CETH

China Environmental Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 646

ANNUAL REPORT 2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Xu Zhong Ping *(Chairman)*
Ms. Hu Yueyue

NON-EXECUTIVE DIRECTORS:

Mr. Ma Tianfu
Mr. Xu Xiao Yang

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

Withers LLP
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
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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 646

PRINCIPAL BANKERS

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 2018.

In 2018, the Group was a year of great surprise and great challenges. After the Group invested heavily in health related products and services, the development of the entire business unit was hindered due to the improper behavior or misconduct of some individual Group's executives. It is timely to find and take active measures to stop the loss, and strengthen internal control to protect the interests of shareholders and prepare for future development. At the same time, the Group's original traditional wastewater treatment business achieved rapid growth during the year. Development has tended to develop in large-scale engineering business and diversified business. The development of benign development has attracted the attention of new investors. The Group has reason to invest more resources in the future. Support and seek new investment opportunities in the wastewater treatment sector.

The strong pass of the enemy is like a wall of iron, yet with firm strides, we are conquering its summit ("雄關漫道真如鐵，而今邁步從頭越"). I believe that with the efforts of the team and the support of partners, the company's business will be greatly improved, we do not forget the initial heart, the solid foundation of each business, bigger and stronger.

Meanwhile, I would like to take this opportunity to express my appreciation for the great support to me in various tasks from the Company's shareholders and directors (excluding Mr. Xu Xiao Yang) and the Group's business partners, management personnel and all staff in the previous year.

On behalf of the Board
Mr. Xu Zhong Ping
Chairman

Hong Kong, 29 April 2019

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2018, the Group recorded a revenue of approximately HK$49,443,000 (2017: approximately HK$72,668,000), representing a decrease of about 31.96% compared to that of 2017. The Group's loss attributable to owners of the Company was approximately HK$309,054,000 (2017: approximately HK$64,379,000), representing an increase of about 380.05% as compared to that of 2017. Gross profit margin was approximately 20.3% as compared to 47.5% in last year.

BUSINESS REVIEW

FOR WASTEWATER TREATMENT

Beijing Jingrui Kemai Water Purification Technology Co., Ltd. ("Jingrui"), the key subsidiary of the Group's environmental protection business, achieved a 74% growth in revenue in 2018 with orders of more than 61 million in municipal wastewater, black odor water treatment and industrial wastewater. Among them, there are 3 projects with a scale of 100,000 tons or above. One of the project is a 200,000 tons project for the enhanced denitrification project for Shaoxing Jiangbin Wastewater Treatment Plant, which is also the commercial project of magnetic coagulation of the largest industrial wastewater treatment plant in China. Up to now, Jingrui supplied more than 2.3 million tons of equipment processing capacity. Benefiting from technical maturity and market acceptance, Jingrui is the only author to set the national standard <Safety Technical Regulations for Operation and Maintenance of Equipment for Urban Wastewater Treatment> Magnetic Coagulation Technology in the People's Republic of China.

FOR HEALTH RELATED PRODUCTS AND SERVICES

Since the acquisition of PFI Cayman, the health related products and services sector showed an ideal financial performance in 2017, which the Directors of the Company considered it was time to expand its investments in the health related products and services sector. Accordingly, starting from the beginning of 2018, the Group increased its borrowings to finance its increasing investment in the health related products and services sector. Unfortunately, due to the wrongdoings and / or misconduct of some of the Group's executives, instead of having better performance from the health related products and services sector in 2018, the revenue of this sector sharply decreased while suspect misappropriation of funds were found in this sector. Accordingly, the health related product and service sector was running short of operating funds and a number of operations in this sector were at net liabilities situations. The Group had taken urgent measures, which includes the establishment of a task force to manage this sector and engaged a team of professional consultants to advice the task force to take immediate and effective remedial measures to minimize the losses and recover those losses that have already occurred.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

FOR WASTEWATER TREATMENT

Thanks to the leadership of the People's Republic of China which placed environmental protection as one of the key initiatives of China, the wastewater treatment market continues to prosper. The Company's leading position in the core technology of magnetic concrete treatment is further strengthened by increasing its research and marketing capabilities. Further, with the cooperation with other technology companies, the focus is on the combination of magnetic coagulation technology and aerated biological filter technology, advanced oxidation technology and denitrification deep bed technology. The wastewater treatment business is expected to continue to maintain double-digit high growth.

FOR HEALTH RELATED PRODUCTS AND SERVICES

In 2018, although the Group faced enormous challenges and suffered setbacks in the health related products and services sector, it has taken active measures. In the future, the Group will review the lessons learned from investment errors in this sector, reduce losses by revitalizing existing health related assets, liquidating unprofitable assets, and prosecuting compensation for persons who may be involved in wrongdoings and misconduct through civil litigation. For the Beijing INNOMED Women's and Children's Hospital, which is still held by the Group, it will introduce new partners, and through long-term cooperation with powerful institutions, joint professional medical industry funds, professional medical investment institutions and medical management groups to seek equity restructuring to achieve realizing assets or increasing the value of equity to compensate for the losses previously caused in the health related product and service field, and to expand and realize the increase in the value of equity in health related projects.

CONCLUSION

Based on the rapid growth of the Group's traditional environmental protection business, more resources will be invested in environmentally-friendly and related industries with strong growth and profitability in the future. The Group is also actively exploring with domestic business partners including China Daisy Asset Management Co., Ltd. and other well-known domestic investment institutions that are optimistic about the future development of the Group, and expanding cooperation and investment in environmental protection and related industries in a more comprehensive and flexible manner. At the same time, the Group continues to pay attention to opportunities in various segments of the environmental protection market, focusing on active research and participation in hotspots such as environmentally friendly new materials, solid waste treatment, smart water, environmental big data, and environmental protection industrial parks, through in-depth cooperation with intent investment institutions. Expand the market share of environmental protection business by means of cooperative alliances and mergers and acquisitions.

MANAGEMENT DISCUSSION AND ANALYSIS

EMOLUMENT POLICY

As at 31 December 2018, the Group had 61 employees (2017: 96 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 2018, the total cash and bank balances of the Group were approximately HK$4,981,000 (2017: approximately HK$83,379,000). The cash and bank balances consisted of about 13.4% in Hong Kong dollars, 60.3% in Renminbi, 0.1% in US dollars and 26.2% Singapore dollars.

As at 31 December 2018, the Group had total assets of approximately HK$146,700,000 (2017: approximately HK$411,113,000) and total liabilities of approximately HK$354,408,000 (2017: approximately HK$286,571,000). As at 31 December 2018, the current ratio was 0.21 (2017: 0.83), calculated on the basis of current assets of approximately HK$63,648,000 (2017: approximately HK$206,936,000) over current liabilities of approximately HK$305,295,000 (2017: approximately HK$250,791,000).

The Group's borrowings amounted to approximately HK$125,791,000 (2017: approximately HK$88,321,000). The Group's borrowings are denominated in Renminbi, Hong Kong dollars and United Stated dollars, bearing fixed interest rates / coupon rate. The Group's gearing ratio, being the ratio of the total debts to total assets, was 85.75% (2017: 21.48%).

CHARGE ON ASSETS

As at 31 December 2018 the restricted deposit of the Group amounting to approximately HK$343,000 will be paid to customer once the Company breach of contract.

DETAILS REGARDING THE QUALIFIED OPINION ISSUED IN THE ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. DECONSOLIDATION OF THE PACIFIC FERTILITY INSTITUTES HOLDING COMPANY LIMITED AND ITS SUBSIDIARIES

a. *No objective audit evidence available to accurately verify the exact time of the Company's lost of control over PFI Cayman*

Due to the occurrence of certain triggering events in 2018 and 2019 as described below, the Group is no longer able to exercise control over the assets and operations over PFI Cayman Group.

— *Background of PFI Cayman Group*

The Company, through INNOMED Group acquired 50% shareholding interests in PFI Cayman on 31 March 2017 from Pacific Fertility Institutes Holdings Company Limited, a company incorporated in the British Virgin Islands which is ultimately wholly owned by Mr. Leon Li (the "Acquisition"). PFI Cayman was indirectly owned as to 50% by the Company and 50% by Mr. Leon Li. Upon the completion of the Acquisition, INNOMED Group appointed two new directors to the board of directors of PFI Cayman to gain majority control. In this regard, PFI Cayman was considered as a subsidiary of the Company since the completion of Acquisition.

— *Leon Li incident*

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

— *Xu Xiao Yang incident*

Since Mr. Leon Li is the sole director of PFI HK, the Directors of the Company has tried to effect the removal of his directorship in PFI HK as well as to appoint new directors to oversee the daily operations by put through a board resolutions at the board of directors of PFI Cayman (in its capacity as the sole shareholder of PFI HK). As at 12 April 2019, PFI Cayman have two directors, namely Mr. Xu Zhong Ping (our Chairman) and Mr. Xu Xiao Yang (our former chief executive officer and former executive Director who was removed from the office of chief executive officer and re-designated as a non-executive Director on 17 January 2019), both appointed to the board of directors of PFI Cayman by INNOMED Group upon the completion of the Acquisition pursuant to the terms of the sale and purchase agreement of the Acquisition to safeguard the Company's interests. However, to the surprise of all other Directors of the Company, Mr. Xu Xiao Yang repeatedly refused to act in accordance with the Board's decision. Additionally, without the consent of the Company and the authorisation of the board of directors of PFI Cayman, Mr. Leon Li by himself, appointed three additional directors to the board of directors of PFI HK on the exact same date he was sentenced.

— *Impact on the Group*

Given that (i) the management deadlocks in PFI Cayman at both shareholders level and board level are unlikely to be resolved in the foreseeable future and (ii) the Company lost its control over PFI Cayman and its subsidiaries due to the uncooperative and irresponsible behaviour of Mr. Xu Xiao Yang despite the fact that the Directors of the Company has taken all reasonable steps and has its best endeavours to resolve the matter, the other Directors of the Company resolved that the Group no longer had the power to control the financial and operating policies of PFI Cayman, and the control over PFI Cayman was lost. Accordingly, the Directors of the Company is of the view that PFI Cayman Group should no longer be considered as subsidiaries of the Company and therefore should not be consolidated into the Group's financial statements for full financial year ended 31 December 2018.

The management of the Company, to their best estimate, considered the date of deconsolidation was from 1 January 2018. But due to the inherent limitation, no such objective verifiable evidence could be provided to satisfy the Company's auditors, ZHONGHUI ANDA CPA Limited ("ZHONGHUI") as to whether the date on which the Company had lost control of PFI Cayman Group since 1 January 2018 or any dates afterwards.

2. LIMITED ACCOUNTING BOOKS AND RECORDS OF SUBSIDIARY OF PACIFIC FERTILITY INSTITUTES (SINGAPORE) PTE LTD. ("PFI SINGAPORE")

a. *Judicial managers appointed for PFI Singapore*

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

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

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

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

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

On 15 April 2019, the Singapore courts appointed the Interim Judicial Managers as Judicial Managers.

b. *Insufficiency of supporting documentation and explanations for accounting books and records in respect of PFI Singapore*

In preparing the auditor's report, ZHONGHUI has been permitted by the Interim Judicial Managers to go to the premises of PFI Singapore to review the books and records the Interim Judicial Managers had collected. However, due to wrongdoings and misconduct by certain senior management of PFI Singapore, certain bank account records of PFI Singapore were missing, and although the Interim Judicial Manager has requested relevant bank to reproduce the missing records, the Interim Judicial Managers were not able to obtain the missing records from the relevant bank up until the date of this report. On the other hand, since all employees of PFI Singapore have been dismissed, ZHONGHUI cannot get explanations for certain accounting books and records.

MANAGEMENT DISCUSSION AND ANALYSIS

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of PFI Singapore for the year ended 31 December 2018, ZHONGHUI were unable to carry out necessary audit procedures as to whether the following income and expenses for the year ended 31 December 2018 and the assets and liabilities as at 31 December 2018, and the segment information and other related disclosure notes in relation to the Group, have been properly recorded and accounted for in the consolidated financial statements:

Income and expenses for the year ended 31 December 2018:

	2018 HK$'000
Revenue	3,078
Cost of sales	(1,155)
Gross profit	1,923
Other income	250
Administrative expenses	(5,369)
Write-off property, plant and equipment	(40,103)
Impairment loss on other receivables	(4,486)
Loss and total comprehensive expenses for the year	(47,785)

Assets and liabilities as at 31 December 2018:

	2018 HK$'000
Current assts	
Trade and other receivables	104
Bank and cash balances	281
	385
Current liabilities	
Trade and other payables	6,313
Net current liabilities	(5,928)
Net liabilities	(5,928)

3. IMPAIRMENT LOSS ON OTHER RECEIVABLES

a. Background of the RMB20 million receivable from Beijing Capital (the "Receivable")

On 19 December 2014, Fanhe (Beijing) Water Utilities Investment Management Co. Ltd (凡和(北京)水務投資管理有限公司) ("Fanhe"), a wholly-owned subsidiary of the Company in the PRC, entered into a share transfer agreement with Beijing Capital Co., Ltd. (北京首創股份有限公司) ("Beijing Capital") (the "Share Transfer Agreement"), pursuant to which Fanhe agreed to sell, and Beijing Capital agreed to acquire, 100% equity interests in Fanhe Hulu, a wholly-owned subsidiary of Fanhe, for a total consideration of RMB102 million (the "Consideration"), subject to the fulfilment of the relevant conditions precedent set out therein (the "Acquisition").

As of the date of the announcement of annual results for the year ended 31 December 2017, Fanhe has received RMB82 million out of RMB102 million from Beijing Capital as part of the Consideration. Pursuant to the Share Transfer Agreement, the remaining RMB20 million of the Consideration was to be settled by Beijing Capital upon (i) completion of the reconstruction project of Fanhe Hulu (the "Project"); (ii) determination of the total amount incurred on the Project; and (iii) the Project successfully obtaining environmental approvals from the relevant governmental authority. On 18 May 2017, the Company received a letter from Fanhe Hulu, whereby Fanhe Hulu notified the Company that an independent auditor was to be engaged for the audit work on the Project and the Company agreed to such engagement (the "Completion Audit").

On 7 March 2018, ZHONGHUI requested for a written confirmation in relation to the receivable from Beijing Capital (the "Audit Confirmation"). On 8 March 2018, the Company further requested for a written confirmation in relation to the Project's completion progress from Beijing Capital (the "Progress Confirmation", together with the Audit Confirmation, the "Confirmations"). Despite their effort and follow-up, ZHONGHUI and the Company were not able to receive the written response from Beijing Capital in relation to the Confirmations up until the date of the Group's annual report for the year ended 31 December 2017. But at that time, the management of the Company was of the view that there was no issue on the recoverability of the Receivable given the reasons set out in the annual report for the year ended 31 December 2017.

In the year ended 31 December 2018, the Group has inquired Beijing Capital for several times about the completion progress of the Project and the Completion Audit. However, Beijing Capital did not respond to the Company's inquiries. Based on this situation, the management of the Company concluded that it was probable that Beijing Capital would not make payment of the Receivable and recorded an impairment loss amounted to approximately HK$23,728,000 in the year ended 31 December 2018.

c. ***Lack of sufficient audit evidence as to the recoverability of the Receivable and in which year the impairment loss should be recorded***

Since ZHONGHUI and the Company did not received any written response from Beijing Capital in relation to the Confirmations, the consolidated financial statements of the Group for the year ended 31 December 2017, which formed the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because ZHONGHUI unable to obtain sufficient appropriate audit evidence as to the recoverability of the Receivable and whether any allowance for non-recovery of the amount should be made in the consolidated financial statements for the year ended 31 December 2017.

In consideration of the impairment loss amounting to approximately HK$23,728,000 recorded by the Group in the year ended 31 December 2018, ZHONGHUI are satisfied that the Group's other receivables as at 31 December 2018 are fairly stated. However, since Beijing Capital did not respond to either the requests for Confirmations or the Group's inquiries afterwards, ZHONGHUI consider that there are not sufficient audit evidence as to whether the impairment loss should be recorded in the year ended 31 December 2018 or the year ended 31 December 2017.

d. ***Onerous Contract***

Due to the inherent uncertainties in respect of the Group's restructuring during the year and lack of historical and practical reference on the Group's operating performance in its new business operation in women's and children's hospital, ZHONGHUI have not been unable to obtain robust supportable evidence for them to access whether the Group's 20-year long term non-cancellable lease contact of lease commitments HK$354,981,000 as at 31 December 2019 in relation to this new business is an onerous contract as defined under Hong Kong Accounting Standard 37. If that executory lease contract is an onerous contract, a provision is required to the extent for which the related unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received. Having said that, the Board is confident to manage this investment, including but not limited to, inviting new investors such as China Daisy Asset Management Co., Ltd., and engaging with experience professional hospital management group to manage this women's and children's hospital, in the hope to achieve profitability in the near future and to ensure this 20-year long term lease will not become onerous.

4. The Audit Committee has duly reviewed the audit modifications and discussed with ZHONGHUI regarding the Qualified Opinion during the Audit Committee meeting held on 29 April 2019. The Audit Committee has agreed with the management's position concerning the deconsolidation of PFI Group from 1 January 2018 as disclosed above.

5. The Company has been, and will continue in close contact with the Judicial Managers of PFI Singapore. The Judicial Managers have agreed to keep the Company updated of the status of PFI Singapore and send scanned copy of the bank account records they received from relevant bank to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Xu Zhong Ping, aged 56, 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.

Ms. Hu Yueyue, aged 39, is an executive Director of the Company. She has over 10 years experiences of investment and management in the healthcare sector. She has led many investment projects in the healthcare sector and relevant post-investment management. Ms. Hu started her career in sales and marketing with General Electric in Shenzhen. Before joining us, she served as a managing director of China Huarong International Holdings Limited in Hong Kong and was in charge of the private equity investment business department that primarily focus on healthcare sector. Prior to that, she served as a managing director in Golden Harmony Capital and was responsible for managing the company's investments. She also previously worked in New Horizon Capital in Beijing and was highly involved in investment, portfolio management and fundraising. Ms. Hu obtained a Bachelor degree from Tsinghua University, a Master degree from Yale University, and an MBA degree from Massachusetts Institute of Technology. Ms. Hu did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

NON-EXECUTIVE DIRECTOR

Mr. Ma Tianfu, aged 72, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu Xiao Yang, aged 51, is re-designed from an executive Director to a non-executive Director and be removed from the office of chief executive officer of the Company on 17 January 2019. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tse Chi Wai, aged 51, 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, the cheif financial officer 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 Winto Group (Holdings) Limited, a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited (stock code: 8238) since 24 January 2018, an independent non-executive director of Chong Kin Group Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1609) from January 2018 to August 2018, 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 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.

The following particulars relating to Mr. Tse are disclosed pursuant to Rule 17.50(2)(n)(iv) of the GEM Listing Rules:

In October 2017, based on findings made by the Listing Committee of the Stock Exchange ("Listing Committee") in respect of Sunac and on Sunac's acceptance, without admission of any liabilities and for the purpose of settlement, of the relevant findings, the Listing Committee censured Sunac for breaching Rule 2.13(2) of the Listing Rules for failure to ensure the announcements made in February 2015 and May 2015 were accurate and complete in all material aspects, and not misleading. Please refer to the Listing Committee's news issued on 26 October 2017 for further details.

Although Mr. Tse was an independent non-executive director of Sunac at the relevant time, Mr. Tse was not personally subject to any investigation process, disciplinary action or censure from the Listing Committee or any other competent authority in respect of the above matters.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Professor Zhu Nan Wen, aged 50, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Prof. Li Jun, aged 54, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 2018.

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 Board recognises that corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. The Company is committed to achieving and maintaining a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board is of the opinion that the Company has complied with all the code provisions, except for the deviation from provision A.2.1 and C.2.5 of the CG Code during the Year.

According to 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. Xu Xiao Yang (re-designed from an executive Director to a non-executive Director on 17 January 2019), 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.

Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place. The Board will continue to review its corporate governance practices, including but not limited to, engage external professional firm to review and provide recommendations to its current internal control systems and the formal establishment of internal audit department, in order to enhance its corporate governance standard, to comply with regulatory requirements and to meet the growing expectations of the shareholders of the Company and investors.

CORPORATE GOVERNANCE REPORT

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 seven Directors, including two 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)*
Ms. Hu Yueyue

Non-Executive Directors:

Mr. Ma Tianfu
Mr. Xu Xiao Yang *(re-designated on 17 January 2019)*

Independent Non-Executive Directors:

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

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 2018, 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. 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 2018, 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 28 June 2019.

A circular containing detailed information of the Directors standing for re-election at the annual general meeting to be held on 28 June 2019 shall be sent to the shareholders on or about 30 May 2019.

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 2018, 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 2018, 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 2018.

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.

During the year, the Board recognised that there were signs indicating internal controls were not properly in place in PFI Cayman Group, and evidences that certain senior management might have wrongdoings and misconduct in their roles. As such, the Board set up a task force consisted of all independent non-executive directors and external professionals to investigate the Health related products and services segment entirely for any deficiency in internal controls and possible fraudulent actions. Unfortunately based on the investigation findings, there were suspected wrongdoings or misconducts by certain members of the management, and there were deficiencies in internal control in both PFI Cayman Group and PFI Singapore. As disclosed in the financial statements, PFI Cayman Group is now deconsolidated from the Group and PFI Singapore is under judicial management. The Board will continue its investigation in the possible wrongdoings and misconducts by certain members of the management and will consider to take legal action against the concerned individuals to mitigate the loss incurred.

CORPORATE GOVERNANCE REPORT

Other than PFI Cayman Group and PFI Singapore, the Board conducted and was satisfied with the result of a review of the effectiveness of the system of internal control of the Group.

In the coming year, the Board shall engage external professional firm to review its current internal control systems and shall implement all necessary changes, including but not limited to, the formal establishment of internal audit department, in order to enhance the Company's internal control system and minimize the occurrence of situations similar to PFI Cayman Group and PFI Singapore.

AUDIT COMMITTEE

As at 31 December 2018, 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 2017; and the interim results for the period ended 30 June 2018, 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 2018 and the attendance records are set out under "Directors' Attendance Records" on page 30.

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 44 to 49.

During the year ended 31 December 2018, 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$1,656,000
Non audit services	HK$ —
Total	HK$1,656,000

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 2018, 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 ten 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 2017 and interim results for the period ended 30 June 2018. 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 2018 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	10/10	—	—	—
Ms Hu Yueyue	0/1	9/10	—	—	—
Non-Executive Directors:					
Mr. Ma Tianfu	0/1	3/10	—	—	—
Mr. Xu Xiao Yang (re-designated on 17 January 2019)	0/1	9/10	—	—	—
Independent Non-Executive Directors:					
Mr. Tse Chi Wai	1/1	10/10	2/2	1/1	1/1
Prof. Zhu Nan Wen	1/1	10/10	2/2	1/1	1/1
Prof. Li Jun	0/1	5/10	2/2	1/1	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 2018.

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 2018 are set out in note 15 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 2018.

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, development of medical information system and health related products and services. The details activities and other particulars of the subsidiaries are set out in note 41 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	29.17%
Five largest customers in aggregate	73.76%

Percentage of the Group's total Purchases	**Percentage of the Group's total Purchases**
The larger supplier	40.53%
Five largest suppliers in aggregate	64.06%

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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 50-51.

The Directors do not recommend payment of any dividend for the year ended 31 December 2018 (2017: Nil).

REPORT OF THE DIRECTORS

TRANSFER TO RESERVES

Loss attributable to owners of the Company, before dividends, of approximately HK$309,054,000 (2017: approximately HK$64,379,000) have been transferred to reserves. Other movements in reserves of the Company are set out in note 32 to the consolidated financial statements.

At 31 December 2018, 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 18 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)*
Ms. Hu Yueyue

NON-EXECUTIVE DIRECTORS

Mr. Ma Tianfu
Mr. Xu Xiao Yang *(re-designated on 17 January 2019)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Xu Xiao Yang will retire from the office as a non-executive Director at the forthcoming annual general meeting of the Company in accordance with Article 108(B) of the Articles of Association of the Company. Prof. Zhu Nan Wen and Prof. Li Jun will retire from the office as an independent non-executive Director at the forthcoming annual general meeting of the Company in accordance with the Article 108(B) 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.

REPORT OF THE DIRECTORS

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 2018 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	32.87%
	Beneficial owner	44,098,431	1.21%
		1,244,098,431	34.05%
Ms. Hu Yueyue	Beneficial owner	8,000,000	0.22%
Mr. 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 31 December 2018, 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 2018, 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 2018.

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.

REPORT OF THE DIRECTORS

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 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2018, 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	32.87
Classy Jade Limited	Interest of a controlled corporation *(Note 1)*	1,200,000,000	32.87
Mr. Xu Zhong Ping	Interest of a controlled corporation *(Note 1)*	1,200,000,000	32.87
Pacific Fertility Institutes Holding Company Limited ("**PFI**")	Beneficial owner *(Note 2)*	650,000,000	17.81
Options Inc	Interest of a controlled corporation *(Note 2)*	650,000,000	17.81
Leon Li	Interest of a controlled corporation *(Note 2)*	650,000,000	17.81

Note:

(1) 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.

(2) Options Inc. owns 100% of the issued share capital of PFI. Mr. Leon Li is the sole shareholder of Options Inc. and was therefore deemed to be interested in the said 650,000,000 shares held by PFI under Part XV of the SFO.

Save as disclosed above, as at 31 December 2018, 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 31 to the consolidated financial statements.

DEBENTURES 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 2018, the Group had 61 employees (2017: 96 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 2018 and 2017.

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 Group as at 31 December 2018 are set out in notes 28 and 29 to the consolidated financial statements.

REPORT OF THE DIRECTORS

CONTINGENT LIABILITIES

As at 31 December 2018, the Company has no any contingent liabilities.

FIVE YEAR FINANCIAL 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 pages 123-124 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 announcements of the Company dated 17 January 2019, 5 March 2019, 22 March 2019, 29 March 2019, 12 April 2019, 14 April 2019, 16 April 2019 and 29 April 2019. 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 2018 is set out under the section headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report on pages 3 to 12.

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.

REPORT OF THE DIRECTORS

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.

REPORT OF THE DIRECTORS

The consolidated financial statements of the Group for the year ended 31 December 2018 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, 29 April 2019

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

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

QUALIFIED 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 50 to 122, which comprise the consolidated statement of financial position as at 31 December 2018, 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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 QUALIFIED OPINION

1. **Deconsolidation of Pacific Fertility Institutes Holding Company Limited ("PFI Cayman") and its subsidiaries (the "PFI Cayman Group")**

   As explained in note 2 to the consolidated financial statements, certain subsidiaries of the Company were deconsolidated from the Group since 1 January 2018.

   No sufficient evidence has been provided to satisfy ourselves as to whether the date on which the Company lost control of those subsidiaries was 1 January 2018 or any dates afterwards.

   In addition, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the year ended 31 December 2018 and the Group's financial position as at that date, and as to the accuracy of the loss on deconsolidation of subsidiaries of approximately HK$135,388,000 for the year ended 31 December 2018.

   Furthermore, no sufficient evidence has been provided to satisfy ourselves as to the classification and amount of the remaining investment in the PFI Cayman Group as at 31 December 2018.

2. **Limited accounting books and records of subsidiary of Pacific Fertility Institutes (Singapore) Pte Ltd. ("PFI Singapore")**

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of PFI Singapore for the year ended 31 December 2018, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the year ended 31 December 2018 and the assets and liabilities as at 31 December 2018, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been properly recorded and accounted for in the consolidated financial statements:

Income and expenses for the year ended 31 December 2018:

	2018 HK$'000
Revenue	3,078
Cost of sales	(1,155)
Gross profit	1,923
Other income	250
Administrative expenses	(5,369)
Write-off property, plant and equipment	(40,103)
Impairment loss on other receivables	(4,486)
Loss and total comprehensive expenses for the year	(47,785)

Assets and liabilities as at 31 December 2018:

	2018 HK$'000
Current assets	
Trade and other receivables	104
Bank and cash balances	281
	385
Current liabilities	
Trade and other payables	6,313
Net current liabilities	(5,928)
Net liabilities	(5,928)

3. Impairment loss on other receivables

The consolidated financial statements of the Group for the year ended 31 December 2017, which formed the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of the possible effects of the adequacy of the allowances made on certain other receivables as at 31 December 2017. Details of this qualified audit opinion are set out in the independent auditor's report dated 29 March 2018. In relation to the other receivables brought forward from prior year, the Group has recorded an impairment loss amounted to approximately HK$23,728,000 for the year ended 31 December 2018. We have not been provided with sufficient audit evidence as to whether the impairment loss should be recorded in the current year or prior year. However, we are satisfied that the other receivables are fairly stated as at 31 December 2018.

4. Onerous contract

Due to the inherent uncertainties in respect of the Group's restructuring during the year and lack of historical and practical reference on the Group's operating performance in its new business operation in women's and children's hospital, we have been unable to obtain robust supportable evidence for us to assess whether the Group's 20-year long term non-cancellable lease contract of lease commitments of approximately HK$354,981,000 as at 31 December 2018 in relation to this new business is an onerous contract as defined under Hong Kong Accounting Standard 37. If that executory lease contract is an onerous contract, a provision is required to the extent for which the related unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received.

Any adjustments to the figures as described from points 1 to 4 above might have consequential effects on the consolidated financial performance and consolidated cash flows for the two years ended 31 December 2018 and 2017 and the consolidated financial positions of the Group as at 31 December 2018 and 2017, and the related disclosures thereof in the consolidated financial statements.

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 qualified opinion.

MATERIAL UNCERTAINTY RELATED TO THE GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which states that the Group incurred loss attributable to owners of the Company of approximately HK$309,054,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group had net current liabilities and net liabilities of approximately HK$241,647,000 and HK$207,708,000 respectively. These conditions indicate a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matters described in the Basis for Qualified Opinion section and the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

CONSTRUCTION IN PROGRESS

Refer to Note 20 to the consolidated financial statements

The Group tested the amount of construction in progress for impairment. This impairment test is significant to our audit because the balance of construction in progress of approximately HK$62,313,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the competence, independence and integrity of the external valuer engaged by client;

— Obtaining the external valuation report and discuss with the external valuer to challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

— Checking key assumptions and input data in the valuation model to supporting evidence; and

— Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for construction in progress is supported by the available evidence.

TRADE AND OTHER RECEIVABLES

Refer to Note 24 to the consolidated financial statements

The Group tested the amount of trade and other receivables for impairment. This impairment test is significant to our audit because the balance of trade and other receivables of approximately HK$52,414,000 as at 31 December 2018 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 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.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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, 29 April 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
Revenue	7	**49,443**	72,668
Cost of sales		**(39,395)**	(38,169)
Gross profit		**10,048**	34,499
Other income	8	**1,625**	381
Other net gain/(loss)	9	**4,666**	(2,941)
Distribution costs		**(1,368)**	(799)
Loss on deconsolidation of subsidiaries	11	**(135,388)**	—
Impairment/write off various assets	14	**(111,470)**	(16,615)
Gain on disposal of subsidiaries	34	**9,082**	30
Administrative expenses		**(87,698)**	(63,784)
Loss from operations		**(310,503)**	(49,229)
Finance costs	12	**(16,218)**	(9,081)
Loss before tax	14	**(326,721)**	(58,310)
Income tax credit/(expenses)	13	**308**	(4,464)
Loss for the year		**(326,413)**	(62,774)
Other comprehensive income/(expenses) for the year, net of tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**3,794**	(7,046)
Exchange differences reclassified to profit or loss on disposal of an associates		**13**	—
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**526**	6
Exchange differences reclassified to profit or loss on deconsolidation of subsidiaries		**(12)**	—
		4,321	(7,040)
Total comprehensive expenses for the year		**(322,092)**	(69,814)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(309,054)**	(64,379)
Non-controlling interests		**(17,359)**	1,605
		(326,413)	(62,774)
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		**(305,200)**	(73,424)
Non-controlling interests		**(16,892)**	3,610
		(322,092)	(69,814)
Loss per share	17		
— Basic (HK cent per share)		**(8.47)**	(1.84)
— Diluted (HK cent per share)		**(8.47)**	(1.84)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	At 31 December 2018 HK$'000	At 31 December 2017 HK$'000 (Restated)	At 1 January 2017 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	18	**2,400**	11,776	3,484
Intangible assets	19	**1,169**	79,645	3,927
Construction in progress	20	**62,313**	—	—
Prepayment for construction in progress	24	**14,233**	—	—
Deposits paid for property, plant and equipment	24	**—**	12,152	—
Goodwill	21	**2,937**	100,604	—
Interests in associates	22	**—**	—	—
		83,052	204,177	7,411
Current assets				
Inventories	23	**561**	5,817	4,498
Trade and other receivables	24	**38,181**	102,319	53,348
Contract assets and contract costs	25	**19,582**	15,421	13,298
Investments at fair value through profit or loss		**—**	—	93
Restricted and pledged bank deposits	26	**343**	—	755
Bank and cash balances	26	**4,981**	83,379	95,363
		63,648	206,936	167,355
Current liabilities				
Trade and other payables	27	**213,921**	162,311	69,406
Contract liabilities	25	**14,060**	14,327	15,125
Borrowings	28	**76,678**	65,571	61,013
Deferred revenue		**—**	—	221
Finance lease payables		**—**	—	1,736
Current tax liabilities		**636**	8,582	624
		305,295	250,791	148,125
Net current (liabilities)/assets		**(241,647)**	(43,855)	19,230
Total assets less current liabilities		**(158,595)**	160,322	26,641

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**At 31 December 2018 HK$'000**	At 31 December 2017 HK$'000 (Restated)	At 1 January 2017 HK$'000 (Restated)
Non-current liabilities				
Borrowings	28	**3,000**	22,750	22,750
Convertible bonds	29	**46,113**	—	—
Deferred tax liabilities	30	**—**	13,030	657
		49,113	35,780	23,407
NET (LIABILITIES)/ASSETS		**(207,708)**	124,542	3,234
Capital and reserves				
Share capital	31	**91,259**	91,259	75,009
Reserves	33	**(301,498)**	(11,648)	(64,805)
Equity attributable to owners of the Company		**(210,239)**	79,611	10,204
Non-controlling interests		**2,531**	44,931	(6,970)
TOTAL (DEFICIT)/EQUITY		**(207,708)**	124,542	3,234

The consolidated financial statements on pages 50 to 122 were approved and authorised for issue by the Board of Directors on 29 April 2019 and are signed on its behalf by:

Mr. Xu Zhong Ping
Director

Ms. Hu Yueyue
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Foreign currency translation reserve HK$'000	Other reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total (deficit)/ equity HK$'000
At 1 January 2017, as previously reported	75,009	243,661	(180)	11,295	7,442	—	(325,189)	12,038	(6,970)	5,068
Effect of changes in accounting policies (note 3)	—	—	—	86	—	—	(1,920)	(1,834)	—	(1,834)
At 1 January 2017, as restated	75,009	243,661	(180)	11,381	7,442	—	(327,109)	10,204	(6,970)	3,234
Loss/(profit) for the year	—	—	—	—	—	—	(64,379)	(64,379)	1,605	(62,774)
Other comprehensive (loss)/income for the year:										
— Exchange differences on translation of foreign operations	—	—	—	(9,051)	—	—	—	(9,051)	2,005	(7,046)
— Exchange differences reclassified to profit or loss on disposal of a subsidiary	—	—	—	6	—	—	—	6	—	6
Total comprehensive (expenses)/income for the year	—	—	—	(9,045)	—	—	(64,379)	(73,424)	3,610	(69,814)
Issue of consideration shares	16,250	126,750	—	—	—	—	—	143,000	—	143,000
Equity transaction with non-controlling shareholders of a subsidiary	—	—	—	—	—	—	(169)	(169)	169	—
Non-controlling interests arising from acquisition of subsidiaries	—	—	—	—	—	—	—	—	63,764	63,764
Dividends paid to non-controlling interests by a subsidiary	—	—	—	—	—	—	—	—	(15,642)	(15,642)
At 31 December 2017, as restated	91,259	370,411	(180)	2,336	7,442	—	(391,657)	79,611	44,931	124,542
At 1 January 2018, as previously reported	91,259	370,411	(180)	2,544	7,442	—	(386,024)	85,452	44,931	130,383
Effect of changes in accounting policies (note 3)	—	—	—	(208)	—	—	(5,633)	(5,841)	—	(5,841)
At 1 January 2018, as restated	91,259	370,411	(180)	2,336	7,442	—	(391,657)	79,611	44,931	124,542
Loss for the year	—	—	—	—	—	—	(309,054)	(309,054)	(17,359)	(326,413)
Other comprehensive income/(loss) for the year:										
— Exchange differences on translation of foreign operations	—	—	—	3,327	—	—	—	3,327	467	3,794
— Exchange differences reclassified to profit or loss on disposal of an associate	—	—	—	13	—	—	—	13	—	13
— Exchange differences reclassified to profit or loss on disposal of subsidiaries	—	—	—	526	—	—	—	526	—	526
— Exchange differences reclassified to profit or loss on deconsolidated of subsidiaries	—	—	—	(12)	—	—	—	(12)	—	(12)
Total comprehensive income/(expenses) for the year	—	—	—	3,854	—	—	(309,054)	(305,200)	(16,892)	(322,092)
Issue of convertible bonds	—	—	—	—	—	15,350	—	15,350	—	15,350
Disposal of subsidiaries	—	—	—	—	—	—	—	—	12,521	12,521
Deconsolidation of subsidiaries	—	—	—	—	—	—	—	—	(38,029)	(38,029)
At 31 December 2018	91,259	370,411	(180)	6,190	7,442	15,350	(700,711)	(210,239)	2,531	(207,708)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(326,721)**	(58,310)
Adjustments for:		
Depreciation	**1,177**	1,613
Amortisation of intangible assets	**1,313**	12,607
Gain on disposal of a subsidiary	**(9,082)**	(30)
Gain on disposal of an associate	**(2,175)**	—
Impairment loss on trade receivables	**1,286**	12,567
Impairment loss on amount due from an associate	**238**	225
Fair Value change on a derivative financial asset	**—**	3,141
Write-down of obsolete inventories	**4,371**	544
Finance lease charges	**—**	29
Interest expenses	**16,218**	9,052
Interest income	**(195)**	(221)
Net loss on disposal of property, plant and equipment	**6**	—
Gain on sale and leaseback of property, plant and equipment	**—**	(228)
Write-off of property, plant and equipment	**40,103**	—
Loss on deconsolidation of subsidiaries	**135,388**	—
Write-off of contract assets and contract costs	**—**	3,823
Reversal of impairment loss on trade receivables	**(2,491)**	—
Write off of other receivables	**69,843**	—
Loss on financial assets at fair value through profit or loss	**—**	28
Exchange difference	**(963)**	—
Operating cash flows before working capital changes	**(71,684)**	(15,160)
Change in inventories	**323**	(1,891)
Change in contract assets and contract costs	**(4,962)**	(5,946)
Change in trade and other receivables	**(15,234)**	(19,231)
Change in contract liabilities	**468**	(798)
Change in trade and other payables	**72,595**	18,873
Cash used in operations	**(18,494)**	(24,153)
Finance lease charges paid	**—**	(29)
Net cash used in operating activities	**(18,494)**	(24,182)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVTIES		
Payment for purchase of property, plant and equipment	**(14,743)**	(4,443)
Payment for purchase of construction in progress	**(13,407)**	—
Prepayment for construction in progress	**(14,828)**	—
Proceeds from disposal of property, plant and equipment	**—**	91
Proceeds from disposal of Investments at fair value through profit or loss	**—**	65
Deposit paid for purchase of property, plant and equipment	**—**	(12,152)
Net cash outflow for disposal of subsidiaries	**(41)**	(7)
Net cash outflow for lost of deconsolidation of subsidiaries	**(5,952)**	—
Net cash inflow for disposal of an associate	**2,076**	—
Net cash outflow for acquisition of subsidiaries	**—**	(4,555)
Interest income received	**195**	221
Change in restricted and pledged bank deposits	**(343)**	755
Net cash used in investing activities	**(47,043)**	(20,025)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new bank loans	**—**	5,304
Proceeds from issue of convertible bonds	**—**	54,530
Repayment of bank loans	**—**	(5,345)
Repayment of finance lease payables	**—**	(1,792)
Dividends paid to non-controlling interests by a subsidiary	**—**	(15,642)
Transaction costs paid on issuance of convertible bonds	**(300)**	—
Interest paid	**(14,094)**	(2,945)
Net cash (used in)/generated from financing activities	**(14,394)**	34,110
Net decrease in cash and cash equivalents	**(79,931)**	(10,097)
Effect of change in foreign exchange rate	**1,533**	(1,887)
Cash and cash equivalents at beginning of year	**83,379**	95,363
Cash and cash equivalents at end of year	**4,981**	83,379
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**4,981**	83,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 41 to the consolidated financial statements.

At 31 December 2018, the directors of the Company (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. The immediate and ultimate parent company do not produce consolidated financial statements available for public use.

2. BASIS OF PREPARATION

Going Concern

The Group incurred loss attributable to owners of the Company of approximately HK$309,054,000 for the year ended 31 December 2018 and the Group had net current liabilities and net liabilities of approximately HK$241,647,000 and approximately HK$207,708,000 respectively as at 31 December 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, including:

(i) the Directors have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 December 2018. In the opinion of the Directors, the Group will have sufficient working capital to meet its financial obligations as and when they fall due and carry on its business without a significant curtailment of operations of not less than twelve months from 31 December 2018. Accordingly, the consolidated financial statements have been prepared on a going concern basis;

2. BASIS OF PREPARATION (Continued)

Going Concern (Continued)

(ii) there was an investor ("Investor") executed a letter in favour of the Company on 18 March 2019, pursuant to which the Investor expressed an intention to invest in the Company by making equity and/or debt investments, for an aggregate amount up to HK$150,000,000, and in any event not less than HK$60,000,000 within the next 6 months from the date of this letter. On 27 March 2019, the Company entered into a loan agreement with the Investor, pursuant to which the Investor agreed to grant to the Company a loan in the aggregate principal amount of HK$14,000,000, which is unsecured and repayable in full on 31 March 2022 or if such date is not a business day, the next business day;

(iii) on 27 March 2019, the Company entered into the loan agreement with China Daisy Finance Limited ("the Lender"), an independent third party, pursuant to which the Lender agreed to grant to the Company a loan in the aggregate principal amount of HK$40,000,000, which is unsecured and repayable in full on 27 March 2022 or if such date is not a business day, the next business day;

(iv) on 7 April 2019, INNOMED Group Limited ("INNOMED Group"), a wholly-owned subsidiary of the Company, has signed a cooperation agreement with the contractor of Beijing INNOMED Women's and Children's Hospital Co., Ltd. ("BIWCH"), a subsidiary of INNOMED Group, which stated that the contractor shall not request BIWCH to pay for construction work when due, but instead, both the contractor and INNOMED Group shall find new investors to invest in BIWCH to pay for such construction work. In any case, even there is no new investor to invest in BIWCH, the contractor shall not ask for repayment of the construction work on or before 6 July 2020;

(v) the Group's entrusted loan of approximately HK$56,928,000 as at 31 December 2018 were borrowed from an independent third party through commissioning a bank renewed on 26 March 2019. The lender has decided to extend the repayment of this entrusted loan, for which, half of the entrusted loan shall be repaid on or before 31 December 2019 while the other half to be repaid on or before 31 December 2020;

(vi) the Investor confirms to provide adequate working capital supporting to BIWCH as necessary to ensure its continuing operating for a period of at least fifteen months from 28 April 2019; and

(vii) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

Based on the cash flow projection of the Group and having taken into account the available financial resources of the Group and the above measures, the Directors consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION (Continued)

Going Concern (Continued)

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

Deconsolidation of subsidiaries

The consolidated financial statements have been prepared based on the books and records maintained by the Group. Referred to the Company's announcement of 5 March 2019 regarding the occurrence of certain triggering events, the Group is no longer able to exercise control over the assets and operations over Pacific Fertility Institutes Holding Company Limited ("PFI Cayman") and its subsidiaries (hereinafter collectively known as the "PFI Cayman Group"). The Directors considered that the control over the following subsidiaries had been lost since 1 January 2018. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group since 1 January 2018.

(1) Pacific Fertility Institutes Holding Company Limited

(2) Pacific Fertility Institutes (HK) Holding Company Limited

(3) Pacific Fertility Institutes Inc.

3. 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 (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

Revenue of the Group's construction contract was previously recognised using the percentage of completion method. Under HKFRS 15, such contracts do not meet the conditions of recognising the revenue over time. Revenue of such contracts is now recognised at a point in time when control of the products is transferred to the customers.

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	31 December 2017 HK$'000	1 January 2017 HK$'000
At 31 December 2017:		
Decrease in inventories	**5,097**	3,380
Decrease in trade and other receivables	**12,742**	4,535
Increase in contract assets and contract costs	**15,421**	13,298
Increase in trade and other payables	**1,258**	3,400
Increase in contract liabilities	**14,327**	15,125
Increase in accumulated losses	**5,633**	1,920
(Decrease)/increase in foreign currency translation reserve	**(208)**	86

	HK$'000
For the year ended 31 December 2017:	
Decrease in revenue	6,498
Decrease in cost of sales	2,785
Increase in loss for the year	3,713
Increase in exchange difference on translation loss of foregin operation	294
Increase in loss per share (HK Cent)	0.1

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 and revised 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.

4. 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, as modified by the revaluation of investments which are carried at their fair value.

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 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 5 to the consolidated financial statements.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

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.

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 acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, investments at fair value through profit or loss), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination and goodwill (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates (Continued)

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.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

c) *Translation on consolidation* (Continued)

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

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 consolidated profit or loss during the period in which they are incurred.

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

Leasehold improvements	Over the lease term
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.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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 consolidated profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Group as lessee

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.

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) Distribution channel

Distribution channel relationships acquired in a business combination are recognised at fair value at the acquisition date. The distribution channel has 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 distribution channel of 6 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified at financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables and contract assets or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables, and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible loans and the fair values assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

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.

Equity instruments

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

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised 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.

4. 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, 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.

4. 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;

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

(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);

(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 except goodwill, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets

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 consolidated 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 consolidated 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.

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.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These consolidated financial statements have been prepared on a going concern basis. Details are explained in note 2 to the consolidated financial statements.

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) Construction in progress

Construction in progress are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

b) 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.

c) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

d) Onerous contracts

The Directors estimated that the future cash flow of the Group could recover the Group's 20-year long term non-cancellable lease contract.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency 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 currency 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 monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2018 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, investments at fair value through profit or loss and restricted and pledged bank deposits, 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 and restricted and pledged bank deposits are 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.

6. FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

— internal credit rating;

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;

— actual or expected significant changes in the operating results of the customer;

— significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

c) 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.

6. FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity risk (Continued)

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

At 31 December 2018	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	199,717	—	—	199,717	199,717
Bonds	21,769	3,068	—	24,837	22,750
Entrusted loan	63,854	—	—	63,854	56,928
Convertible bonds	4,368	4,368	58,980	67,716	46,113
	289,708	7,436	58,980	356,124	325,508

At 31 December 2017	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	148,117	—	—	148,117	148,117
Bank loans	5,907	—	—	5,907	5,525
Bonds	1,593	20,966	3,068	25,627	22,750
Entrusted loan	12,785	62,481	—	75,266	60,046
	168,402	83,447	3,068	254,917	236,438

d) Interest rate risk

The Group's exposure to fair value interest rate risk arises primarily from the Group's interest-bearing borrowings and convertible bonds 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.

6. FINANCIAL RISK MANAGEMENT (Continued)

e) Categories of financial instruments at 31 December

	2018 HK$'000	2017 HK$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**30,538**	192,703
Financial liabilities:		
Financial liabilities at amortised cost	**325,508**	236,438

f) 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.

7. REVENUE

The Group's revenue is as follows:

	2018 HK$'000	2017 HK$'000
Sales of wastewater treatment machines and related services	**502**	3,321
Sales of goods	**41,723**	13,117
Wastewater treatment services	**4,140**	5,295
Health related products and services	**3,078**	50,935
	49,443	72,668

8. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Interest income on bank deposits	**195**	221
Foreign exchange gain	**963**	—
Others	**467**	160
	1,625	381

9. OTHER NET GAIN/(LOSS)

	2018 HK$'000	2017 HK$'000
Gain on disposal of an associate	**2,175**	—
Reversal of impairment loss on trade receivables	**2,491**	—
Loss on investments at fair value through profit or loss	**—**	(28)
Gain on sale and leaseback of property, plant and equipment	**—**	228
Fair value change on a derivative financial asset	**—**	(3,141)
	4,666	(2,941)

10. SEGMENT INFORMATION

The Group manages its business by divisions which are organised from the products/services 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 three reportable segments. No operating segments have 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.

iii. Health related products and services

This segment engages in the provision of health related products and 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 (loss)/profit represents the (loss) from/profit by earned 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 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) Disaggregation of revenue from contracts with customers:

Disaggregation of revenue from contracts with customers by major products or service and geographical location of customers is as follows:

	2018	2017
	HK$'000	HK$'000
Disaggregated by major products or service		
— Wastewater treatment and construction services	**4,140**	5,295
— Wastewater treatment equipment trading	**42,225**	16,438
— Health related products and services	**3,078**	50,935
Revenue from contracts with customers	**49,443**	72,668
Disaggregated by geographical location of customers		
— The PRC	**46,365**	71,593
— Island of Saipan, Commonwealth of Northern Mariana Islands ("CNMI")	**—**	1,075
— Singapore	**3,078**	—
	49,443	72,668

	Timing of revenue recognition					
	2018			2017		
	At a point in time	**Over time**	**Total**	At a point in time	Over time	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Wastewater treatment and construction services	**—**	**4,140**	**4,140**	—	5,295	5,295
Wastewater treatment equipment trading	**41,723**	**502**	**42,225**	15,306	1,132	16,438
Healthcare related products and services	**3,078**	**—**	**3,078**	50,935	—	50,935
Total	**44,801**	**4,642**	**49,443**	66,241	6,427	72,668

10. SEGMENT INFORMATION (Continued)

(a) Disaggregation of revenue from contracts with customers: (Continued)

Wastewater treatment and construction services

Revenue from wastewater treatment and construction services is recognised when the services are rendered.

Wastewater treatment and construction services to customers are normally made with credit terms of 30 days. A receivable is recognised when the services are rendered to the customers as this is the over time that the consideration is unconditional because only the passage of time is required before the payment is due.

Wastewater treatment equipment trading

The Group trading of wastewater treatment facilities and machineries and the provision for related services to the customers. The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. Sales are recognised when the acceptance is passed. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

The contract price is allocated to the performance obligations based on the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are determined by applying the expected cost plus a margin approach.

Health related products and services

Revenue from health related products and services to the customers is recognised when the services are rendered.

Health related products and services are normally made with credit terms of 30 days. A receivable is recognised when the services are rendered to the customers as this is the over time that the consideration is unconditional because only the passage of time is required before the payment is due.

10. SEGMENT INFORMATION (Continued)

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

	Health related products and services HK$'000	Wastewater treatment and construction services HK$'000	Wastewater treatment equipment trading HK$'000	Subtotal HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2018						
Revenue from customers	3,078	4,140	44,621	51,839	—	51,839
Intersegment revenue	—	—	(2,396)	(2,396)	—	(2,396)
Revenue from external customers	3,078	4,140	42,225	49,443	—	49,443
Segment loss	(278,676)	(2,661)	(23,357)	(304,694)	(22,027)	(326,721)
Interest income	105	22	67	194	1	195
Finance costs	—	—	7,463	7,463	8,755	16,218
Depreciation and amortisation	78	2,109	212	2,399	91	2,490
Write-down of inventories	—	—	4,371	4,371	—	4,371
Impairment loss of of trade receivables	21	1,265	—	1,286	—	1,286
Reversal of impairment loss on trade receivables	—	—	2,491	2,491	—	2,491
Write-off of other receivables	44,346	820	24,227	69,393	450	69,843
Impairment loss on amount due from an associate	—	—	238	238	—	238
Written off of property, plant and equipment	40,103	—	—	40,103	—	40,103
Gain on disposal of a subsidiary	—	—	9,082	9,082	—	9,082
Additions to property, and equipment	36,716	136	—	36,852	—	36,852
As at 31 December 2018						
Reportable segment assets	96,765	43,752	3,831	144,348		
Reportable segment liabilities	135,753	54,789	90,202	280,744		

10. SEGMENT INFORMATION (Continued)

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

	Health related products and services HK$'000	Wastewater treatment and construction services HK$'000	Wastewater treatment equipment trading HK$'000	Subtotal HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2017						
Revenue from external customers	50,935	5,295	16,438	72,668	—	72,668
Segment (loss)/profit	(4,965)	142	(35,802)	(40,625)	(17,685)	(58,310)
Interest income	64	—	140	204	17	221
Finance costs	—	31	7,457	7,488	1,593	9,081
Depreciation and amortisation	11,536	2,229	363	14,128	92	14,220
Write-down of inventories	—	474	70	544	—	544
Write-off of contract assets and contract costs	—	—	3,823	3,823	—	3,823
Gain on disposal of a subsidiary	—	—	30	30	—	30
Impairment loss on trade receivables	—	200	12,367	12,567	—	12,567
Additions to property, plant and equuipment	4,411	1,130	—	5,541	—	5,541
As at 31 December 2017						
Reportable segment assets	278,870	37,851	36,962	353,683		
Reportable segment liabilities	8,934	41,280	144,127	194,341		

10. SEGMENT INFORMATION (Continued)

(c) Reconciliations of reportable segment profit or loss:

	2018 HK$'000	2017 HK$'000
Total loss of reportable segments	**(304,694)**	(40,625)
Other losses, net	**—**	(28)
Unallocated amortisation and depreciation	**(91)**	(92)
Unallocated head office and corporate expenses	**(21,936)**	(17,565)
Consolidated loss before tax	**(326,721)**	(58,310)

(d) Reconciliations of reportable segment assets and liabilities:

	2018 HK$'000	2017 HK$'000
Assets		
Total assets of reportable segments	**144,348**	353,683
Unallocated		
— cash and cash equivalents and restricted deposits	**227**	55,771
— corporate assets	**2,125**	1,659
Consolidated total assets	**146,700**	411,113
Liabilities		
Total liabilities of reportable segments	**280,744**	194,341
Unallocated		
— current tax liabilities	**636**	8,582
— deferred tax liabilities	**—**	13,030
— corporate liabilities	**73,028**	70,618
Consolidated total liabilities	**354,408**	286,571

10. SEGMENT INFORMATION (Continued)

(e) Geographical information

The Group's revenue 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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**—**	—	**—**	174,842
The PRC	**46,365**	71,593	**83,052**	13,485
Island of Saipan, Commonwealth of Northern Mariana Islands ("CNMI")	**—**	1,075	**—**	1,685
Singapore	**3,078**	—	**—**	14,165
	49,443	72,668	**83,052**	204,177

(f) Revenue from major customers

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

	2018	2017
	HK$'000	HK$'000
Wastewater treatment equipment trading		
Customer A	**14,421**	—
Customer B	**8,193**	—
Customer C	**7,057**	—
Health products and services		
Customer D	**—**	7,880
Customer E	**—**	7,880
Customer F	**—**	9,908

11. LOSS ON DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 2 to these consolidated financial statements, the Directors considered that the control of PFI Cayman Group had been lost since 1 January 2018. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group since 1 January 2018.

Net assets of these subsidiaries as at the date of loss of control were as follows:

	HK$'000
Property, plant and equipment	1,685
Intangible assets	77,083
Goodwill	97,667
Inventory	684
Trade and other receivables	12,074
Bank and cash balances	5,952
Amount due from non-controlling interest	389
Trade and other payable	(1,476)
Current tax liabilities	(7,910)
Deferred tax liabilities	(12,719)
Net assets loss of control	173,429
Non-controlling interest	(38,029)
Release of exchange reserve	(12)
Loss on deconsolidation of subsidiaries	135,388
Net cash outflow arising on deconsolidation of subsidiaries:	
Cash and cash equivalents	5,952

12. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Finance lease charges	—	29
Interest expenses on:		
— Bank borrowings	266	425
— Entrusted loan	7,197	7,033
— Bonds	1,592	1,594
— Convertible bond	7,163	—
Total borrowing costs	16,218	9,081

13. INCOME TAX (CREDIT)/EXPENSES

Income tax has been recognised in consolidated profit or loss as following:

	2018 HK$'000	2017 HK$'000
Hong Kong Profits Tax		
— Provision for the year	—	6,032
Island of Saipan, CNMI Corporate Income Tax		
— Provision for the year	—	628
Deferred tax	(308)	(2,196)
Income tax (credit)/expenses	(308)	4,464

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2017. No provision for Hong Kong profits tax has been made as the Group has no assessable profit arising in Hong Kong for the year ended 31 December 2018.

Beijing Jingrui Kemai Water Purification Technology Company Limited, a wholly-owned subsidiary of the Company enjoys high-tech enterprise income tax benefit from 2018 to 2020 and the tax rate is 15%.

The Covenant of the CNMI provides for the imposition of the Internal Revenue Code of the United States as the local income tax. CNMI legislation provides for income tax rebates with descending graduated percentages ranging from 90% to 50% on local income tax on CNMI source income and takes progressive tax rate. The CNMI also imposes graduated (1.5% to 5%) Business gross revenue tax ("BGRT"). The legislation requires the payment of corporate income tax on CNMI source income only to the extent the pre-rebate income tax exceeds BGRT.

13. 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:

	2018 HK$'000	2017 HK$'000
Loss before tax	**(326,721)**	(58,310)
Notional tax on loss before tax, calculated at the rates applicable to losses in the tax jurisdictions concerned	**(60,951)**	(13,923)
Tax effect of		
— non-deductible expenses	**63,261**	14,047
— non-taxable income	**(2,403)**	(791)
— tax losses not recognised	**353**	4,281
— utilisation of previously unrecognised tax losses	**(568)**	(333)
— tax reduction	**—**	(202)
— effect of different tax rates of inter-company transactions	**—**	1,385
Income tax (credit)/expenses	**(308)**	4,464

14. LOSS BEFORE TAX

The Group's loss before tax is stated after charging the following:

	2018 HK$'000	2017 HK$'000
Amortisation of intangible assets*	**1,313**	12,607
Cost of inventories sold	**532**	130
Staff costs (including Directors' emoluments)		
– Salaries, wages and other benefits	**29,145**	20,466
– Pension costs-defined contribution plans	**3,375**	1,769
	32,520	22,235
Write-off of property, plant and equipment	**40,103**	—
Write-off of contract assets and contract liabilities	**—**	3,823
Impairment loss on trade receivables	**1,286**	12,567
Write-off of other receivables	**69,843**	—
Impairment loss on amount due from an associate	**238**	225
	111,470	16,615
Depreciation	**1,177**	1,613
Write-down of obsolete inventories (included in cost of sales)	**4,371**	544
Net loss on disposal of property, plant and equipment	**6**	—
Auditors' remuneration	**1,656**	1,100
Operating lease charges in respect of properties	**37,519**	26,242

* 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.

15. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

The remuneration of each Director is as follows:

	Year ended 31 December 2018 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	—	1,200	—	—	1,200
Mr. Xu Xiao Yang (note (c))	—	1,200	—	—	1,200
Ms. Hu Yueyue (note (b))	—	1,200	18	—	1,218
	—	3,600	18	—	3,618
Non-executive Directors					
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	120	—	—	—	120
	360	—	—	—	360
	600	3,600	18	—	4,218

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

(a) Directors' emoluments (Continued)

	Year ended 31 December 2017 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. Zhang Fang Hong (note (a))	—	—	—	—	—
Mr. Xu Xiao Yang (note (c))	—	1,950	—	—	1,950
Ms. Hu Yueyue (note (b))	—	1,660	—	—	1,660
	—	5,560	—	—	5,560
Non-executive Directors					
Mr. Cao Guoxian (note (a))	—	—	—	—	—
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	120	—	—	—	120
	360	—	—	—	360
	600	5,560	—	—	6,160

Notes:

(a) Retired on 29 May 2017.

(b) Appointed on 9 June 2017.

(c) Removed from the office of chief executive officer and re-designated from an executive director to a non-executive director on 17 January 2019.

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

(a) Directors' emoluments (Continued)

Executive Director, Zhang Fang Hong has agreed to waive of approximately HK$395,000 emoluments for the year ended 31 December 2017. Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the year.

(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 three (2017: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2017: two) individual are set out below:

	2018	2017
	HK$'000	HK$'000
Salaries and other emoluments	**1,981**	1,874
Retirement scheme contributions	**—**	—
Equity-settled share-based payments	**—**	—
	1,981	1,874

The emoluments fell within the following band:

	Number of individuals	
	2018	2017
HK$Nil — HK$1,000,000	**1**	2
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.

16. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: HK$Nil).

17. LOSS PER SHARE

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

	2018	2017
	HK$'000	HK$'000
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	**(309,054)**	(64,379)

Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**3,650,359**	3,491,866

Basic and diluted loss per share for the years ended 31 December 2018 and 2017 were the same as the respective basic loss per share because all potential dilutive ordinary shares would decrease the loss per share, therefore, is anti-dilutive.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2017	—	3,267	2,695	4,076	10,038
Exchange adjustments	157	305	121	262	845
Additions	4,123	1,098	250	70	5,541
Acquired through acquisition of subsidiaries	2,180	1,601	162	83	4,026
Disposals	—	—	—	(305)	(305)
At 31 December 2017 and 1 January 2018	6,460	6,271	3,228	4,186	20,145
Exchange adjustments	(55)	(233)	(94)	(191)	(573)
Additions	13,269	22,707	740	136	36,852
Transfer to construction in progress	(2,628)	—	—	—	(2,628)
Transfer to inventories	—	(229)	—	—	(229)
Deconsolidation of subsidiaries	(345)	(1,613)	(79)	(154)	(2,191)
Disposal of subsidiaries	—	—	(224)	(509)	(733)
Disposals	—	—	(137)	—	(137)
Written off	(16,701)	(22,707)	(695)	—	(40,103)
At 31 December 2018	—	4,196	2,739	3,468	10,403
Accumulated depreciation					
At 1 January 2017	—	954	2,450	3,150	6,554
Exchange adjustments	—	102	95	219	416
Charge for the year	134	990	105	384	1,613
Disposals	—	—	—	(214)	(214)
At 31 December 2017 and 1 January 2018	134	2,046	2,650	3,539	8,369
Exchange adjustments	—	(122)	(70)	(166)	(358)
Charge for the year	—	870	125	182	1,177
Transfer to inventories	—	(76)	—	—	(76)
Deconsolidation of subsidiaries	(134)	(304)	(13)	(55)	(506)
Disposal of subsidiaries	—	—	(192)	(280)	(472)
Disposals	—	—	(131)	—	(131)
At 31 December 2018	—	2,414	2,369	3,220	8,003
Carrying amount					
At 31 December 2018	—	1,782	370	248	2,400
At 31 December 2017	6,326	4,225	578	647	11,776

19. INTANGIBLE ASSETS

	Club memberships HK$'000 (Note)	Patent HK$'000	Distribution channel HK$'000	Total HK$'000
Cost				
At 1 January 2017	1,735	57,467	—	59,202
Exchange adjustments	131	4,342	—	4,473
Addition	—	—	88,095	88,095
At 31 December 2017 and 1 January 2018	1,866	61,809	88,095	151,770
Exchange adjustments	(97)	(3,209)	—	(3,306)
Deconsolidated of subsidiaries	—	—	(88,095)	(88,095)
At 31 December 2018	1,769	58,600	—	60,369
Accumulated amortisation and impairment losses				
At 1 January 2017	435	54,840	—	55,275
Amortisation charge	36	4,207	—	4,243
Exchange adjustments	79	1,516	11,012	12,607
At 31 December 2017 and 1 January 2018	550	60,563	11,012	72,125
Exchange adjustments	(32)	(3,194)	—	(3,226)
Amortisation charge	82	1,231	—	1,313
Deconsolidation of subsidiaries	—	—	(11,012)	(11,012)
At 31 December 2018	600	58,600	—	59,200
Carrying amount				
At 31 December 2018	1,169	—	—	1,169
At 31 December 2017	1,316	1,246	77,083	79,645

Note:

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

20. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 January 2017, 31 December 2017 and 1 January 2018	—
Additions	62,293
Transfer from leasehold improvements	2,628
Exchange adjustments	(2,608)
At 31 December 2018	62,313

21. GOODWILL

	Pacific Fertility Institutes HK$'000	**Beijing Jianbao Kangying** HK$'000 (Note)	**Total** HK$'000
Cost			
At 1 January 2017	—	—	—
Arising from business combination	97,667	2,937	100,604
At 31 December 2017, 1 January 2018 and 31 December 2018	97,667	2,937	100,604
Impairment			
At 1 January 2017, 31 December 2017 and 1 January 2018	—	—	—
Impairment during the year	—	—	—
Deconsolidation of subsidiaries	97,667	—	97,667
At 31 December 2018	97,667	—	97,667
Carrying amount			
At 31 December 2018	—	2,937	2,937
At 31 December 2017	97,667	2,937	100,604

21. GOODWILL (Continued)

Note:

The recoverable amount of the CGU has been determined based on the market approach (level 3 fair value measurements). Which have use the similar transaction. Several transaction with business scopes and operations similar to those of Beijing Jianbao Kangying were adopted as comparable transaction.

The change in the valuation method is mainly due to the Group considers that the market approach provide more reliable information about the recoverable amount as at 31 December 2018.

22. INTERESTS IN ASSOCIATES

	2018	2017
	HK$'000	HK$'000
Share of net assets	**—**	—

The particulars of the associate of the Group, which is unlisted, as at 31 December 2018, are as follows:

Name of associate	**Particulars of paid up registered capital**	**Proportion of ownership interest indirectly held by the Company**		**Principal activities**
		2018	2017	
Luyuan (Beijing) Environmental Equipment Co., Ltd. 綠源(北京)環保設備股份有限公司 ("Luyuan (Beijing)")	RMB5,000,000	**—**	35%	Trading and installation of environmental equipment
Bejing CETH Asset Management Co., Ltd ("Bejing CETH Asset Management") 北京中環科資本管理有限公司	RMB1,000,000	**49%**	49%	Asset management

22. INTERESTS IN ASSOCIATES (Continued)

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

	Beijing CETH Assets Management	
	2018	2017
	HK$'000	HK$'000
At 31 December		
Carrying amount of interests	**—**	—
For the year ended 31 December		
Loss for the year	**—**	—
Other comprehensive income	**—**	—
Total comprehensive income	**—**	—

On 19 July 2018, the Group disposed 35% equity interest in Luyuan (Beijing) to an independent third party of the Group at a consideration of RMB1,750,000. The gain of approximately HK$2,175,000 was recognised to the consolidated statement of profit or loss and other comprehensive income during the year.

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$412,000 (2017: approximately HK$13,000) and approximately HK$263,000 (2017: approximately HK$105,000), respectively.

As at 31 December 2018, the bank and cash balances of the Group' associate in the PRC denominated in RMB amounted to approximately HK$4,000 (2017: approximately HK$983,000). 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.

23. INVENTORIES

	2018	2017
	HK$'000	HK$'000
Raw materials	**561**	1,710
Finished goods	**—**	4,107
	561	5,817

24. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000 (Restated)
Trade receivables	**20,779**	49,046
Less: allowance for doubtful debts	**(4,898)**	(28,405)
	15,881	20,641
Other receivables	**13,850**	71,156
Prepayments and deposits	**8,150**	10,106
Prepayment for construction in progress	**14,233**	—
Deposits paid for property, plant and equipment	**—**	12,152
Amounts due from non-controlling interests	**—**	416
Amounts due from directors	**300**	—
	52,414	114,471
Analysed as:		
Current assets	**38,181**	102,319
Non-current assets	**14,233**	12,152
	52,414	114,471

Trade receivables are due in accordance with contract terms or within 1 month (2017: contract terms or within 2 months) from the date of billing.

As at 31 December 2018 and 2017, the ageing analysis of the trade receivables, based on the invoice date, and net of allowance were as follows:

	2018 HK$'000	2017 HK$'000
Within 2 months	**6,800**	19,383
More than 2 months but within 3 months	**—**	—
More than 3 months but within 12 months	**3,615**	1,258
More than 12 months	**5,466**	—
	15,881	20,641

24. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2018, trade receivables of the Group amounting to approximately HK$4,898,000 (2017: approximately HK$28,405,000) were individually determined to be impaired.

Movements in the allowance for doubtful debts

	2018 **HK$'000**	2017 HK$'000
At 1 January	**28,405**	15,112
Allowance for the year	**1,286**	12,567
Reverse of allowance for the year	**(2,491)**	—
Write off trade receivables	**(11,400)**	—
Disposal of subsidiaries	**(9,968)**	—
Exchange adjustments	**(934)**	726
At 31 December	**4,898**	28,405

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	**Up to 3 months past due**	**3 to 12 months past due**	**Over 12 months past due**	**Total**
At 31 December 2018					
Weighted average expected loss rate	—	—	—	100%	
Receivable amount (HK$'000)	15,546	18	317	4,898	20,779
Loss allowance (HK$'000)	—	—	—	(4,898)	(4,898)
At 31 December 2017					
Weighted average expected loss rate	—	—	—	100%	
Receivable amount (HK$'000) (restated)	19,383	377	881	28,405	49,046
Loss allowance (HK$'000)	—	—	—	(28,405)	(28,405)

25. CONTRACT ASSETS, COSTS AND LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000	As at 1 January 2017 HK$'000
Total contract assets	**4,608**	957	3,786
Total contract costs	**14,974**	14,464	
Total contract assets and contract costs	**19,582**	15,421	
Total contract liabilities	**14,060**	14,327	15,125
Contract receivables (included in trade receivables)	**5,805**	1,386	491
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
— 2018		—	17,081
— 2019		43,975	6,699
		43,975	23,780

	2018 HK$'000	2017 HK$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	**4,793**	8,834

25. CONTRACT ASSETS AND CONTRACT COSTS (Continued)

Significant changes in contract assets and contract liabilities during the year:

Increase due to operations in the year	2018 Contract assets HK$'000	2018 Contract liabilities HK$'000	2017 Contract assets HK$'000	2017 Contract liabilities HK$'000
Increase due to operations in the year	**4,076**	**8,488**	867	7,008
Transfer of contract assets to receivables	**(290)**	**—**	—	—
Transfer of contract liabilities to revenue	**—**	**(4,600)**	—	(9,202)

A contract asset represents the Group's right to consideration in exchange for products or services that the Group has transferred to a customer.

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

	2018 HK$'000	2017 HK$'000
Restricted and pledged bank deposits (note)	**343**	—
Cash and bank balances	**4,981**	83,379
	5,324	83,379

At 31 December 2018, the bank deposits and cash and bank balances of the PRC's subsidiaries denominated in RMB amounted to approximately HK$1,731,000 (2017: approximately HK$14,470,000). 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 2018, the restricted deposit of the Group amounting to approximately HK$343,000 will be paid to customer if the Group breach of contract.

27. TRADE AND OTHER PAYABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade payables		**36,187**	30,063
Other payables of convertible bonds	(i)	**—**	54,530
Other payables	(ii)	**163,530**	62,065
Other tax payable		**14,204**	14,194
Amount due to non-controlling interests	(iii)	**—**	1,459
		213,921	162,311

Note:

(i) As at 31 December 2017, the Company received approximately HK$54,530,000 from convertible bonds holder before year ended which the issue of convertible bonds was completed on 16 January 2018.

(ii) As at 31 December 2018, other payables included rent payable of approximately HK$12,038,000, construction cost payable of approximately HK$52,347,000, void convertible bonds of approximately HK$51,556,000 and decoroation costs payable of approximately HK$12,158,000.

(iii) As at 31 December 2017, the amount due to non-controlling interests of approximately HK$1,459,000 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:

	2018 HK$'000	2017 HK$'000
Within 1 month	**11,628**	14,563
After 1 month but within 3 months	**3,348**	489
After 3 months but within 6 months	**775**	887
After 6 months but within 1 year	**11,295**	3,344
After 1 year	**9,141**	10,780
	36,187	30,063

28. BORROWINGS

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

	2018 HK$'000	2017 HK$'000
Bank loans (note (a))	—	5,525
Entrusted loan (note (b))	**56,928**	60,046
Bonds (note (c))	**22,750**	22,750
Total borrowings	**79,678**	88,321

The borrowings are repayable as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**76,678**	65,571
In the second to third years, inclusive	**3,000**	22,750
	79,678	88,321
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(76,678)**	(65,571)
Amount due for settlement after 12 months	**3,000**	22,750

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$5,525,000 is 7.80% per annum for the year ended 31 December 2017.

As at 31 December 2017, the bank loans were secured by 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. On 26 March 2019, the lender has decided to extend the repayment of this entrusted loan, for which, HK$28,464,000 of the entrusted loan shall be repaid on or before 31 December 2019 while the other HK$28,464,000 to be repaid on or before 31 December 2020. The effective interest rate of the entrusted loan (which also equals contractual interest rate) was 12% (2017: 12%) per annum.

(c) As at 31 December 2018, the Group have issued six (2017: six) unlisted straight bonds to five (2017: five) independent investors in an aggregate principal amount of HK$22,750,000 (2017: HK$22,750,000) (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.

29. CONVERTIBLE BONDS

On 16 January 2018, the Company issued the convertible bonds in an aggregate principal amount of US$7,000,000 (equivalent to approximately HK$54,600,000) with a coupon rate of 8% to the independent third party. The convertible bonds will mature from the date of issue to 15 January 2021 representing maturity period of 3 years, and can be converted into a maximum of 265,048,544 conversion shares of the Company at the conversion price of HK$0.206 per conversion shares upon full exercise of the conversion rights within the period of the 12 months after the issue date of the bonds up to the maturity date.

The convertible bonds recognised in the consolidated statement of financial position had been split between liability element and equity component, and are calculated as follows:

	Liabilities component	**Equity component**	**Total**
	HK$'000	HK$'000	HK$'000
At 16 January 2018	39,165	15,435	54,600
Transaction costs	(215)	(85)	(300)
Issue of convertible bonds	38,950	15,350	54,300
Imputed interest expenses	7,163	—	7,163
At 31 December 2018	46,113	15,350	61,463

The interest charged for the year is calculated by applying an effective interest 17.73% to the liability component for the period since the bonds were issued.

The Directors estimate the fair value of the equity and liability components of the convertible bonds at the issuance date with reference to the independent valuation performed by an independent valuer, CHFT Advisory And Appraisal Limited (level 2 fair value measurement).

30. 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:

	Intangible assets HK$'000
At 1 January 2017	657
Acquisition of a subsidiary	14,536
Credited to profit or loss (notes 13)	(2,196)
Exchange adjustments	33
At 31 December 2017 and 1 January 2018	13,030
Credited to profit or loss (notes 13)	(308)
Deconsolidation of subsidiaries	(12,719)
Exchange adjustments	(3)
At 31 December 2018	—

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

	2018 **HK$'000**	2017 HK$'000
Deferred tax liabilities	—	13,030

As at 31 December 2018, subject to agreement by tax authority, the Group had estimated tax losses of approximately HK$145,856,000 (2017: approximately HK$145,856,000) 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$148,442,000 (2017: approximately HK$163,214,000) in the PRC are available for offsetting against future profits that may be carried forward for five years for PRC enterprise income tax purpose.

31. SHARE CAPITAL

	Note	Number of ordinary shares of HK$0.025 per share '000	HK$'000
Authorised			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018		8,000,000	200,000
Issued and fully paid			
At 1 January 2017		3,000,359	75,009
Issue of consideration shares	Note	650,000	16,250
At 31 December 2017, 1 January 2018 and 31 December 2018		3,650,359	91,259

Note:

Completion of the subscription of consideration shares took place on 31 March 2017 pursuant to which 650,000,000 consideration shares were issued to acquire a subsidiary at consideration price of HK$0.27 per consideration share with reference to the quoted market closing price of HK$0.22 of the Company's shares on the date of completion. Accordingly, the Company's issued share capital was increased by approximately HK$16,250,000 and its share premium account was increased by approximately HK$126,750,000. Net proceeds from the issues after deduction of expenses of approximately HK$Nil, were approximately HK$143,000,000.

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

(a) Statement of financial position of the Company

	2018 HK$'000	2017 HK$'000
Non-current assets		
Property, plant and equipment	—	91
Investments in and loans to subsidiaries	—	190,733
	—	190,824
Current assets		
Other receivables and deposits	**2,126**	13,107
Cash and cash equivalents	**180**	55,518
	2,306	68,625
Current liabilities		
Other payables	**6,985**	60,114
Amounts due to subsidiaries	**43,332**	91,133
Borrowings	**19,750**	—
	70,067	151,247
Net current liabilities	**(67,761)**	(82,622)
Total assets less current liabilities	**(67,761)**	108,202
Non-current liabilities		
Borrowings	**3,000**	22,750
Convertible bonds	**46,113**	—
	49,113	22,750
NET (LIABILITIES)/ASSETS	**(116,874)**	85,452
Capital and reserves		
Share capital	**91,259**	91,259
Reserves	**(208,133)**	(5,807)
TOTAL EQUITY	**(116,874)**	85,452

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

(Continued)

(b) Reserve movement of the Company

	Share premium	**Contributed surplus**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	243,661	59,063	(372,733)	(70,009)
Loss for the year	—	—	(62,548)	(62,548)
Issue of consideration shares	126,750	—	—	126,750
At 31 December 2017 and 1 January 2018	370,411	59,063	(435,281)	(5,807)
Loss for the year	—	—	(202,326)	(202,326)
At 31 December 2018	370,411	59,063	(637,607)	(208,133)

33. 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.

33. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(ii) Foreign currency translation 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 4.

(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) Convertible bond reserve

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policies adopted for convertible bonds in Note 4 to the consolidated financial statements.

34. GAIN ON DISPOSAL OF SUBSIDIARIES

On 8 June 2018, the Group disposed 51% of the issued share capital of Shenzhen Huaxin Environmental Technology Co., Limited ("Shenzhen Huaxin Environmental"), a 51% owned subsidiary of the Company, at a consideration of RMB1 (equivalent HK$1).

The fair value of the identifiable assets and liabilities of Shenzhen Huaxin Environmental disposed as at its date of disposal is as follows:

Net liabilities at the date of disposal were as follows	2018 HK$'000
Property, plant and equipment	261
Trade and other receivables	2,921
Cash and bank	41
Amount due to non-controlling shareholder	(1,234)
Trade and other payables	(10,471)
Received in advance	(196)
Contract liabilities	(8,213)
Bank loans and overdraft	(5,238)
Net liabilities disposal of	(22,129)
Non-controlling interest	12,521
Release of foreign currency	526
Gain on disposal of Shenzhen Huaxin Environmental	9,082
Consideration	—
Net cash outflow arising on disposal:	
Cash consideration received	—
Cash and cash equivalents disposed of	41
	41

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Convertible bonds HK$'000	Borrowings HK$'000	Finance lease payables HK$'000	Total liabilities from financing activities HK$'000
At 1 January 2017	—	83,763	1,736	85,499
Changes in cash flows	54,530	(2,986)	(1,792)	49,752
Non-cash changes				
— interest charged	—	2,945	—	2,945
— exchange differences	—	4,599	56	4,655
At 31 December 2017 and 1 January 2018	54,530	88,321	—	142,851
Changes in cash flows	(300)	—	—	(300)
Non-cash changes				
— disposal of subsidiaries	—	(5,238)	—	(5,238)
— interest charged	7,163	—	—	7,163
— transfer to convertible bonds equity reserve	(15,350)	—	—	(15,350)
— exchange differences	70	(3,405)	—	(3,335)
At 31 December 2018	46,113	79,678	—	125,791

36. PLEDGE OF ASSETS

At 31 December 2018, the Group have restricted bank deposit amounting to approximately HK$343,000 (2017: Nil).

37. 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 15, is as follows:

	2018	2017
	HK$'000	HK$'000
Short-term employee benefits	**6,199**	8,034
Equity-settled share-based payment expenses	**—**	—
Post-employment benefits	**—**	—
	6,199	8,034

Total remuneration is included in "staff costs".

38. LEASE COMMITMENTS

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 year	**15,057**	27,254
After 1 year but within 5 years	**73,904**	112,575
Over 5 years	**288,365**	309,084
	377,326	448,913

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 twenty years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

39. CAPITAL COMMITMENTS

At 31 December 2018, the Group had the following capital commitments in respect of the purchase of property, plant and equipment not provided for in the consolidated financial statements:

	2018	2017
	HK$'000	HK$'000
Contracted for:	**79,563**	19,847

40. EVENTS AFTER THE REPORTING PERIOD

On 22 February 2019, judicial managers were appointed upon an application filed in the High Court of Singapore by Acromec Engineers Pte Ltd ("Acromec Engineers"). to place Pacific Fertility Institutes (Singapore) Pte Ltd ("PFI Singapore"), under judicial management. Acromec Engineers claimed that as at 1 February 2019, a balance of S$1,273,689 was due and owing to Acromec Engineers by PFI Singapore in relation to the renovation work provided by Acromec Engineers to the premises located at Royal Square Level 8, 103 Irrawaddy Road. The finance manager and other accounting personnel have resigned and limited accounting books and records preserved by PFI Singapore.

On 27 March 2019, the Company entered into a loan agreement with an invester ("Investor"), pursuant to which the Investor agreed to grant to the Company a loan in the aggregate principal amount of HK$14,000,000, which is unsecured and repayment in full on 31 March 2022 or if such date is not a business day, the next business day.

On 27 March 2019, the Company entered into the loan agreement with China Daisy Finance Limited (the "Lender"), and independent third party, pursuant to which the Lender agreed to grant to the Company a loan in the aggregate principal amount of HK$40,000,000, which is unsecured and repayable in full on 27 March 2022 or if such date is not a business day, the next business day.

On 15 April 2019, the Singapore courts appointed the Interim Judicial Managers as Judicial Managers.

41. 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 2018 were as follows:

Name of subsidiary	Place of incorporation/ business	Particulars of issued share capital/paid up registered capital	Percentage of ownership interest/ voting power/profit sharing Direct	Indirect	Principal activities
Golden Leo Development Limited 金獅發展有限公司	Hong Kong	1 ordinary share of HK$1	100%	—	Inactive
Elite Mix Limited 合俊有限公司	British Virgin Islands	1 ordinary share of USD 1 each	100%	—	Investment holding
Hugh Smart Investments Limited 鉅俊投資有限公司	Hong Kong	1 ordinary share of HK$1	—	100%	Investment holding
Shenzhen CETH Environmental Technology Co. Ltd.# 深圳中環科環保科技有限公司*	PRC**	RMB 13,152,813	—	100%	Development of environmental protection related project
Vast Investment Limited 冠浩有限公司	British Virgin Islands	1 ordinary share of USD 1 each	100%	—	Investment holding
Great Champion Holdings Limited 大盛集團有限公司	Hong Kong	10,000,000 ordinary share of HK$1	—	100%	Inactive
Winsum Investment Limited	British Virgin Islands	1 ordinary share of USD 1 each	100%	—	Investment holding
Power Score Limited 力得有限公司	British Virgin Islands	50,000 ordinary share of USD 1 each	—	100%	Investment holding
New Era Technology Development Limited 年代科技發展有限公司	Hong Kong	1 ordinary share of HK$1	—	100%	Investment holding

41. PARTICULARS OF SUBSIDIARIES (Continued)

(a) Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2018 were as follows (Continued):

Name of subsidiary	Place of incorporation/ business	Particulars of issued share capital/paid up registered capital	Percentage of ownership interest/ voting power/profit sharing Direct	Indirect	Principal activities
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
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
Well Nation Holdings Limited	British Virgin Islands	1 ordinary share of USD 1 each	100%	—	Investment holding
Rich Channel International Limited 富啟國際有限公司	Hong Kong	1 ordinary share of HK$1	—	100%	Investment holding
Beijing Capital Environment Construction Company Limited	Cayman Islands	10 ordinary shares of HK$1 each	100%	—	Investment holding
Beijing Capital Environment Construction (Hong Kong) Company Limited 首創環保建設(香港)有限公司	Hong Kong	1 ordinary share of HK$1 each	—	100%	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	—	100%	Provision of environmental consultancy services
Beijing Jinrui Tongda Technology Company# 北京金瑞通達科技有限公司*	PRC**	HK$5,000,000	—	100%	Investment holding

41. PARTICULARS OF SUBSIDIARIES (Continued)

(a) Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2018 were as follows (Continued):

Name of subsidiary	Place of incorporation/ business	Particulars of issued share capital/paid up registered capital	Percentage of ownership interest/ voting power/profit sharing Direct	Indirect	Principal activities
Beijing Xinchuang Technology Development Company Limited# 北京興創科技發展有限公司*	PRC**	HK$68,000,000	—	100%	Investment holding
Fanhe (Beijing) Water Investment Co., Ltd.# 凡和(北京)水務投資管理有限公司*	PRC**	RMB1,000,000	—	100%	Inactive
INNOMED Group Limited 醫諾醫療集團有限公司	British Virgin Islands	1 ordinary share of US$1 each	100%	—	Investment holding
Innomed (HK) Limited 醫諾醫療(香港)有限公司	Hong Kong	1 ordinary share of HK$1	—	100%	Investment holding
Innomed (Shenzhen) Limited# 深圳市醫諾醫療技術服務有限公司*	PRC**	RMB 0.00	—	100%	Development of medical information system and health care management consulting
Shenzhen CETH Assets Management Co., Ltd.# 深圳中環科資產管理有限公司*	PRC**	RMB20,000,000	—	100%	Investment holding
Beijing Jianbao Kangying Medical Technology Co., Limited ("Beijing Jianbao Kangying")# 北京健寶康英醫療科技有限公司	PRC**	RMB900,000	—	90%	Provision of health consultancy services
Beijing INNOMED Women's and Children's Hospital Co., Limited# 北京醫諾婦兒醫院有限責任公司	PRC**	RMB18,226,411	—	90%	Provision of medical services and hospital management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41. PARTICULARS OF SUBSIDIARIES (Continued)

(a) Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2018 were as follows (Continued):

Name of subsidiary	Place of incorporation/ business	Particulars of issued share capital/paid up registered capital	Percentage of ownership interest/ voting power/profit sharing Direct	Indirect	Principal activities
Hainan Yinkai Medical Investment Co., Limited ("Hainan Yinkai")# 海南銀開醫療投資有限公司	PRC**	RMB40,000,000	—	52.02%	Development of medical technology
Shenzhen Double Helix Investment Fund (Limited Partnership)# 深圳市雙螺旋投資基金(有限合夥)	PRC**	RMB0.00	—	90%	Inactive
Beijing INNOMED North Medical Technology Service Co., Limited# 北京醫諾北方醫療技術服務有限公司*	PRC**	RMB6,800,000	—	100%	Provision of health consultancy services
Pacific Fertility Institutes (Singapore) Pte. Ltd	Singapore	10,000 ordinary shares of SGD 1 each	—	100%	Provision of health 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.

41. 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 subsidiaries that has NCI material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**Hainan Yinkai**		**Beijing Jianbao Kangying**	
Principal place of business/country of incorporation	**PRC**		**PRC**	
	2018	2017	**2018**	2017
% of ownership interest/voting rights held by NCI	**47.98%**	47.98%	**10%**	10%
	HK$'000	HK$'000	**HK$'000**	HK$'000
As 31 December:				
Non-current assets	**7**	9	**76,601**	2,743
Current assets	**10,761**	47,697	**13,989**	611
Current liabilities	**(241)**	(315)	**(105,008)**	(7,903)
Non-current liabilities	**—**	—	**—**	—
Net assets/(liabilities)	**10,527**	47,391	**(14,418)**	(4,549)
Carrying amount of NCI	**5,051**	22,738	**(1,442)**	(455)
Year ended 31 December:				
Revenue	**—**	—	**—**	—
Loss for the year	**(35,763)**	(633)	**(11,181)**	(1,630)
Loss allocated to NCI	**(17,159)**	(304)	**(1,118)**	(163)
Total comprehensive (expenses)/income	**(36,783)**	1,751	**(10,495)**	(1,702)
Total comprehensive (expenses)/income allocated to NCI	**(17,648)**	840	**(1,050)**	(170)
Dividend paid to NCI	**—**	—	**—**	—
Net cash (used in)/generated from operating activities	**(8,808)**	16	**58,399**	(320)
Net cash (used in)/generated from investing activities	**(21)**	—	**(59,516)**	785
Net cash generated from financing activities	**—**	2,384	**626**	416
Net (decrease)/increase in cash and cash equivalents	**(8,829)**	2,400	**(491)**	881

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 29 April 2019.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2018

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
RESULTS					
Continuing operations					
Revenue	**49,443**	72,668	34,689	61,999	89,319
Loss from operations	**(310,503)**	(49,229)	(53,004)	(61,094)	(45,484)
Finance costs	**(16,218)**	(9,081)	(9,537)	(9,104)	(8,588)
Loss before tax	**(326,721)**	(58,310)	(62,541)	(70,198)	(54,072)
Income tax credit/(expenses)	**308**	(4,464)	2,454	(687)	92
Loss for the year/period from continuing operations	**(326,413)**	(62,774)	(60,087)	(70,885)	(53,980)
Discontinued operations					
(Loss)/profit for the year from discontinued operations	**—**	—	—	(3,969)	(22,486)
Loss for the year	**(326,413)**	(62,774)	(60,087)	(74,854)	(76,466)
Attributable to:					
— Owners of the Company	**(309,054)**	(64,379)	(55,239)	(74,117)	(75,307)
— Non-controlling interests	**(17,359)**	1,605	(4,848)	(737)	(1,159)
Loss for the year	**(326,413)**	(62,774)	(60,087)	(74,854)	(76,466)

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2018

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
ASSETS AND LIABILITIES					
Non-current assets	**83,052**	204,177	7,411	34,902	39,689
Net current (liabilities)/assets	**(241,647)**	(43,855)	19,230	(48,493)	78,230
Non-current liabilities	**(49,113)**	(35,780)	(23,407)	(22,063)	(72,575)
	(207,708)	124,542	3,234	(35,654)	45,344
Share capital	**91,259**	91,259	75,009	62,508	62,508
Reserves	**(301,498)**	(11,648)	(64,805)	(96,352)	(16,121)
Total equity attributable to owners of the Company	**(210,239)**	79,611	10,204	(33,844)	46,387
Non-controlling interests	**2,531**	44,931	(6,970)	(1,810)	(1,043)
Total (capital deficiency)/equity	**(207,708)**	124,542	3,234	(35,654)	45,344

	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
Loss per share					
Basic	**(HK8.47 cents)**	(HK1.84 cents)	(HK2.19 cents)	(HK2.96 cents)	(HK3.01 cents)
Diluted	**(HK8.47 cents)**	(HK1.84 cents)	(HK2.19 cents)	(HK2.96 cents)	(HK3.01 cents)