Project of the Eighth Five-Year Plan, the Scientific Key Project of the Eighth Five-Year Plan of Heilongjiang Province and Sino-Japenese cooperation projects.

Awards Received

(1) "Key technology and application on urban sewage treatment process control" was granted the First-Class Prize for advancement in science and technology awarded by Ministry of Education in 2011;

(2) "Submerged biofilm method of denitrification and dephosphorization technology research" was granted the Second-Class Prize for advancement in science and technology awarded by Ministry of Construction in 1997;

(3) "Flexible microporous membrane aeration technology" was granted the Third-Class Prize for advancement in science and technology of Heilongjiang Province and the First Class Prize for advancement in environmental science and technology of Heilongjiang Province in 1996;

(4) "Simple and efficient composite biological treatment technology" was granted the Second-Class Prize for advancement in science and technology of Heilongjiang Province in 2002;

(5) Microorganisms and Water Treatment Engineering was granted the Second-Class Prize for excellent books on science and technology awarded by Oil and Chemical Industry Association in 2004 (ministry level);

(6) "Energy-efficient and geomagnetism conservation technology research and demonstration project on water pollution control" was granted the First-Class Prize for advancement in science and technology awarded by Beijing Hydraulic Engineering Society in 2013; and

(7) "Utilization of recycled water molecules and water environmental control technology integration and demonstration project in Beijing" was granted the First-Class Prize for advancement in science and technology awarded by Beijing Hydraulic Engineering Society in 2014.

Complete Sets of Technology and Equipment Developed (which have obtained 24 patents):

(1) Complete set of technology and equipment on emergent water pollution control with magnetic technology as its core;

(2) Complete set of technology and equipment on low-energy rural sewage treatment;

(3) Complete set of technology on landscape water treatment and water quality protection;

(4) Complete set of technology on the upgrading and reconstruction of urban sewage treatment plants;

(5) Complete set of technology and equipment on heavy metal contamination removal;

(6) Complete set of technology on landfill leachate treatment;

(7) Complete set of technology and equipment on exact aeration；

(8) Complete set of technology on sludge reduction;

(9) Complete set of technology and equipment on the advanced oxidation of refractory wastewater;

(10) Complete set of technology on autotrophic and heterotrophic denitrification coupling;

(11) Complete set of technology on wastewater treatment with immobilized embedding of microorganisms as its core;

(12) Wastewater pretreatment technology and equipment with multi-functional belt type filters as its core; and

(13) Complete set of technology and equipment on black and odorous water control.

Company Secretary

Mr. Li Wang Hing, Nelson, is the Company Secretary of the Company. He is also the finance & administration manager and human resources manager of the Company. Mr. Li holds a master degree of business administration from the University of Leicester in U.K. and a master degree of professional accounting from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and is also a qualified Chartered Secretary designated as fellow member of both The Institute of Chartered Secretaries and Administrators, United Kingdom and The Hong Kong Institute of Chartered Secretaries. At present, he is the Honorary Auditor of Hong Kong Seamen’s Union and the Council Member of Shipping Employees Union.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the Group's annual report for the year ended 31 December 2016.

The manner in which the principles and code provisions in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules are applied and implemented is explained as follows:

Corporate Governance Practices

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

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

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

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

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

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

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

The Board

Responsibilities

The management and control of the business of the Company are vested in its Board. It is the duty of the Board to establish policies, strategies and plans, and to provide leadership in the attainment of the objective of creating value to shareholders.

The positions of the Chairman and the Chief Executive Officer are held by separate persons. The Chairman is responsible for the management of the Board and the formulation of strategies and policies of the Company. The Chief Executive Officer is responsible for the management of the business and overall operations. The senior management was delegated the authority and responsibilities for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their respective terms of reference.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Board Composition

The Company has adopted the recommended best practice under the CG Code. The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board currently comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors.

The Directors during the financial year and up to the date of this report were:

Executive Directors:

Mr. Xu Zhong Ping *(Chairman)*
Mr. Xu Xiao Yang *(Chief Executive Officer)*
Mr. Zhang Fang Hong
Mr. Pan Yutang (resigned on 27 September 2016)

Non-Executive Directors:

Mr. Cao Guoxian
Mr. Ma Tianfu

Independent Non-Executive Directors:

Mr. Tse Chi Wai
Prof. Zhu Nan Wen
Prof. Li Jun (appointed on 6 April 2016)
Prof. Zuo Jiane (resigned on 6 April 2016)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the CG Code.

Members of the Board are unrelated to one another.

During the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. On this basis, the Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules. As at the date of this annual report, none of them had served the Company for more than nine years.

The executive Directors, with their intimate knowledge of the business, take on the primary responsibility for the leadership for the Company while the non-executive Director and independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgment to the Board. Independent non-executive Directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

Appointment, Re-election and Removal of Directors

In accordance with article 108(A) of the Articles of Association of the Company, all Directors are subject to retirement by rotation at least once every three years. In accordance with article 111 and article 112 of the Articles of Association of the Company, any new Director appointed to fill a causal vacancy or as an addition to the Board shall submit himself for re-election by shareholders at the next general meeting (in the case of filling a casual vacancy) or the next annual general meeting (in the case of an addition to the Board).

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

There is no service contract between the Company and Mr. Cao Guoxian and Mr. Ma Tianfu, the non-executive Directors, and Mr. Tse Chi Wai, Prof. Zhu Nan Wen and Prof. Li Jun, the independent non-executive Directors. They were not appointed for any specific length of service with the Company.

Although the non-executive Directors and independent non-executive Directors do not have a specific term of appointment, all Directors are subject to retirement by rotation once every three years in accordance with the Company's Articles of Association.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Nomination Committee

Board Diversity Policy

Purpose

The Board has established a Nomination Committee with authority, responsibility, and specific duties, including but not limited to, recommend to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive of the Company.

This Policy aims to set out the approach to achieve diversity on the Board. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, ethnicity, age, length of service) will be disclosed in the Corporate Governance Report annually.

Monitoring and Reporting

The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

Review of this Policy

The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Reporting Procedures

This Policy will be published on the Company's website for public information.

A summary of this Policy together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed in the annual Corporate Governance Report.

As at 31 December 2016, the Nomination Committee comprised four members, namely Mr. Xu Zhong Ping (Chairman), Mr. Tse Chi Wai, Prof. Zhu Nan Wen and Prof. Li Jun.

The principal duties of the Nomination Committee include:

(a) to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

(b) to develop and formulate relevant procedures for nomination and appointment of Directors;

(c) to identify individuals suitably qualified to become a Board member;

(d) to make recommendations to the Board on selection or appointment of individuals nominated for directorships and appointment or re-appointment of Directors and succession planning for Directors; and

(e) to assess the independence of the independent non-executive Directors.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the annual general meeting of the Company to be held on 24 May 2017.

A circular containing detailed information of the Directors standing for re-election at the annual general meeting to be held on 24 May 2017 shall be sent to the shareholders on or about 21 April 2017.

Induction and Continuing Development for Directors

Each newly appointed Director should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company may engage external legal and other professional advisers for providing professional briefing and training programmes to the Directors where circumstances arise. Continuing briefings and professional development to Directors will be arranged whenever necessary.

The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as providing appropriate professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities to all Directors through emails and relevant websites.

During the year of 2016, materials covering the updates of the Listing Rules, especially concerning the corporate governance and internal control have been given for Directors' review and study.

Remuneration Committee

As at 31 December 2016, the Remuneration Committee comprised three members, namely Mr. Tse Chi Wai (Chairman), Prof. Zhu Nan Wen and Prof. Li Jun, all of them are independent non-executive Directors. The primary objectives of the Remuneration Committee include:

(a) to make recommendations on the establishment of procedures for developing remuneration policy and structure of the executive Directors and the senior management, such policy shall ensure that no Director or any of his associates will participate in deciding his own remuneration;

(b) to make recommendations on the remuneration packages of the executive Directors and the senior management;

(c) to review and approve the remuneration packages of the executive Directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions; and

(d) to review and approve the compensation arrangements for the executive Directors and the senior management.

The human resources department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman of the Company about these recommendations on remuneration policy and structure and the remuneration packages.

The remuneration of the Directors has been determined with reference to their respective qualification, experience, duties and responsibilities in the Company as well as the Group's results and performance for the financial year concerned. The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and the senior management for the year under review.

Accountability and Audit

Directors' Responsibilities for Financial Reporting in Respect of Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2016.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

Internal Controls

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and the assets of the Company and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

The Board has conducted and was satisfied with the result of a review of the effectiveness of the system of internal control of the Group.

Audit Committee

As at 31 December 2016, the Audit Committee comprised three members, namely Mr. Tse Chi Wai (Chairman), Prof. Zhu Nan Wen and Prof. Li Jun, all of them are independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) to review the consolidated financial statements and reports and consider any significant or unusual items raised by staff responsible for the accounting and financial reporting function or external auditor before submission to the Board;

(b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor;

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures; and

(d) to monitor the corporate governance of the Group including compliance with statutory and Listing Rules requirement.

During the year under review, the Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2015; and the interim results for the period ended 30 June 2016, the financial reporting and compliance procedures, risk management review and processes and the re-appointment of the external auditor.

There is no different view taken by the Audit Committee regarding the selection, appointment and resignation of the external auditor.

The Audit Committee held two meetings during the year ended 31 December 2016 and the attendance records are set out under "Directors' Attendance Records" on page 20.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 31 to 33.

During the year ended 31 December 2016, the remuneration paid to the Company's auditor, ZHONGHUI ANDA CPA Limited is set out below:

Category of services	**Fee paid/payable**
Audit service	HK$720,000
Non audit services	HK$330,000
Total	HK$1,050,000

Company Secretary

The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. During the year, the Company Secretary had taken the necessary professional training.

Board Meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and notice and draft agenda of each meeting are normally made available to Directors and committee members in advance.

Board papers together with all appropriate information is sent to all Directors/committee members well before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management, Financial Controller or Company Secretary attended some regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary/secretary of the committees is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Company's Articles of Association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Independent non-executive Directors who, and whose associates, have no material interest in the transaction should be present at the Board meeting.

Directors' Attendance Records

During the year ended 31 December 2016, two regular Board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Code provision A.1.1 stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals. There were six Board meetings held during the year under review, two of which was regular meeting held for approving the final results for the year ended 31 December 2015 and interim results for the period ended 30 June 2016. The other Board meetings were held as and when the business and operational needs arose.

The attendance records of each Director at the meetings of shareholders, the Board, Audit Committee, Remuneration Committee and Nomination Committee during the year ended 31 December 2016 are set out below:

	Attendance/Number of Meetings				
Name of Directors	**General Meeting**	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors:					
Mr. Xu Zhong Ping	1/1	18/18	–	–	–
Mr. Xu Xiao Yang	0/1	18/18	–	–	–
Mr. Zhang Fang Hong	1/1	15/18	–	–	–
Mr. Pan Yutang (resigned on 27 September 2016)	0/1	4/10	–	–	–
Non-Executive Directors:					
Mr. Cao Guoxian	0/1	6/18	–	–	–
Mr. Ma Tianfu	0/1	9/18	–	–	–
Independent Non-Executive Directors:					
Mr. Tse Chi Wai	0/1	14/18	3/3	–	1/1
Prof. Zhu Nan Wen	0/1	15/18	3/3	–	1/1
Prof. Li Jun (appointed on 6 April 2016)	0/1	4/15	2/3	–	0/1
Prof. Zuo Jiane (resigned on 6 April 2016)	0/1	3/3	1/3	–	1/1

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

The Company has also established written guidelines of no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Delegation by the Board

The Board takes responsibility for all major matters of the Company including the setting of objectives and overall strategies, the approval and monitoring of all policy matters, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon obtaining approval from the Board.

The Board delegates day-to-day management, administration and operation of the Company to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management. The Board has the full support of the senior management to discharge its responsibilities.

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website (www.cethl.com) and the website of the Stock Exchange of Hong Kong Limited (www.HKEX.com.hk) and are available to shareholders upon request.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2016 are set out in note 14 to the consolidated financial statements.

Communications with Shareholders and Investors

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide an important channel for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, normally attend the annual general meeting and other relevant shareholders' meetings to answer questions at the shareholders' meetings.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. As a channel to promote effective communication, the Company maintains a website at www.cethl.com, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong or via facsimile at (852) 2511-1878 for any inquiries.

Shareholders' Rights

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

All resolutions put forward at a shareholders' meeting will be taken by poll pursuant to the Listing Rules and the poll results will be posted on the website of the Company and Hong Kong Exchanges and Clearing Limited after the shareholders' meeting.

Procedures For Shareholders To Propose/Move A Resolution At General Meetings

There are no provisions allowing shareholders of the Company to make proposals or move resolutions at a general meeting under the Company's constitution or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting by the following procedures below.

Procedures for Shareholders to Propose Convening Extraordinary General Meetings

Extraordinary General Meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Secretary for the purpose of requiring an Extraordinary General Meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director

Pursuant to Article 113 of the Articles of Association of the Company, a notice in writing of the intention to propose a person for election as a Director and a notice in writing by that person of his willingness to be elected shall be lodged at the Head Office or at the Registration Office of the Company.

These notices shall be lodged during a period commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days subject to and to such extent permitted by and in accordance with the laws and the Listing Rules.

The Company can also accept the said notice earlier than the day after the despatch of the notice of the meeting appointed for such election of Director(s).

REPORT
OF THE DIRECTORS

The Directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2016.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The Group's principal business are trading of machinery and equipment, environmental protection technology, equipment system integration, cities and towns wastewater treatment and project technical service. The details activities and other particulars of the subsidiaries are set out in note 37 to the consolidated financial statements.

The Company is a company incorporated in the Cayman Islands and has its principal place of business at Unit 1003–5, 10th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.

An analysis of the Group's performance for the year by operating segment is set out in note 10 to the consolidated financial statements.

Major Customers and Suppliers

The information in respect of the Group's sales attributable to the major customers during the financial year is as follows:

	Percentage of the Group's total Sales
The largest customer	29%
Five largest customers in aggregate	81%

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers. During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers.

Results and Appropriations

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 34 to 35.

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

Transfer to Reserves

Loss attributable to owners of the Company, before dividends, of approximately HK$55,239,000 (2015: approximately HK$74,117,000) have been transferred to reserves. Other movements in reserves of the Company are set out in note 31 to the consolidated financial statements.

At 31 December 2016, none of distribution reserves are available to owners of the Company.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

Directors

The Directors during the financial year and up to the date of this report were:

Executive Directors
Mr. Xu Zhong Ping *(Chairman)*
Mr. Xu Xiao Yang *(Chief Executive Officer)*
Mr. Zhang Fang Hong
Mr. Pan Yutang (resigned on 27 September 2016)

Non-Executive Directors
Mr. Cao Guoxian
Mr. Ma Tianfu

Independent Non-Executive Directors
Mr. Tse Chi Wai
Prof. Zhu Nan Wen
Prof. Li Jun (appointed on 6 April 2016)
Prof. Zuo Jiane (resigned on 6 April 2016)

Mr. Xu Zhong Ping and Mr. Zhang Fang Hong will retire from the office as executive Director at the forthcoming annual general meeting of the Company in accordance with Article 108(A) of the Articles of Association of the Company. Mr. Cao Guoxian will retire from the office as a non-executive Director at the forthcoming annual general meeting of the Company in accordance with the Article 108(A) of the Articles of Association of the Company. All retiring Directors, being eligible will offer themselves for re-election.

All Directors (including non-executive and independent non-executive Directors) of the Company are subject to the general provisions in respect of the retirement and rotation of Directors at the annual general meeting pursuant to the Company's Articles of Association.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' and Chief Executive's Interests in Shares and Underlying Shares

The Directors and chief executive who held office at 31 December 2016 had the following interests in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of Directors' and chief executives' interests required to be kept under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Long position

Name of Director	Capacity	No. of ordinary shares interested	% of the Company's issued share capital
Mr. Xu Zhong Ping	Interest held by a controlled corporation *(note)*	1,200,000,000	40.00%
	Beneficial owner	64,098,431	2.13%
		1,264,098,431	42.13%
Mr. Xu Xiao Yang	Beneficial owner	20,000,000	0.67%

Note:

These 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.

Apart from the foregoing, as at 31 December 2016, none of the Directors, the chief executive or any of their spouses or children under eighteen years of age has interests in the shares, underlying shares and debentures of the Company, or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

Share Options

2002 Share Option Scheme

The Company's 2002 Share Option Scheme was adopted on 28 March 2002 and was terminated by a resolution passed by shareholders on 10 September 2010.

2010 Share Option Scheme

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), adopted a new share option scheme (the "2010 Share Option Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 10 September 2010. The Directors are given a general mandate to invite eligible participants to take up options at the subscription price as prescribed under the 2010 Share Option Scheme to subscribe for shares of the Company. The purpose of the share option scheme is to enable the Group to grant options to the eligible participants including employees, executive and non-executive Directors, suppliers and customers and shareholders of any members of the Group and any persons or entities that provided research, development or other technical support to the Group or any other group or classes of participants determined by the Directors as incentive or rewards for their contribution to the Group. The share option scheme has become valid and effective for a period of ten years ending on 9 September 2020.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer. The options vest in four equal instalments with the first installment vesting from the date of grant. The second, third and fourth instalments vest from one, two and three years after the date of grant respectively. The options are exercisable after the vesting date but within a period of five years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company.

The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

Offer of an option shall have been accepted when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance of HK$1 is received within such time as may be specified in the offer, which shall not be later than 21 days from the date of offer. The share option scheme will expire on 9 September 2020.

As at 1 January 2016, there were no outstanding share options, and no share options were granted by the Company under the 2010 Shares Option Scheme up to 31 December 2016.

At no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Equity Linked Agreements

Save as disclosed above in the section headed "Share Options", no equity-linked an agreements were entered into by the Group, or existed during the year ended 31 December 2016.

Substantial Shareholders' Interests in Shares

As at 31 December 2016, the following persons, other than a Director or chief executive of the Company, had interest or short positions in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

	Capacity	No. of ordinary shares of the Company interested	% of the Company's issued shares capital
Gentle International Holdings Limited ("Gentle")	Beneficial owner	1,200,000,000	40.00
Classy Jade Limited	Interest of a controlled corporation *(Note)*	1,200,000,000	40.00
Mr. Xu Zhong Ping	Interest of a controlled corporation *(Note)*	1,200,000,000	40.00

Note:

Classy Jade Limited owns 60% of the issued share capital of Gentle. Mr. Xu Zhong Ping is the sole shareholder of Classy Jade Limited and was therefore deemed to be interested in the said 1,200,000,000 shares held by Gentle under Part XV of the SFO.

Save as disclosed above, as at 31 December 2016, so far as is known to the Directors, no person (other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Directors' Interests in Contracts of Significance

No contract of significance to which the Company, or any of its holding companies or subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

Directors Interests in Competing Business

None of the Directors or their respective associates has any interests in a business which competes or may compete with the business of the Group.

Shares Issued During the Year

Details of the movements in share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

Debentures Issued During the Year

Reference is made to the announcement of the Company dated 21 September 2015. Terms used hereinafter shall have the same meaning as defined in the above announcement.

Emolument Policy

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

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the years ended 31 December 2016 and 2015.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

Bank Loans and Overdrafts

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2016 are set out in note 26 to the consolidated financial statements.

Contingent Liabilities

As at 31 December 2016, the Company has no any contingent liabilities.

Five Year Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 88 of the annual report.

Compliance with the relevant Laws and Regulations

As far as the Board of Directors and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Environmental Policies and Performance

The Group is committed to the long term substainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and wates reduction.

Retirement Schemes

As from 1 December 2000, the Group operates a mandatory provident fund scheme (the "MPF Scheme"), managed by an independent approved MPF trustee, under the requirements of the Mandatory Provident Fund Schemes Ordinance (Cap. 485, Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Cap. 57, Laws of Hong Kong).

The MPF Scheme is a defined contribution retirement scheme. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000.

The employees in the Group's PRC subsidiaries are members of the state-managed retirement schemes. The PRC subsidiaries are required to contribute a specified percentage of their payroll to these schemes. The only obligation of the Group with respect to these retirement schemes is to make the specified contributions.

Permitted Indemnity Provision

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is currently in force and was in force for the benefit of the Directors throughout the year.

The Company has taken out and maintained Directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its Directors and officers.

Events After the Reporting Period

Reference is made to the announcement of the Company dated 21 February 2017. Terms used hereinafter have the same meaning as defined in the above announcement.

Business Review

Overview

The business review of the Group as at 31 December 2016 is set out under the section headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report on pages 3 to 6.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Confirmation of Independence

The Company received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this annual report.

Auditor

Following the resignation of CCIF CPA Limited on 3 February 2012, PricewaterhouseCoopers ("PWC") was appointed as the auditor of the Company to fill the casual vacancy.

PWC resigned as auditors of the Company with effect from 19 July 2013 and Crowe Horwath (HK) CPA Limited ("Crowe Horwath") was appointed as auditors of the Company on 7 August 2013 to fill the vacancy following the resignation of PWC.

Crowe Horwath resigned as auditors of the Company with effect from 15 August 2014 and RSM Hong Kong (formerly known as RSM Nelson Wheeler)("RSM") was appointed as auditors of the Company on 27 August 2014 to fill the vacancy following the resignation of Crowe Horwath.

RSM resigned as auditors of the Company with effect from 6 December 2016 and ZHONGHUI ANDA CPA Limited ("ZHONGHUI") was appointed as auditors of the Company on 6 January 2017 to fill the vacancy following the resignation of RSM.

The consolidated financial statements of the Group for the year ended 31 December 2016 have been audited by ZHONGHUI who will retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of ZHONGHUI as auditor of the Company is to be proposed at the forthcoming general meeting.

Save as disclosed above, there were no other changes in the Company's auditors in any of the preceding six years.

By order of the Board
Mr. Xu Zhong Ping
Chairman

Hong Kong, 27 March 2017

Independent Auditor's Report

中汇 ZHONGHUI

TO THE SHAREHOLDERS OF CHINA ENVIRONMENTAL TECHNOLOGY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Environmental Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 87, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Trade and other receivables

Refer to Note 22 to the consolidated financial statements

The Group tested the amount of trade and other receivables for impairment. The implication of this impairment test is significant to our audit because the balance of trade and other receivables of approximately HK$57,883,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;
- Assessing the Group's relationship and transaction history with the customers and debtors;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing credit worthiness of the customers and debtors; and
- Checking subsequent settlements from the customers and debtors.

We consider that the Group's impairment test for trade and other receivables is supported by the available evidence.

Other Information

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988

Hong Kong, 27 March 2017

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CONTINUING OPERATIONS			
Revenue	7	**34,689**	61,999
Cost of sales		**(27,923)**	(41,702)
Gross profit		**6,766**	20,297
Other income	8	**377**	945
Other losses, net	9	**(11,854)**	(20,401)
Distribution costs		**(855)**	(1,083)
Administrative expenses		**(47,438)**	(60,852)
Loss from operations		**(53,004)**	(61,094)
Finance costs	11	**(9,537)**	(9,104)
Loss before tax		**(62,541)**	(70,198)
Income tax credit/(expenses)	12	**2,454**	(687)
Loss for the year from continuing operations	13	**(60,087)**	(70,885)
DISCONTINUING OPERATIONS			
Loss for the year from discontinued operations		**-**	(3,969)
Loss for the year		**(60,087)**	(74,854)
Attributable to:			
Owners of the Company			
- Loss from continuing operations		**(55,239)**	(70,148)
- Loss from discontinuing operations		**-**	(3,969)
		(55,239)	(74,117)
Non-controlling interests			
- Loss from continuing operations		**(4,848)**	(737)
		(60,087)	(74,854)

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**7,460**	1,638
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**-**	(7,341)
		7,460	(5,703)
Item that will not be reclassified to profit or loss:			
Revaluation deficit on leasehold land and buildings		**-**	(521)
Income tax relating to revaluation surplus		**-**	193
		-	(328)
Other comprehensive income/(expenses) for the year, net of tax		**7,460**	(6,031)
Total comprehensive expenses for the year		**(52,627)**	(80,885)
Attributable to:			
Owners of the Company		**(47,467)**	(80,231)
Non-controlling interests		**(5,160)**	(654)
		(52,627)	(80,885)
Loss per share	16		
From continuing and discontinued operations			
- Basic		**(HK2.19 cents)**	(HK2.96 cents)
- Diluted		**(HK2.19 cents)**	(HK2.96 cents)
From continuing operations			
- Basic		**(HK2.19 cents)**	(HK2.80 cents)
- Diluted		**(HK2.19 cents)**	(HK2.80 cents)

CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	17	**3,484**	29,001
Intangible assets	18	**3,927**	5,901
Interest in an associate	19	**-**	-
		7,411	34,902
Current assets			
Inventories	20	**7,878**	6,043
Gross amount due from customers for contract work	21	**-**	11,754
Trade and other receivables	22	**57,883**	68,868
Financial assets at fair value through profit or loss	23	**93**	99
Restricted and pledged bank deposits	24	**755**	4,284
Bank and cash balances	24	**95,363**	25,156
		161,972	116,204
Current liabilities			
Trade and other payables	25	**66,006**	76,787
Current tax liabilities		**11,932**	13,639
Borrowings	26	**61,013**	70,210
Deferred revenue	27	**221**	565
Finance lease payables	28	**1,736**	3,496
		140,908	164,697
Net current assets/(liabilities)		**21,064**	(48,493)
Total assets less current liabilities		**28,475**	(13,591)
Non-current liabilities			
Borrowings	26	**22,750**	17,450
Deferred revenue	27	**-**	236
Finance lease payables	28	**-**	1,850
Deferred tax liabilities	29	**657**	2,527
		23,407	22,063
NET ASSETS/(LIABILITIES)		**5,068**	(35,654)

CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	30	**75,009**	62,508
Reserves		**(62,971)**	(96,352)
Equity attributable to owners of the Company		**12,038**	(33,844)
Non-controlling interests		**(6,970)**	(1,810)
TOTAL EQUITY/(CAPITAL DEFICIENCY)		**5,068**	(35,654)

The consolidated financial statements on pages 34 to 87 were approved and authorised for issue by the Board of Directors on 27 March 2017 and are signed on its behalf by:

Mr. Xu Zhong Ping
Director

Mr. Xu Xiao Yang
Director

CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

		Attributable to owners of the Company									
	Notes	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Foreign currency translation reserve HK$'000	Property revaluation reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity/ (capital deficiency) HK$'000
At 1 January 2015		62,508	162,813	(180)	9,309	4,677	10,348	(203,088)	46,387	(1,043)	45,344
Total comprehensive expenses for the year		-	-	-	(5,786)	(328)	-	(74,117)	(80,231)	(654)	(80,885)
Transfer		-	-	-	-	-	(2,906)	2,906	-	-	-
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	(113)	(113)
At 31 December 2015		62,508	162,813	(180)	3,523	4,349	7,442	(274,299)	(33,844)	(1,810)	(35,654)
At 1 January 2016		62,508	162,813	(180)	3,523	4,349	7,442	(274,299)	(33,844)	(1,810)	(35,654)
Total comprehensive expenses for the year		-	-	-	7,772	-	-	(55,239)	(47,467)	(5,160)	(52,627)
Disposal of leasehold land and buildings		-	-	-	-	(4,349)	-	4,349	-	-	-
Issue of shares on subscription	30(a)	1,390	8,554	-	-	-	-	-	9,944	-	9,944
Issue of shares on placing	30(b)	11,111	72,294	-	-	-	-	-	83,405	-	83,405
At 31 December 2016		75,009	243,661	(180)	11,295	-	7,442	(325,189)	12,038	(6,970)	5,068

CONSOLIDATED
STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		
From continuing operations	**(62,541)**	(70,198)
From discontinued operations	**-**	941
	(62,541)	(69,257)
Adjustments for:		
Depreciation	**2,860**	3,055
Amortisation of operating concessions	**-**	869
Amortisation of intangible assets	**1,685**	1,893
Reversal of impairment loss on amount due from a joint venture	**-**	(1,016)
Impairment loss on trade receivables	**3,304**	11,774
Impairment loss on other receivables	**-**	6,200
Impairment loss on goodwill	**-**	3,818
Write-down of obsolete inventories	**7,750**	795
Finance lease charges	**262**	506
Interest expenses	**9,275**	9,293
Interest income	**(263)**	(854)
Net loss on disposal of property, plant and equipment	**2,992**	118
Gain on sale and leaseback of property, plant and equipment	**(556)**	(589)
Write-off of property, plant and equipment	**6,979**	59
Fair value loss on financial assets at fair value through profit or loss	**6**	41
Operating cash flows before working capital changes	**(28,247)**	(33,295)
Change in inventories	**(1,835)**	966
Change in gross amount due from customers for contract work	**-**	(2,115)
Change in trade and other receivables	**10,170**	(30,612)
Change in trade and other payables	**(10,781)**	62,259
Cash used in operations	**(30,693)**	(2,797)
Income tax paid	**(1,074)**	-
Finance lease charges paid	**(262)**	(506)
Net cash used in operating activities	**(32,029)**	(3,303)
CASH FLOWS FROM INVESTING ACTIVTIES		
Payment for purchase of property, plant and equipment	**(91)**	(1,853)
Proceeds from disposal of property, plant and equipment	**12,162**	24
Net cash outflow for acquisition of subsidiaries	**-**	(1,463)
Disposal of subsidiaries	**-**	35,934
Interest income received	**263**	854
Decrease in restricted and pledged bank deposits	**3,529**	12,332
Net cash generated from investing activities	**15,863**	45,828

CONSOLIDATED
STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of subscription shares	**9,944**	-
Net proceeds from issue of placement shares	**83,405**	-
Proceeds from new bank loans	**-**	11,160
Proceeds from issue of bonds	**5,300**	17,450
Repayment of other borrowings	**-**	(252)
Repayment of bank loans	**(5,193)**	(40,194)
Repayment of finance lease payables	**(3,609)**	(3,744)
Interest paid	**(9,275)**	(9,293)
Net cash generated from/(used in) financing activities	**80,572**	(24,873)
Net increase in cash and cash equivalents	**64,406**	17,652
Effect of change in foreign exchange rate	**5,801**	(2,003)
Cash and cash equivalents at beginning of year	**25,156**	9,507
Cash and cash equivalents at end of year	**95,363**	25,156
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**95,363**	25,156

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are described in note 37 to the consolidated financial statements.

At 31 December 2016, the Directors consider the immediate parent of the Company to be Gentle International Holdings Limited, which is incorporated in the British Virgin Islands; and the ultimate parent of the Company to be Classy Jade Limited, which is incorporated in the Republic of Seychelles and controlled by Mr. Xu Zhong Ping, the chairman of the Company.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, except for properties and financial instruments that are measured at fair value as mentioned in the accounting policies below.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors of the Company (the "Directors") to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the consolidated financial statements, are further disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive expenses for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates (Continued)

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Property, plant and equipment

Buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued building, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or valuation less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Over the lease term
Leasehold land and buildings	Shorter of the remaining lease term of 50 years or useful life
Machinery	5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	3 - 5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(iii) Sales and leaseback

For sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. No adjustment on sales proceeds is necessary unless there has been an impairment in value, in which case the carrying amount of the asset is reduced to recoverable amount.

Intangible assets

a) Patent

Purchased patent which has a finite useful life is stated at cost less accumulated amortisation and any accumulated impairment losses. The cost of patent acquired in a business combination is its fair value as at the date of acquisition. Amortisation is calculated on a straight-line basis over the remaining useful life of approximately 8 years from the date of acquisition to 16 October 2018.

b) Club membership

Club membership which has a finite useful life is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line over its useful life of 23 years.

c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straightline method over the expected life of the customer relationship of 3 years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded in the consolidated statement of financial position at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position as "Gross amount due from customers for contract work". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the consolidated statement of financial position as "Gross amount due to customers for contract work". Progress billings not yet paid by the customer are included in the consolidated statement of financial position under "Trade and other receivables". Amounts received before the related work is performed are included in the consolidated statement of financial position under "Trade and other payables".

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of a financial assets is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transactions costs except in the case of financial assets at fair value through profit or loss.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

a) Sale of goods

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

b) Wastewater treatment revenue

Revenue arising from the operation of wastewater treatment plants or facilities is recognised based on actual wastewater treated from meter reading or the amount billed in accordance with the terms of contractual agreements where applicable during the year.

c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (A);

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

b) Write-down for obsolescence of inventories

Management determines the write-down for obsolescence of inventories. These estimates are based on the current market conditions and the historical experience on selling goods of similar nature. It could change significantly as a result of changes in market conditions.

During the year ended 31 December 2016, the amount of write-down for obsolescence of inventories was approximately HK$7,750,000 (2015: approximately HK$795,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

c) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

d) Revenue and profit recognition

The Group estimated the percentage of completion of the construction contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) Foreign exchange risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

b) Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk.

At 31 December 2016, if the share prices of the financial assets at fair value through profit or loss increase/decrease by 20%, loss after tax for the year would have been approximately HK$19,000 (2015: approximately HK$20,000) lower/higher, arising as a result of the fair value gain/loss of the investments.

5. FINANCIAL RISK MANAGEMENT (Continued)

c) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2016 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables, financial assets at fair value through profit or loss and bank and cash balances. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

At 31 December 2016	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**Total contractual undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
Trade and other payables	**57,885**	**-**	**-**	**57,885**	**57,885**
Bank loans	**5,337**	**-**	**-**	**5,337**	**5,177**
Bonds	**1,593**	**1,593**	**24,034**	**27,220**	**22,750**
Entrusted loan	**57,921**	**-**	**-**	**57,921**	**55,836**
Finance lease payables	**1,786**	**-**	**-**	**1,786**	**1,736**
	124,522	**1,593**	**24,034**	**150,149**	**143,384**

At 31 December 2015	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	60,372	-	-	60,372	60,372
Bank loans	11,168	-	-	11,168	10,710
Bonds	1,221	1,221	19,599	22,041	17,450
Entrusted loan	61,880	-	-	61,880	59,500
Finance lease payables	3,807	1,904	-	5,711	5,346
	138,448	3,125	19,599	161,172	153,378

5. FINANCIAL RISK MANAGEMENT (Continued)

e) Interest rate risk

The Group's exposure to fair value interest rate risk arises primarily from the Group's interest-bearing borrowings which carry interest at fixed rates.

The Group has no significant interest-bearing assets and liabilities at floating rate, the Group's operating cash flows are substantially independent of changes in market interest rates.

f) Categories of financial instruments at 31 December

	2016 HK$'000	2015 HK$'000
Financial assets:		
Financial assets at fair value through profit or loss	**93**	99
Loans and receivables (including cash and cash equivalents)	**150,767**	87,426
	150,860	87,525
Financial liabilities:		
Financial liabilities at amortised cost	**143,384**	153,378

g) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

6. FAIR VALUE MEASUREMENTS (Continued)

Disclosures of level in fair value hierarchy at 31 December:

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2016 HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	**93**	**-**	**-**	**93**

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2015 HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	99	-	-	99
Land and buildings				
Residential units - PRC	-	-	14,161	14,161
Total	99	-	14,161	14,260

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2016 and 2015:

The Group's finance management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The finance management reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the finance management and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

At 31 December 2015

Description	Valuation technique	Significant unobservable inputs	Range (weighted average)	Fair values 2016 HK$'000	Fair values 2015 HK$'000
Land and buildings in the PRC	Direct comparison approach	Premium on characteristic of the properties	(2015: -10% to 10%)	-	14,161

6. FAIR VALUE MEASUREMENTS (Continued)

The fair value of properties held for own use are determined using direct comparison approach with reference to proposed/recent transactions of similar properties in the locality with adjustments made subject to the differences between the subject properties and the comparable properties. The valuations take into account the characteristic of the properties which included the location, size, view, floor level, year of completion and other factors collectively. Higher premium for properties with higher characteristic will result in a higher fair value measurement.

Reconciliation of assets measured at fair value based on level 3:

	Land and buildings – PRC HK$'000
At 1 January 2015	14,994
Total gains or (losses):	
in profit or loss	(312)
in other comprehensive income	(521)
At 31 December 2015 and 1 January 2016	14,161
Exchange adjustments	(253)
Transferred	351
Disposal during the year	(14,066)
Losses in profit or loss	(193)
At 31 December 2016	-

The total losses recognised in other comprehensive income of approximately HK$521,000 during the year ended 31 December 2015 was presented in the consolidated statement of profit or loss and other comprehensive income and accumulated in the revaluation reserve, net of deferred tax.

7. REVENUE

The Group's revenue is as follows:

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

8. OTHER INCOME

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

9. OTHER LOSSES, NET

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

10. SEGMENT INFORMATION

The Group manages its business by divisions which are organised from the product perspective.

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

i. Wastewater treatment and construction services

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

10. SEGMENT INFORMATION (Continued)

ii. Wastewater treatment equipment trading

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

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments follow the Group's accounting policies. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs such as Directors' salaries and unallocated other income/losses. This is the measure reported to the CODM for purposes of resources allocation and performance assessment. Taxation charge/(credit) is not allocated to reportable segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

All assets are allocated to reportable segments other than the financial assets at fair value through profit or loss, unallocated cash and cash equivalents and corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than current and deferred tax liabilities, borrowings not attributable to individual segments and corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

10. SEGMENT INFORMATION (Continued)

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

	Wastewater treatment and construction services HK$'000	**Wastewater treatment equipment trading HK$'000**	**Subtotal HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
For the year ended 31 December 2016					
Revenue from external customers	**14,300**	**20,389**	**34,689**	**-**	**34,689**
Segment loss	**(6,739)**	**(33,170)**	**(39,909)**	**(22,632)**	**(62,541)**
Interest income	**36**	**115**	**151**	**2**	**153**
Finance costs	**262**	**7,829**	**8,091**	**1,446**	**9,537**
Depreciation and amortisation	**3,808**	**646**	**4,454**	**91**	**4,545**
Write-down of inventories	**-**	**7,750**	**7,750**	**-**	**7,750**
Loss on disposal and write off of property, plant and equipment	**6,979**	**1,994**	**8,973**	**998**	**9,971**
Impairment loss on trade and other receivables	**3,267**	**37**	**3,304**	**-**	**3,304**
Additions to non-current assets (other than financial assets and deferred tax assets)	**30**	**61**	**91**	**-**	**91**
As at 31 December 2016					
Reportable segment assets	**19,655**	**54,820**	**74,475**		
Reportable segment liabilities	**20,864**	**103,300**	**124,164**		

	Wastewater treatment and construction services HK$'000	Wastewater treatment equipment trading HK$'000	Subtotal HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2015					
Revenue from external customers	26,106	35,893	61,999	-	61,999
Segment loss	(3,088)	(25,602)	(28,690)	(41,508)	(70,198)
Interest income	16	837	853	1	854
Finance costs	546	8,261	8,807	297	9,104
Depreciation and amortisation	3,363	1,009	4,372	472	4,844
Write-down of inventories	795	-	795	-	795
Loss on disposal and write-off of property, plant and equipment	-	151	151	26	177
Impairment loss on goodwill	3,818	-	3,818	-	3,818
Impairment loss on trade and other receivables	374	6,200	6,574	11,400	17,974
Reversal of impairment loss on amount due from a joint venture	-	1,016	1,016	-	1,016
Additions to non-current assets (other than financial assets and deferred tax assets)	3,894	1,853	5,747	-	5,747
As at 31 December 2015					
Reportable segment assets	43,509	86,432	129,941		
Reportable segment liabilities	29,936	120,147	150,083		

10. SEGMENT INFORMATION (Continued)

(b) Reconciliations of reportable segment profit or loss:

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

(c) Reconciliations of reportable segment assets and liabilities:

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

10. SEGMENT INFORMATION (Continued)

(d) Geographical information

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

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

(e) Revenue from major customers

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

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

11. FINANCE COSTS

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

12. INCOME TAX (CREDIT)/EXPENSES

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

	2016 HK$' 000	2015 HK$' 000
PRC Enterprise Income Tax		
– Provision for the year	**-**	963
– Over provision in prior years	**(633)**	-
Deferred tax (note 29)	**(1,821)**	(276)
Income tax (credit)/expenses	**(2,454)**	687

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

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

Withholding tax is applicable to PRC subsidiaries which pay dividend, interest, rent, royalty to non-resident companies. Pursuant to the new PRC Enterprise Income Tax Law which took effect from 1 January 2008, a 10% withholding tax was to be levied on dividends declared to foreign enterprise investors from the PRC. A lower withholding tax rate may apply if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors.

12. INCOME TAX (CREDIT)/EXPENSES (Continued)

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

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

13. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

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

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

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

14. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

The remuneration of each Director is as follows:

	Year ended 31 December 2016 Emoluments paid or receivable in respect of a person's services as a Director whether of the Company or its subsidiary undertaking				
	Directors' fees HK$'000	Salaries HK$'000	Retirement scheme contributions HK$'000	Equity share-based payment HK$'000	Total HK$'000
Executive Directors					
Mr. Xu Zhong Ping	-	1,950	-	-	1,950
Mr. Pan Yutang (resigned on 27 September 2016)	-	948	-	-	948
Mr. Zhang Fang Hong	-	948	-	-	948
Mr. Xu Xiao Yang	-	1,300	-	-	1,300
	-	5,146	-	-	5,146
Non-executive Directors					
Mr. Cao Guoxian	-	-	-	-	-
Mr. Ma Tian Fu	240	-	-	-	240
	240	-	-	-	240
Independent non-executive Directors					
Mr. Tse Chi Wai	120	-	-	-	120
Prof. Zhu Nan Wen	120	-	-	-	120
Prof. Li Jun (appointed on 6 April 2016)	90	-	-	-	90
Prof. Zuo Jiane (resigned on 6 April 2016)	30	-	-	-	30
	360	-	-	-	360
	600	5,146	-	-	5,746

14. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES (Continued)

(a) Directors' emoluments (Continued)

The remuneration of each Director is as follows:

	Year ended 31 December 2015 Emoluments paid or receivable in respect of a person's services as a Director whether of the Company or its subsidiary undertaking				
	Directors' fees HK$'000	Salaries HK$'000	Retirement scheme contributions HK$'000	Equity share-based payment HK$'000	Total HK$'000
Executive Directors					
Mr. Xu Zhong Ping	-	1,950	-	-	1,950
Mr. Pan Yutang (resigned on 27 September 2016)	-	1,560	-	-	1,560
Mr. Zhang Fang Hong	-	1,560	-	-	1,560
Mr. Xu Xiao Yang	-	1,300	-	-	1,300
	-	6,370	-	-	6,370
Non-executive Directors					
Mr. Cao Guoxian	-	-	-	-	-
Mr. Ma Tian Fu	240	-	-	-	240
	240	-	-	-	240
Independent non-executive Directors					
Mr. Xin Luo Lin (retired on 27 May 2015)	50	-	-	-	50
Mr. Tse Chi Wai (appointed on 27 May 2015)	72	-	-	-	72
Prof. Zhu Nan Wen	120	-	-	-	120
Prof. Zuo Jiane (resigned on 6 April 2016)	120	-	-	-	120
	362	-	-	-	362
	602	6,370	-	-	6,972

None of the Directors has waived or agreed to waive any emoluments during the year (2015: HK$Nil).

14. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES (Continued)

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2015: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2015: one) individual are set out below:

	2016 **HK$'000**	2015 HK$'000
Salaries and other emoluments	**910**	1,286
Retirement scheme contributions	**-**	-
Equity-settled share-based payments	**-**	-
	910	1,286

The emoluments fell within the following band:

	Number of individuals	
	2016	2015
HK$Nil – HK$1,000,000	**1**	-
HK$1,000,001 – HK$1,500,000	**-**	1

During the year, no emoluments were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

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

16. LOSS PER SHARE

(a) From continuing and discontinued operations

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

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

(b) From continuing operations

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

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

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

(c) From discontinued operations

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

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Leasehold land and buildings HK$'000	Machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2015	22	14,994	14,864	2,890	4,283	37,053
Exchange adjustments	(58)	-	(826)	(85)	(226)	(1,195)
Additions	1,413	-	-	26	414	1,853
Acquisition of a subsidiary	-	-	-	76	-	76
Transfer from inventories	-	-	-	-	96	96
Disposals/written off	-	-	-	(282)	(178)	(460)
Deficit on revaluation	-	(521)	-	-	-	(521)
Elimination of accumulated depreciation	-	(312)	-	-	-	(312)
At 31 December 2015	1,377	14,161	14,038	2,625	4,389	36,590
Representing						
At cost	1,377	-	14,038	2,625	4,389	22,429
At valuation	-	14,161	-	-	-	14,161
	1,377	14,161	14,038	2,625	4,389	36,590
At 1 January 2016	1,377	14,161	14,038	2,625	4,389	36,590
Exchange adjustments	(24)	(253)	(364)	40	(196)	(797)
Additions	44	-	-	30	17	91
Transferred	(351)	351	-	-	-	-
Disposals/written off	(1,046)	(14,259)	(10,407)	-	(134)	(25,846)
At 31 December 2016	-	-	3,267	2,695	4,076	10,038
Representing						
At cost	-	-	3,267	2,695	4,076	10,038
Accumulated depreciation						
At 1 January 2015	22	-	897	2,309	2,308	5,536
Exchange adjustments	(1)	-	(113)	(63)	(150)	(327)
Charge for the year	-	312	1,560	257	822	2,951
Written back on disposals/written off	-	-	-	(189)	(70)	(259)
Elimination on revaluation	-	(312)	-	-	-	(312)
At 31 December 2015 and 1 January 2016	21	-	2,344	2,314	2,910	7,589
Exchange adjustments	-	-	(65)	38	(110)	(137)
Charge for the year	-	193	2,103	98	466	2,860
Written back on disposals/written off	(21)	(193)	(3,428)	-	(116)	(3,758)
At 31 December 2016	-	-	954	2,450	3,150	6,554
Carrying amount						
At 31 December 2016	-	-	2,313	245	926	3,484
At 31 December 2015	1,356	14,161	11,694	311	1,479	29,001

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's leasehold land and buildings were revalued at 31 December 2015 on the direct comparison approach by Grant Sherman Appraisals Limited, an independent professional qualified valuer.

The leasehold land and buildings were held in the PRC under medium-term leases.

At 31 December 2016, the carrying amount of machinery held by the Group under finance leases amounted to HK$Nil (2015: approximately HK$8,384,000).

If the leasehold land and buildings were stated on the historical cost basis, their carrying amounts would be HK$Nil (2015: approximately HK$10,481,000).

18. INTANGIBLE ASSETS

	Club memberships HK$'000	Patent HK$'000	Contractual customer relationship HK$'000	Total HK$'000
Cost				
At 1 January 2015	1,958	64,840	613	67,411
Exchange adjustments	(109)	(3,602)	(34)	(3,745)
At 31 December 2015 and 1 January 2016	1,849	61,238	579	63,666
Exchange adjustments	(114)	(3,771)	(36)	(3,921)
At 31 December 2016	1,735	57,467	543	59,745
Accumulated amortisation and impairment losses				
At 1 January 2015	318	58,580	341	59,239
Amortisation charge	85	1,607	201	1,893
Exchange adjustments	(21)	(3,319)	(27)	(3,367)
At 31 December 2015 and 1 January 2016	382	56,868	515	57,765
Amortisation charge	80	1,542	63	1,685
Exchange adjustments	(27)	(3,570)	(35)	(3,632)
At 31 December 2016	435	54,840	543	55,818
Carrying amount				
At 31 December 2016	1,300	2,627	-	3,927
At 31 December 2015	1,467	4,370	64	5,901

18. INTANGIBLE ASSETS (Continued)

Notes:

(i) The Group holds a membership right in Sand River Golf Club with a useful life of 23 years.

(ii) The patent of the wastewater treatment equipment trading segment has a finite life and will expire on 16 October 2018. The Group engaged Grant Sherman Appraisal Limited to carry out the valuation of the patent at 31 December 2016. Grant Sherman adopted a relief-from-royalty approach, a form of income approach, at a post-tax discount rate of 19% (2015: 19%) to determine the recoverable amount of the patent. The calculation is based on a financial projection covering a period of approximately 2 years. Management estimated the financial projection based on management approved budget which is based on a forecast of operating results for the first year and based on their experience for the second year.

The amortisation charge of approximately HK$1,542,000 (2015: approximately HK$1,607,000) was included in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

(iii) Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The amortisation charge of approximately HK$63,000 (2015: approximately HK$201,000) is included in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

19. INTEREST IN AN ASSOCIATE

	2016 HK$'000	2015 HK$'000
Share of net assets	**-**	-

The particulars of the associate of the Group, which is unlisted, as at 31 December 2016, are as follows:

Name of associate	Form of structure	Place of incorporation and business	Particulars of paid up registered capital	Proportion of ownership interest indirectly held by the Company	Principal activity
綠源(北京)環保設備股份有限公司	Incorporated	PRC	RMB5,000,000	35%	Trading and installation of environmental equipment

The Group's share of the amount of the immaterial associate that are accounted for using the equity method:

	2016 HK$'000	2015 HK$'000
At 31 December		
Carrying amount of interests	**-**	-
For the year ended 31 December		
Loss for the year	**-**	-
Other comprehensive income	**-**	-
Total comprehensive income	**-**	-

19. INTEREST IN AN ASSOCIATE (Continued)

The Group has discontinued the recognition of its share of loss of the associate because the share of loss of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were approximately HK$1,238,000 (2015: HK$Nil) and approximately HK$1,932,000 (2015: approximately HK$694,000), respectively.

As at 31 December 2016, the bank and cash balances of the Group' associate in the PRC denominated in RMB amounted to approximately HK$262,000 (2015: approximately HK$544,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

20. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Raw materials	**1,302**	599
Work-in-progress	**3,380**	1,511
Finished goods	**3,196**	3,933
	7,878	6,043

21. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

	2016 **HK$'000**	2015 HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	**-**	19,671
Less: Progress billings	**-**	(7,917)
	-	11,754
Gross amount due from customers for contract work	**-**	11,754
Gross amount due to customers for contract work	**-**	-
	-	11,754

22. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

22. TRADE AND OTHER RECEIVABLES (Continued)

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

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

Movements in the allowance for doubtful debts

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

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

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 **HK$' 000**	2015 HK$' 000
Listed equity securities in Hong Kong, at fair value	**93**	99

The fair value of listed equity securities is based on their quoted prices at the end of the reporting period.

24. RESTRICTED AND PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

	2016 **HK$' 000**	2015 HK$' 000
Restricted and pledged bank deposits (note)	**755**	4,284
Cash and bank balances	**95,363**	25,156
	96,118	29,440

24. RESTRICTED AND PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

(Continued)

At 31 December 2016, the bank deposits and cash and bank balances of the PRC's subsidiaries denominated in RMB amounted to approximately HK$2,811,000 (2015: approximately HK$21,867,000). The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 31 December 2015, the pledged deposit of the Group amounting to approximately HK$4,284,000 was pledged to banks to secure banking facilities granted to the Group as set out in note 26 to the consolidated financial statements.

25. TRADE AND OTHER PAYABLES

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

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

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

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

26. BORROWINGS

The analysis of the carrying amount of borrowings is as follows:

	2016 HK$'000	2015 HK$'000
Bank loans (note (a))	**5,177**	10,710
Entrusted loan (note (b))	**55,836**	59,500
Bonds (note (c))	**22,750**	17,450
Total borrowings	**83,763**	87,660
The borrowings are repayable as follows:		
Within one year	**61,013**	70,210
In the third to fifth years, inclusive	**22,750**	17,450
	83,763	87,660
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(61,013)**	(70,210)
Amount due for settlement after 12 months	**22,750**	17,450

The carrying amounts of all borrowings are denominated in RMB, except the bonds are denominated in HKD.

Notes:

(a) The effective interest rates (which also equal contractual interest rates) on the Group's fixed rate bank loans of approximately HK$5,177,000 (2015: approximately HK$10,710,000) ranged from 4.29% to 8.40% (2015: 4.29% to 7.80%) per annum

As at 31 December 2016 and 2015, the bank loans were secured by:

(i) As at 31 December 2015, the pledge over bank deposits; and

(ii) corporate guarantees given by the subsidiary of the Company.

(b) On 19 March 2013, Shenzhen CETH Environmental Technology Co., Ltd., a wholly-owned subsidiary of the Company, entered into an entrusted loan agreement with an independent third party through commissioning a bank to borrow a loan of RMB50,000,000 for a period of three years from 23 April 2013 to 22 April 2016, and extended one year to 21 April 2017 when expired. The loan is secured by a guarantee from the Company. As at 31 December 2016, the effective interest rate of the entrusted loan (which also equals contractual interest rate) was 12% (2015: 12%) per annum.

(c) As at 31 December 2016, the Group have issued six (2015: four) unlisted straight bonds to five (2015: four) independent investors in an aggregate principal amount of HK$22,750,000 (2015: HK$17,450,000) (the "Bonds"). The Bonds are unsecured, arranged at fixed interest rates of 7% per annum and redeemed in full upon the maturity, i.e. three or four years from the date of issue.

27. DEFERRED REVENUE

During the year ended 31 December 2014, the Group disposed of three machineries at proceeds of approximately HK$10,710,000, and leaseback these machineries under a 3-years term finance lease. The deferred revenue arises from this sale and lease back transaction of machineries, the excess of sales proceeds over the carrying amount of approximately HK$1,796,000 has been deferred and amortised over the lease term.

	2016 HK$'000	2015 HK$'000
Analysed as:		
Current liabilities	**221**	565
Non-current liabilities	**-**	236
	221	801

28. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2016 **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000
Within one year	**1,786**	3,807	**1,736**	3,496
In the second to fifth years, inclusive	**-**	1,904	**-**	1,850
	1,786	5,711	**1,736**	5,346
Less: Future finance charges	**(50)**	(365)	**N/A**	N/A
Present value of lease obligations	**1,736**	5,346	**1,736**	5,346
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,736)**	(3,496)
Amount due for settlement after 12 months			**-**	1,850

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 3 years. At 31 December 2016, the average effective borrowing rate was 7.69% (2015: 7.69%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the plant and machinery at nominal prices.

All finance lease payables are denominated in RMB.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

29. DEFERRED TAX

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year were as follows:

	Operating concession HK$'000	Intangible assets HK$'000	Revaluation of leasehold land and buildings HK$'000	Total HK$'000
	Discontinued operation			
At 1 January 2015	16,998	1,454	1,613	20,065
Credited to profit or loss (notes 12)	(68)	(276)	-	(344)
Credited to other comprehensive income	-	-	(193)	(193)
Disposal of a subsidiary	(16,930)	-	-	(16,930)
Exchange adjustments	-	(71)	-	(71)
At 31 December 2015 and 1 January 2016	-	1,107	1,420	2,527
Credited to profit or loss (notes 12)	-	(401)	(1,420)	(1,821)
Exchange adjustments	-	(49)	-	(49)
At 31 December 2016	-	657	-	657

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2016 HK$'000	2015 HK$'000
Deferred tax liabilities	**657**	2,527

As at 31 December 2016, subject to agreement by tax authority, the Group had estimated tax losses of approximately HK$145,856,000 (2015: approximately HK$145,856,000) attributable to the continuing operations in Hong Kong which are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which the losses arose. The tax losses do not expire under the current Hong Kong tax legislation. Tax losses of approximately HK$140,596,000 (2015: approximately HK$122,198,000) attributable to the continuing operations in the PRC are available for offsetting against future profits that may be carried forward for five years for PRC enterprise income tax purpose.

As at 31 December 2016, temporary differences relating to the undistributed profits of subsidiaries amounted to approximately HK$1,982,000 (2015: approximately HK$5,043,000). Deferred tax liabilities of approximately HK$198,000 (2015: approximately HK$504,000) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's foreign-invested enterprises in the PRC as the Company controls the dividend policy of these foreign-invested enterprises and it is probable that such differences will not be reversed in the foreseeable future.

30. SHARE CAPITAL

	Notes	Number of ordinary shares of HK$0.025 per share '000	HK$'000
Authorised			
At 31 December 2015 and 31 December 2016		8,000,000	200,000
Issued and fully paid			
At 1 January 2015, 31 December 2015, 1 January 2016		2,500,303	62,508
Subscription of shares	(a)	55,608	1,390
Placement of shares	(b)	444,448	11,111
At 31 December 2016		3,000,359	75,009

Notes:

(a) Completion of the subscription of shares took place on 24 November 2016 pursuant to which 55,608,000 new shares were issued under the subscription agreement at the subscription price of HK$0.18 per subscription share. Accordingly, the Company's issued share capital was increased by approximately HK$1,390,000 and its share premium account was increased by approximately HK$8,554,000. Net proceeds from the issues after deduction of expenses of approximately HK$65,000, were approximately HK$9,944,000.

(b) Completion of the share placement took place on 22 December 2016 pursuant to which 444,448,000 placement shares were issued under the placement agreement at the placement price of HK$0.19 per placement share. Accordingly, the Company's issued share capital was increased by approximately HK$11,111,000 and its share premium account was increased by approximately HK$72,294,000. Net proceeds from the issues after deduction of expenses of approximately HK$1,040,000, were approximately HK$83,405,000.

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2016 HK$'000	2015 HK$'000
Non-current assets		
Property, plant and equipment	**182**	273
Investments in and loans to subsidiaries	**29,088**	81,095
	29,270	81,368
Current assets		
Other receivables	**1,270**	1,628
Cash and cash equivalents	**93,140**	7,508
	94,410	9,136
Current liabilities		
Trade and other payables	**4,795**	5,684
Amounts due to subsidiaries	**91,135**	81,095
	95,930	86,779
Net current liabilities	**(1,520)**	(77,643)
Total assets less current liabilities	**27,750**	3,725
Non-current liabilities		
Borrowings	**22,750**	17,450
NET ASSETS/(LIABILITIES)	**5,000**	(13,725)
Capital and reserves		
Share capital	**75,009**	62,508
Reserves	**(70,009)**	(76,233)
TOTAL EQUITY/(CAPITAL DEFICIENCY)	**5,000**	(13,725)

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

(b) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	162,813	59,063	(239,555)	(17,679)
Loss for the year	-	-	(58,554)	(58,554)
At 31 December 2015	162,813	59,063	(298,109)	(76,233)
Loss for the year	-	-	(74,624)	(74,624)
Issue of shares on subscription	8,554	-	-	8,554
Issue of shares on placing	72,294	-	-	72,294
At 31 December 2016	243,661	59,063	(372,733)	(70,009)

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current year and prior period are presented in the consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium and contributed surplus

Under the Companies Law (Revised) of the Cayman Islands, the share premium account and contributed surplus account of the Company are distributable to the owners of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The contributed surplus of the Company arose from the difference between the consolidated net assets of the Group's subsidiaries acquired and the nominal value of the Company's ordinary shares issued pursuant to the Group reorganisation in 2002.

32. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(ii) Foreign currency reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3.

(iii) Other reserves

The other reserves mainly comprise the statutory reserve of subsidiaries in the PRC. Subsidiaries of the Group in the PRC follow the accounting principles and relevant financial regulations of the PRC, in the preparation of their accounting records and financial statements. Pursuant to the accounting regulations for business enterprises, the subsidiaries are required to appropriate 10% of the profit arrived at for each year to statutory reserve. The profit arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to owners. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in capital.

(iv) Property revaluation reserve

Revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for leasehold land and buildings in note 3. The revaluation reserve is not distributable to shareholders.

(v) Distributability of reserve

At 31 December 2016, the aggregate amount of reserves available for distribution to owners of the Company was HK$Nil.

33. PLEDGE OF ASSETS

At 31 December 2016, the Group have restricted bank deposit amounting to approximately HK$755,000 (2015: pledged bank deposits with carrying amounts of approximately HK$4,284,000).

34. RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions during the reporting period:

Key management personnel remuneration

Remuneration for key management personnel including amounts paid to the Company's Directors and all of the highest paid employees as disclosed in note 14, is as follows:

	2016 **HK$'000**	2015 HK$'000
Short-term employee benefits	**6,656**	8,258
Equity-settled share-based payment expenses	**-**	-
Post-employment benefits	**-**	-
	6,656	8,258

Total remuneration is included in "staff costs".

35. COMMITMENTS

(a) At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 **HK$'000**	2015 HK$'000
Within 1 year	**4,279**	5,368
After 1 year but within 5 years	**1,903**	2,322
	6,182	7,690

The Group is a lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

36. EVENTS AFTER THE REPORTING PERIOD

On 21 February 2017, the Group completed the acquisition of 50% equity interests in the Pacific Fertility Institutes Holding Company Limited, which was satisfied by the issuance of consideration shares of HK$175,500,000. Details of the information is set out in the circular of the Company dated 21 February 2017.

37. PARTICULARS OF SUBSIDIARIES

(a) Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2016 were as follows:

Name of subsidiary	Place of incorporation/ business	Particulars of issued share capital / paid up registered capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Beijing Jingrui Kemai Water Purification Technology Company Limited# 北京精瑞科邁淨水技術有限公司*	PRC**	RMB10,000,000	-	100%	Development of water purification technology and wastewater treatment equipment trading
Great Champion Holdings Limited 大盛集團有限公司	Hong Kong	Ordinary share of HK$10,000,000/ Ordinary share of HK$1	-	100%	Trading business
Hunan Qifan Environmental Technology Co., Ltd.# 湖南啟帆環保科技有限公司	PRC**	RMB5,000,000	-	80%	Development of environmental protection related project
Shenzhen CETH Environmental Technology Co. Ltd.# 深圳中環科環保科技有限公司*	PRC**	RMB20,000,000 / RMB10,000,000	-	100%	Development of environmental protection related project
Shenzhen Huaxin Environmental Technology Engineering Co., Ltd.# (Formerly known as: Shenzhen Huaxin Zhongshui Protection Engineering Co., Ltd.#) 深圳華信環境技術工程有限公司 (前稱：深圳華信中水環保工程有限公司)	PRC**	RMB10,824,000	-	51%	Development of environmental protection related project
Hunan Chezhou CETH Environmental Technology Co., Ltd.# 湖南郴州中環科環保科技發展有限公司	PRC**	RMB10,000,000	-	51%	Development of environmental protection related project
Yardway Development Limited	British Virgin Islands ("BVI") / Hong Kong	10,000 ordinary shares of US$1 each	100%	-	Property holding
Beijing Capital Environment Construction Company Limited	Cayman Islands / Hong Kong	10 ordinary shares of HK$1 each	90%	-	Investment holding
Beijing Capital Environment Construction (Hong Kong) Company Limited 首創環保建設(香港)有限公司	Hong Kong	Ordinary share of HK$1	-	90%	Investment holding
Beijing Shouqiang Innovative Environmental Protection Technology Co., Ltd# 北京首強創新環保科技有限公司	PRC**	HK$6,000,000	-	90%	Provision of environmental consultancy services

* a wholly foreign owned enterprise
** a limited liability enterprise
# The company name in English is not the official name but a translation for reference only.

37. PARTICULARS OF SUBSIDIARIES (Continued)

(b) Details of non-wholly owned subsidiary that have material non-controlling interests ("NCI")

The following table shows information of the subsidiary that has NCI material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Shenzhen Huaxin Environmental Technology Engineering Co., Ltd. (Formerly known as: Shenzhen Huaxin Zhongshui Protection Engineering Co., Ltd.)
Principal place of business/ country of incorporation	PRC

	2016	2015
% of ownership interest/voting rights held by NCI	**49%**	49%
As 31 December:		
Non-current assets	**580**	787
Current assets	**24,561**	34,064
Current liabilities	**(36,935)**	(40,579)
Net liabilities	**(11,794)**	(5,728)
Carrying amount of NCI	**(5,779)**	(2,807)
Year ended 31 December:		
Revenue	**9,298**	28,389
Loss for the year	**(6,653)**	(2,073)
Loss allocated to NCI	**(3,260)**	(1,016)
Total comprehensive expenses	**(7,302)**	(2,376)
Total comprehensive expenses allocated to NCI	**(3,578)**	(1,164)
Net cash (used in)/generated from operating activities	**(5,413)**	5,847
Net cash used in investing activities	**-**	(405)
Net cash used in financing activities	**(6,160)**	(2,476)
Net (decrease)/increase in cash and cash equivalents	**(11,573)**	2,966

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 27 March 2017.

Five Year Financial Summary

	2016	2015	2014	2013	2012	2012
		Year ended 31 December			9 months ended 31 December	Year ended 31 March
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS						
Continuing operations						
Revenue	**34,689**	61,999	89,319	56,311	51,031	144,883
Loss from operations	**(53,004)**	(61,094)	(45,484)	(52,099)	(78,544)	(32,802)
Finance costs	**(9,537)**	(9,104)	(8,588)	(13,866)	–	–
Loss before tax	**(62,541)**	(70,198)	(54,072)	(65,965)	(78,544)	(32,802)
Income tax credit/(expenses)	**2,454**	(687)	92	996	10,379	387
Loss for the year/ period from continuing operations	**(60,087)**	(70,885)	(53,980)	(64,969)	(68,165)	(32,415)
Discontinued operations						
(Loss)/profit for the year/ period from discontinued operations	**–**	(3,969)	(22,486)	–	2,880	(23,247)
Loss for the year/period	**(60,087)**	(74,854)	(76,466)	(64,969)	(65,285)	(55,662)
Attributable to:						
– Owners of the Company	**(55,239)**	(74,117)	(75,307)	(64,568)	(64,677)	(55,238)
– Non-controlling interests	**(4,848)**	(737)	(1,159)	(401)	(608)	(424)
Loss for the year/period	**(60,087)**	(74,854)	(76,466)	(64,969)	(65,285)	(55,662)

	2016	2015	2014	2013	2012	2012
		As at 31 December				As at 31 March
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES						
Non-current assets	**7,411**	34,902	39,689	278,141	262,314	283,006
Net current assets/(liabilities)	**21,064**	(48,493)	78,230	(14,858)	2,499	44,632
Non-current liabilities	**(23,407)**	(22,063)	(72,575)	(138,334)	(81,627)	(79,293)
	5,068	(35,654)	45,344	124,949	183,186	248,345
Share capital	**75,009**	62,508	62,508	62,508	62,508	62,508
Reserves	**(62,971)**	(96,352)	(16,121)	62,638	120,480	185,035
Total equity attributable to owners of the Company	**12,038**	(33,844)	46,387	125,146	182,988	247,543
Non-controlling interests	**(6,970)**	(1,810)	(1,043)	(197)	198	802
Total equity/(capital deficiency)	**5,068**	(35,654)	45,344	124,949	183,186	248,345
Loss per share						
Basic	**(HK2.19 cents)**	(HK2.96 cents)	(HK3.01 cents)	(HK2.58 cents)	(HK2.59 cents)	(HK2.27 cents)
Diluted	**(HK2.19 cents)**	(HK2.96 cents)	(HK3.01 cents)	(HK2.58 cents)	(HK2.59 cents)	(HK2.27 cents)