



**China Environmental Technology Holdings Limited**

(Incorporated in the Cayman Island with limited liability)

Stock Code: 646

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

# INTERIM REPORT 2017

# CONTENTS

<b>CORPORATE INFORMATION</b>	2
<b>INTERIM RESULTS</b>	
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8
Notes to the Condensed Consolidated Financial Statements	9
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	
Results and Business Review	19
Outlook	19
Liquidity	20
Charge on Assets	20
Foreign Currency Exposure	20
Employees and Remuneration Policy	21
<b>ADDITIONAL INFORMATION</b>	
Directors' and Chief Executive's Interest in Shares and Underlying Shares	21
Share Options Scheme	22
Substantial Shareholders' Interests in Shares	23
Important Event during the period	23
Purchase, Redemption or Sale of the Company's Listed Securities	23
Subsequent Events	24
Corporate Governance	24
Model Code for Securities Transactions	24
Audit Committee	24
Sufficiency of Public Float	24
Acknowledgement	24

## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors:

Mr. Xu Zhong Ping (*Chairman*)

Mr. Xu Xiao Yang (*Chief Executive Officer*)

Ms. Hu Yueyue

#### Non-executive Director:

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

### Auditor

ZHONGHUI ANDA CPA Limited

Unit 701., 7/F., Citicorp Centre

18 Whitfield Road

Causeway Bay, Hong Kong

### 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

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10th Floor, Shui On Centre

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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](http://www.cethl.com)

The board (“Board”) of directors (“Directors”) of China Environmental Technology Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2017 – Unaudited*

		<b>Six months ended 30 June</b>	
		<b>2017</b>	2016
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
	Note		
<b>Turnover</b>	3	<b>25,627</b>	32,349
Cost of sales		<b>(9,682)</b>	(21,333)
<b>Gross profit</b>		<b>15,945</b>	11,016
Other income	4	<b>304</b>	62
Other losses, net	4	<b>(38)</b>	(897)
Distribution costs		<b>(454)</b>	(622)
Administrative expenses		<b>(31,492)</b>	(26,783)
<b>Loss from operations</b>		<b>(15,735)</b>	(17,224)
Finance costs	5a	<b>(2,772)</b>	(4,645)
<b>Loss before taxation</b>		<b>(18,507)</b>	(21,869)
Income tax credit	6	<b>(110)</b>	1,071
<b>Loss for the period</b>		<b>(18,617)</b>	(20,798)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(20,750)</b>	(20,917)
Non-controlling interests		<b>2,133</b>	119
		<b>(18,617)</b>	(20,798)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2017 – Unaudited

	Six months ended 30 June	
Note	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Other comprehensive income:</b>		
Exchange differences on translating of foreign operations	(813)	3,420
<b>Total other comprehensive income for the period</b>	<b>(813)</b>	3,420
<b>Total comprehensive loss for the period</b>	<b>(19,430)</b>	(17,378)
<b>Total comprehensive loss for the period attributable to:</b>		
Owners of the Company	(21,580)	(17,497)
Non-controlling interests	2,150	119
	<b>(19,430)</b>	(17,378)
<b>(Loss) earnings per share:</b>		
Basic (HK cents)	<b>(0.57)</b>	(0.84)

The notes on pages 9 to 18 form part of this interim report.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 30 June 2017 – Unaudited*

	Note	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		6,316	3,484
Intangible assets		177,168	3,927
Goodwill		150,167	–
Interests in an associate		–	–
		<u>333,651</u>	<u>7,411</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss		55	93
Inventories		4,529	7,878
Trade and other receivables	10	134,901	57,883
Cash and cash equivalents	11	57,070	95,363
Restricted and pledged bank deposits	11	327	755
Derivative financial asset		10,470	–
		<u>207,352</u>	<u>161,972</u>
<b>Total assets</b>		<u>541,003</u>	<u>169,383</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	12	91,259	75,009
Reserves		74,699	(62,971)
		<u>165,958</u>	<u>12,038</u>
Non-controlling interests		192,563	(6,970)
<b>Total Equity</b>		<u>358,521</u>	<u>5,068</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 30 June 2017 – Unaudited

	Note	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	13	22,750	22,750
Deferred tax liabilities		469	657
		<b>23,219</b>	23,407
<b>Current liabilities</b>			
Trade and other payables	14	84,825	66,006
Current tax liabilities		12,182	11,932
Borrowings	13	62,256	61,013
Deferred revenue		–	221
Finance lease payables		–	1,736
		<b>159,263</b>	140,908
<b>Total liabilities</b>		<b>182,482</b>	164,315
<b>Total equity and liabilities</b>		<b>541,003</b>	169,383
<b>Net current assets</b>		<b>48,089</b>	21,064
<b>Total assets less current liabilities</b>		<b>381,740</b>	28,475

The notes on pages 9 to 18 form part of this interim report.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2017 – Unaudited*

	Attributable to the owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Exchange reserve	Revaluation reserve-land and buildings	Other reserves	Retained profits/(accumulated losses)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Balance at 1 January 2016 (audited)	62,508	162,813	(180)	3,523	4,349	7,442	(274,299)	(33,844)	(1,810)	(35,654)
Loss for the period	-	-	-	-	-	-	(20,917)	(20,917)	119	(20,798)
Other comprehensive income	-	-	-	3,420	-	-	-	3,420	-	3,420
Transfer upon disposal of leasehold land and building	-	-	-	-	(3,106)	-	3,106	-	-	-
<b>Balance at 30 June 2016 (unaudited)</b>	<b>62,508</b>	<b>162,813</b>	<b>(180)</b>	<b>6,943</b>	<b>1,243</b>	<b>7,442</b>	<b>(292,110)</b>	<b>(51,341)</b>	<b>(1,691)</b>	<b>(53,032)</b>
Balance at 1 January 2017 (audited)	75,009	243,661	(180)	11,295	-	7,442	(325,189)	12,038	(6,970)	5,068
Shares issued for the period	16,250	159,250	-	-	-	-	-	175,500	-	175,500
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	197,383	197,383
Loss for the period	-	-	-	-	-	-	(20,750)	(20,750)	2,133	(18,617)
Other comprehensive income	-	-	-	(830)	-	-	-	(830)	17	(813)
<b>Balance at 30 June 2017 (unaudited)</b>	<b>91,259</b>	<b>402,911</b>	<b>(180)</b>	<b>10,465</b>	<b>-</b>	<b>7,442</b>	<b>(345,939)</b>	<b>165,958</b>	<b>192,563</b>	<b>358,521</b>

The notes on pages 9 to 18 form part of this interim report.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017 – Unaudited

	Note	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Cash used in operations</b>		<b>(28,321)</b>	(19,958)
<b>Tax paid</b>		<b>(402)</b>	(227)
<b>Net cash used in operating activities</b>		<b>(28,723)</b>	(20,185)
<b>Net cash (used in)/generated from investing activities</b>		<b>(200,088)</b>	8,656
<b>Net cash generated from/(used in) financing activities</b>		<b>170,771</b>	(2,536)
<b>Decrease in cash and cash equivalents</b>		<b>(58,040)</b>	(14,065)
<b>Cash and cash equivalents at beginning of period</b>	11	<b>96,118</b>	29,440
<b>Cash and cash equivalents from acquisition of subsidiaries</b>		<b>18,887</b>	–
<b>Effect on foreign exchange rate changes</b>		<b>432</b>	3,420
<b>Cash and cash equivalents at end of period</b>	11	<b>57,397</b>	18,795
<b>Analysis of the balances of cash and cash equivalents</b>			
<b>Cash and cash equivalents</b>		<b>57,397</b>	18,795
	11	<b>57,397</b>	18,795

The notes on pages 9 to 18 form part of this interim report.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

The unaudited condensed consolidated interim financial information has been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKAS and Interpretations and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed financial statements should be read in conjunction with the Annual Report of the Group for the year ended 31 December 2016.

### 2. Summary of principal accounting policies

The accounting policies adopted are consistent with those set out in the audited consolidated financial statements for the year ended 31 December 2016. 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 period beginning on 1 January 2017. HKFRSs comprise HKFRSs; 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 period 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. Segment reporting

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 Directors, being the chief operating decision-maker (“CODM”) for the purposes of resources allocation and performance assessment. The Group has presented the following three reportable segments. No operating segment has been aggregated to form following reporting segments:

1. Wastewater treatment and construction services

This segment engages in the provision of wastewater treatment plants construction and operation services on a Build-Operate-Transfer (“BOT”) basis.

2. Wastewater treatment equipment trading

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

3. Fertility medical treatment services

This segment engages in the provision of fertility medical treatment and fertility-related medical services.

#### (a) Segment results

An analysis of the Group’s revenue and segment results is reported below:

	Segment revenue		Segment profit (loss)	
	Six months ended		Six months ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Wastewater treatment and construction services	872	21,362	(4,616)	(1,779)
Wastewater treatment equipment trading	5,765	10,987	(2,153)	(437)
Fertility medical treatment services	18,990	–	4,369	–
	<u>25,627</u>	<u>32,349</u>	<u>(2,400)</u>	<u>(2,216)</u>

### 3. Segment reporting (Continued)

#### (b) Reconciliation of reportable segment results to loss before taxation

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Reportable segment results	(2,400)	(2,216)
Other income and other losses, net	266	(835)
Depreciation and amortisation	(5,660)	(1,334)
Finance costs	(2,772)	(4,645)
Unallocated head office and corporate expenses	(7,941)	(12,839)
Loss before taxation	(18,507)	(21,869)

### 4. Other income and other loss, net

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
<b>Other income</b>		
Interest income on bank deposits	304	62
<b>Other gain, net</b>		
Net unrealised loss on financial assets at fair value through profit or loss	(38)	(30)
Loss on disposal of property, plant and equipment	–	(857)
Others	–	(10)
	(38)	(897)

## 5. Loss before taxation

Loss before taxation is arrived at after charging:

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>(a) Finance costs:</b>		
Interest on bank borrowings wholly repayable within five years	<b>2,772</b>	4,645
	<b>2,772</b>	4,645
<b>(b) Other items:</b>		
Amortisation of intangible assets	<b>5,226</b>	933
Depreciation of property, plant and equipment	<b>434</b>	401

## 6. Income tax credit

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax – PRC corporate income tax	<b>298</b>	35
Deferred tax	<b>(188)</b>	(1,106)
	<b>110</b>	(1,071)

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the period ended 30 June 2017. PRC taxation is charged at the appropriate current rate of taxation ruling in the PRC.

## 7. Interim dividend

The Directors do not recommend any interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

## 8. Loss per share

### Basic

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended</b>	
	<b>30 June 2017 HK\$'000</b>	30 June 2016 HK\$'000
Attributable to the owners of the Company	<b>(20,750)</b>	(20,917)
	<b>Number of shares</b>	
	<b>'000</b>	'000
Weighted average number of ordinary shares in issue	<b>3,650,359</b>	2,500,303

The Company has no potential dilutive ordinary shares outstanding during both periods.

## 9. Movements in property, plant and equipment and intangible assets

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of HK\$2,102,000 and intangible assets of HK\$178,467,000 on a provisional fair value basis arising from acquisition of subsidiaries.

In addition, the Group spent HK\$1,166,000 (six months ended 30 June 2016: HK\$2,430,000) on property, plant and equipment during the period.

**10. Trade and other receivables**

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	30 December 2016 HK\$'000 (audited)
Trade receivables	<b>26,105</b>	22,162
Other receivables	<b>37,975</b>	32,487
Trade deposits	<b>75</b>	73
Prepayments and deposits	<b>70,746</b>	3,161
	<b>134,901</b>	57,883

The ageing analysis of the trade receivables based on invoice date were as follows:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (audited)
Within 2 months	<b>8,747</b>	4,795
More than 2 months but within 3 months	–	–
More than 3 months but less than 12 months	<b>320</b>	3,610
More than 12 months	<b>17,038</b>	13,757
	<b>26,105</b>	22,162

**11. Cash and cash equivalents**

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (audited)
Cash and bank balances	<b>57,070</b>	95,363
Pledged bank deposits	<b>327</b>	755
	<b>57,397</b>	96,118

**12. Share capital**

	No. of shares '000	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.025 each	<b>8,000,000</b>	200,000
<b>Issued and fully paid:</b>		
Ordinary shares		
At 31 December 2016	<b>3,000,359</b>	75,009
At 30 June 2017	<b>3,650,359</b>	91,259

**13. Bank loans**

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (audited)
<b>Non-current liabilities</b>		
Bonds	22,750	22,750
<b>Current liabilities</b>		
Portion of bank loans and other borrowings due for repayment within 1 year	<b>62,256</b>	61,013
Total borrowings	<b>85,006</b>	83,763

**14. Trade and other payables**

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (audited)
Trade payables	19,114	20,660
Other payables and accruals	53,369	32,520
Amount due to non-controlling interests	4,962	4,705
Sale deposits received	7,380	8,121
	<b>84,825</b>	66,006



#### 14. Trade and other payables (Continued)

The ageing analysis of the trade payables based on invoice date were as follows:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (audited)
Within 1 month	<b>2,072</b>	4,905
After 1 month but within 3 months	<b>155</b>	249
After 3 months but within 6 months	<b>5,108</b>	4,058
After 6 months but within 1 year	<b>728</b>	3,699
After 1 year	<b>11,051</b>	7,749
	<b>19,114</b>	20,660

#### 15. Operating lease commitments

##### As lessee

At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (audited)
Within 1 year	<b>2,184</b>	4,279
After 1 year but within 5 years	<b>1,274</b>	1,903
	<b>3,458</b>	6,182

#### 16. Comparative amounts

The comparative consolidated statement of comprehensive income has been re-presented as if operations discontinued during the current period had been discontinued at the beginning of the comparative period.

## 17. Business Combination

On 30 December 2016, the Group entered into an agreement (the "Agreement") with an independent third party (the "Vendor") to purchase 50% equity interest in Pacific Fertility Institutes Holding Company Limited and its subsidiaries ("PFI Group") at a total consideration of HK\$175,500,000. The acquisition was completed on 31 March 2017 which is also the acquisition date ("Acquisition Date") for accounting purpose. PFI Group is engaged in the fertility medical treatment services business. Through the acquisition, the Group is able to expand its medical business.

**Acquirees'  
fair value at  
acquisition date**  
HK\$'000

Assets acquired and liabilities recognised at the date of acquisition were as follows:

Property, plant and equipment	2,102
Intangible asset	178,467
Inventories	503
Trade and other receivables	3,577
Bank balances and cash	8,053
Derivative financial asset	10,470
Trade and other payables	(2,339)
	<hr/>
Net assets	200,833
Goodwill arising on acquisition	150,167
Non-controlling interests	(175,500)
	<hr/>
Total consideration	175,500
	<hr style="border-top: 2px solid blue;"/>
Total purchase consideration satisfied by:	
Issue consideration shares	175,500
	<hr style="border-top: 2px solid blue;"/>
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	8,053
	<hr style="border-top: 2px solid blue;"/>

## 17. Business Combination (Continued)

On 28 April 2017, the Group entered into an agreement (the "Agreement") with an independent third party (the "Vendor") to purchase 52.02% equity interest in Hainan Yinkai Medical Investment Company Limited ("Hainan Yinkai") at a total consideration of RMB 20,808,000 (equivalent to approximately HK\$23,726,000.) The acquisition was completed on 30 April 2017 which is also the acquisition date ("Acquisition Date") for accounting purpose. Hainan Yinkai is engaged in hospital investment and management, investment in medical project, medical technology development business. Through the acquisition, the Group is able to expand its medical business.

	<b>Acquirees' fair value at acquisition date</b>
	HK\$'000
Assets acquired and liabilities recognised at the date of acquisition were as follows:	
Trade and other receivables	34,777
Bank balances and cash	10,834
Trade and other payables	(2)
	<hr/>
Net assets	45,609
Non-controlling interests	(21,883)
	<hr/>
Total consideration	<u>23,726</u>
Total purchase consideration satisfied by:	
Cash consideration	<u>23,726</u>
Net cash inflow arising on acquisition:	
Cash consideration	(10,064)
Repayment of the debt obligation	(11,336)
Payment for the unpaid capital	(2,326)
Bank balances and cash acquired	10,834
	<hr/>
Net cash outflow on acquisition of subsidiary	<u>(12,892)</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and Business Review

During the six months ended 30 June 2017, the Group recorded a turnover of approximately HK\$25,627,000, representing a decrease of 20.78% as compared to HK\$32,349,000 for the six months ended 30 June 2016. Gross profit for the period increase to approximately HK\$15,945,000 (six months ended 30 June 2016: HK\$11,016,000). Gross profit ratio for the period increased to 62.21% (six months ended 30 June 2016: 34.05%). The increase of gross profit ratio was in line with the increase in new segment of fertility medical treatment with gross profit ratio 67.86%. The Group's loss attributable to owners of the Company for the period was approximately HK\$20,750,000 (six months ended 30 June 2016: loss HK\$20,917,000).

During the period under review, the Group has expanded its medical business in the provision of high-quality in-vitro fertilization medical treatment services to patients.

### Outlook

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

In view of the unsatisfactory performance of the Group's existing environmental related business and the prospect of the healthcare industry in the PRC, the Group has made a strategic move to enter into the PRC healthcare industry. In March 2017, the Group completed the acquisition of 50% equity interest in Pacific Fertility Institutes Holding Company Limited which, together with its subsidiaries, is principally engaged in the provision of high-quality in-vitro fertilization medical treatment services to patients, targeting primarily at patients from the United States, the Asia-Pacific region and the PRC. Its medical institution is located in Saipan.

The PRC government announced the two child policy in 2016. Furthermore, an notice had been announced by The National Health and Family Planning Commission of the PRC in September 2016 (the "Notice") in relation to facilitate the implement of 中共中央國務院關於實施全面兩孩政策改革完善計劃生育服務管理的決定 (Decision of the CPC Central Committee and The State Council on Implementing the Policy Reform of Universal Two-child Policy and Improving the Management of Family Planning Service\*) announced by The State Council of the PRC in December 2015. Before the issuance of the Notice, those infertile couples who would like to engage fertility medical treatment services were required to provide the 計劃生育證明 (Family Planning Certificate\*), a certificate issue by the local Health and Family Planning Commission, to the services provider as to verify their qualification for joining such treatment services. According to the Notice, infertile couples are not required to provide the Family Planning Certificate to fertility medical treatment services providers and hence the registration procedures of engagement of the treatment services has been simplified.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Building on the successful acquisitions momentum, the Company will continue to pursue further growth opportunities. This is most beneficial to us in the diversification and management of risks and reward, mitigating our exposure in any particular investment. Nonetheless, the Company will continue to adopt very strict financial discipline when analyzing prospective investments and will not approach them with a "must win" mentality.

The favorable policies in the PRC on fertility medical treatment industry, including (i) the development of fertility medical consultancy services was listed as priority of the Hebei Province Government; and (ii) the two child policy.

The Board considers that the acquisitions of in-vitro fertilization medical treatment services would enable the Group to further expand its medical business into the PRC market and expand the Group's source of revenue.

### Liquidity

The Group continued to maintain a liquid position. As 30 June 2017, cash and bank balances of the Group were approximately HK\$57,070,000 (31 December 2016: HK\$95,363,000).

As at 30 June 2017, the Group had total assets of approximately HK\$541,003,000 (31 December 2016: HK\$169,383,000) and total liabilities of approximately HK\$182,482,000 (31 December 2016: HK\$164,315,000). As at 30 June 2017, the current ratio was 1.30 (31 December 2016: 1.15).

The Group's borrowings and finance lease payables for the period amounted to approximately HK\$85,006,000 (31 December 2016: HK\$85,499,000). The Group's borrowings and finance lease payables are denominated in Renminbi, mainly comprise term loans bearing fixed and variable interest rates and an entrusted loan at fixed interest rate. The Group's gearing ratio, being the ratio of the total debts to total assets, was 15.71% (31 December 2016: 50.48%).

### Charge on Assets

As at 30 June 2017, the Group's bank deposits of HK\$327,000 (31 December 2016: HK\$755,000) was pledged with the banks to secure banking facilities granted to the Group.

### Foreign Currency Exposure

The Group had major investments, accounts receivable, bank balances, accounts payable and bank loans denominated in Renminbi, hence the Group had direct exposure to foreign exchange fluctuation. During the period under review, the Group did not use any foreign currency derivative product to hedge its exposure to currency risk. However, the management managed and monitored the exposure to ensure appropriate measures were implemented on a timely and effective manner.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Employees and Remuneration Policy

The total number of employees of the Group as at 30 June 2017 was 105 (31 December 2016: 95). The Group remunerates its employees based on their performance, work experience and the prevailing market price. 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 eligible Directors and employees of the Group to recognise their contribution to the success of the Group. The packages are reviewed annually by the management and the remuneration committee.

## ADDITIONAL INFORMATION

### Directors' and Chief Executive's Interest in Shares and Underlying Shares

As at 30 June 2017, the Directors and chief executive of the Company had the following interests or short positions 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")) 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

*Interests in issued shares of the Company*

Name of Director	Capacity	No. of ordinary shares interested	% of the Company's issued share capital
Xu Zhong Ping (note)	Interest held by a controlled corporation	1,200,000,000	32.87%
	Beneficial owner	<u>64,098,431</u>	<u>1.76%</u>
		1,264,098,431	34.63%
Xu Xiao Yang	Beneficial owner	20,000,000	0.55%

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 30 June 2017, 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.

## **ADDITIONAL INFORMATION** (Continued)

### **Share Options Scheme**

#### **2002 Share option scheme**

The Company's 2002 Share Option Scheme was adopted on 28 March 2001 and was terminated by a resolution passed by shareholders of the Company on 10 September 2010.

#### **2010 Share option scheme**

Pursuant to a resolution approved by the shareholders of the Company on 10 September 2010 (the "Effective Date"), the Company adopted a new share option scheme (the "2010 Share Option Scheme"), which is for the purpose 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.

Pursuant to the 2010 Share Option Scheme, the maximum number of shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the 2010 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the share in issue from time to time. The subscription price for shares in respect of any options granted under the 2010 Share Option Scheme will be a price determined by the Directors of the Company, in its absolute discretion, but in any case will not be lower than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet for trades in one or more board lots of Shares on the offer date; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date; and (iii) the nominal value of a share. 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. An option may be exercised in accordance with the terms of the 2010 Share Option Scheme at any time during a period as the Board may in its absolute discretion determine which shall not be more than 10 years from the date of grant of the option and subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option. As at 30 June 2017, no share option had been granted, cancelled or lapsed under the 2010 Share Option Scheme. A summary of the principal terms and conditions of the 2010 Share Option Scheme are set out in Appendix to the circular of the Company dated 25 August 2010 and in the section "Report of the Directors" on pages 26 of the 2016 Annual Report of the Company respectively.

**ADDITIONAL INFORMATION** (Continued)**Substantial Shareholders' Interests in Shares**

As at 30 June 2017, 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:

	<b>Capacity</b>	<b>No. of ordinary shares of the Company interested</b>	<b>% of the Company's issued shares capital</b>
Gentle International Holdings Limited ("Gentle")	Beneficial owner	1,200,000,000	32.87
Classy Jade Limited	Interest of a controlled corporation (Note)	1,200,000,000	32.87
Xu Zhong Ping	Interest of a controlled corporation (Note)	1,200,000,000	32.87

Note: Classy Jade Limited owns 60% of the issued share capital of Gentle. 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 30 June 2017, 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.

**Important Event during the period**

Reference is made to announcement of the Company dated 28 April 2017. Terms used hereinafter shall have the same meaning as defined in the above announcements.

The Board considers that on 28 April 2017 the acquisition of the approximately 52.02% equity interest in the Target Company pursuant to the Agreement would enable the Group to further expand its medical business into the PRC market and expand the Group's source of revenue.

**Purchase, Redemption or Sale of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.



## **ADDITIONAL INFORMATION** (Continued)

### **SUBSEQUENT EVENTS**

Reference is made to announcements of the Company dated 25 July 2017. Terms used hereinafter shall have the same meaning as defined in the above announcements.

On 25 July 2017, the Company entered a major transaction in relation to the acquisition of the entire issued share capital in UBABY HOLDINGS INC. involving the issue of convertible bonds under specific mandate.

#### **Corporate Governance**

The Company recognises 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 has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the six months ended 30 June 2017 except for the code provisions in respect of A.4.1. Details of the deviations from code provisions A.4.1 in respect of service term of the non-executive Directors is explained in the section "Corporate Governance" on pages 12 of the 2016 Annual Report respectively.

#### **Model Code for Securities Transactions**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct in respect of Directors' dealings in the Company's securities. Specific enquiry has been made of all the Directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

#### **Audit Committee**

The Company's audit committee is composed of three independent non-executive Directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2017.

#### **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 interim report.

#### **Acknowledgement**

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our employees for their dedication and our shareholders for their unwavering support to the Company.

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