CETH

China Environmental Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 646

Annual Report 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

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

NON-EXECUTIVE DIRECTORS:

Mr. Ma Tianfu

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Li Wang Hing, Nelson

INDEPENDENT AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

LEGAL ADVISERS

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
Hong Kong

REGISTERED OFFICE

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Second Floor, Century Yard, Cricket Square,
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Grand Cayman, KY1-1103,
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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 2019.

2019 is a year for the Group to set aside any chaos and forge ahead. Facing major investment errors in the Group's healthcare sector, the Group took effective measures in a timely manner, on the one hand, took legal action to pursue accountability, and on the other hand, stopped bleeding in time to dispose inappropriate healthcare assets. At the same time, the timely introduction of strategic investors is a great affirmation of the Group. The Group remains firmly optimistic about investment opportunities in the medical business. Through in-depth discussions with senior research institutions and potential investors in the industry, it has steadily advanced business opportunities for investment in biological cell technology. In terms of the Group's original main environmental protection business, the business volume increased steadily during the year. A total of 22 commercial contracts were obtained. The number of projects, completion scale, professional and technical teams, research and development investment, and patents were higher than to the previous year. This year has achieved substantial net growth, and the business has steadily developed in a more professional and large-scale direction. In the coming financial years, the Group will arrange special funds to support it, seek investment opportunities for synergy of water projects and the extension of the industrial chain of environmental protection, and make it bigger and stronger.

Each member of the management team has endured tremendous pressure during extraordinary times, but still struggles hard and never forgets his original intention. I believe that the company's business will flourish and rely on the strength of the team and the support of partners to create a new world. Although it was cruel yesterday, it is cruel today, but it will be beautiful tomorrow.

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 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, 31 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$33,787,000 (2018: approximately HK$49,443,000), representing a decrease of about 31.66% compared to that of 2018. The Group's loss attributable to owners of the Company was approximately HK$260,883,000 (2018: approximately HK$309,054,000), representing a decrease of about 15.59% as compared to that of 2018. Gross profit margin was approximately 14.51% as compared to 20.32% in last year.

BUSINESS REVIEW

FOR WASTEWATER TREATMENT

The business volume of Beijing Jingrui Kemai Water Purification Technology Co., Ltd., the core company of the Group's traditional environmental protection business segment, continued to maintain good growth. For the year of 2019, Beijing Jingrui Kemai Water Purification Technology Co., Ltd. won 22 orders in 14 cities across the country, of which 16 were magnetic coagulation supply orders and 6 other sales orders. The total daily treated water volume reached 645,500 tons and completed 12 construction projects. 22 new commercial contracts were signed, a year-on-year increase of 29.41% for new contracts signed. In 2019, the company applied for 11 new patents to the State Intellectual Property Office, of which 5 were invention patents, 6 were utility model patents, and 10 software copyrights were applied. The historical cumulative supply of equipment capacity reached 2.95 million tons. Beijing Jingrui Kemai Water Purification Technology Co., Ltd.'s current brand awareness, customer satisfaction, scale, and project distribution area have reached new heights. It has been invited to become the two industry standard preparation units organized by the China Engineering Construction Standardization Association and the Ministry of Housing and Urban-Rural Development.

FOR HEALTHCARE

The Group's healthcare sector business has undergone vigorous rectification and reorganization during the year. Pacific Fertility Institutes (Singapore) Pte Ltd. ("**PFI Singapore**") and Pacific Fertility Institutes Holding Company Limited ("**PFI Cayman**") had entered the liquidation process, and the Beijing INNOMED Women's and Children's Hospital project had been disposed. All these investments had stopped losses in time. After getting secure, the board of Directors of the Company also carefully reviewed the risks arising from corporate management and control, and strengthened the establishment of internal control systems through the assistance of third-party consulting firms. Based on the company's board of Directors' deeper understanding of the healthcare field, the Group still believes that opportunities to enter the healthcare sector are promising, and there are still a large number of high-quality projects in the healthcare field. Out of being responsible to all shareholders of the Group, the Group is still actively looking for opportunities in the sector. This year, we signed a framework cooperation agreement with Hope Bio-Technology (Suzhou) Company Limited, a leading stem cell and immune cell company in China, to actively promote project cooperation and business development in the field of stem cell and immune cell applications.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

FOR WASTEWATER TREATMENT

Beijing Jingrui Kemai Water Purification Technology Co., Ltd., the core subsidiary of the Group's traditional environmental protection sector, has established a three-year action plan, which will fully integrate upstream and downstream resources based on the original core technology, and change its role as a comprehensive water technology service provider. In future, by increasing investment in research and development, building a highly cohesive management and technical team, broadening market pipeline construction, strengthening corporate image promotion, and improving customer service satisfaction, and many other measures, we will fully implement the corporate development concept of "Environmental technology builds beautiful life". Make environmental protection business the core business of the group. At the same time, we will coordinate the resources of the Group, support the focus of the environmental protection sector business, actively deploy in the field of energy conservation and environmental protection, and expand the scale of environmental protection business through investment and acquisition.

FOR HEALTHCARE

The Group had fully summarized and learnt from the past experience and lessons in healthcare investment. Based on the huge tuition fees paid in the healthcare sector, it will engage professionals and healthcare investment specialists, hospital management groups, medical technology companies to provide information of the latest development in medical sector. The Group will actively promote project cooperation in the field of stem cell and immune cell technology, promote the development of medical business with a prudent, rigorous and professional attitude, and improve the Company's overall image and shareholder value.

CONCLUSION

With the recurrence of global trade wars in 2019, China, as a major manufacturing power, is difficult to completely get rid of things, and the overall economic situation is complex and changeable. The Group continues to make progress by adapting to development, combining with its own business characteristics, timely reorganizing the healthcare sector, finding a balance between breaking and establishing, properly handling the remaining healthcare segment issues, and sorting out new investment opportunities. At the same time, benefiting from national policy support for environmental protection, the Group's environmental protection segment has increased research and development efforts and market development efforts, and has greatly improved brand recognition, market share, number of projects obtained, and customer satisfaction in segmented markets.

The Group will continue to focus on creating value for shareholders, customers, employees and society. We will continue to strengthen the competitive advantages of our existing businesses. At the same time, we will continue to actively seek suitable investment opportunities in the medical and environmental protection fields.

Looking into the future, although affected by the novel coronavirus (COVID-19) epidemic, the overall macroeconomic environment is not expected to be optimistic. However, for the Group, the existing environmental protection will be less affected. We will continue to pay attention to changes in the market, make proactive responses, grasp potential opportunities, strengthen risk awareness, and promote the continuous development of the two business segments of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

EMOLUMENT POLICY

As at 31 December 2019, the Group had 62 employees (2018: 61 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 2019, the total cash and bank balances of the Group were approximately HK$3,351,000 (2018: approximately HK$4,981,000). The cash and bank balances consisted of about 25.52% in Hong Kong dollars, 74.45% in Renminbi and 0.03% in US dollars.

As at 31 December 2019, the Group had total assets of approximately HK$71,380,000 (2018: approximately HK$146,700,000) and total liabilities of approximately HK$536,605,000 (2018: approximately HK$354,408,000). As at 31 December 2019, the current ratio was 0.16 (2018: 0.21), calculated on the basis of current assets of approximately HK$61,626,000 (2018: approximately HK$63,648,000) over current liabilities of approximately HK$396,585,000 (2018: approximately HK$305,295,000).

The Group's borrowings amounted to approximately HK$174,518,000 (2018: approximately HK$125,791,000). 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 244.49% (2018: 85.75%).

CHARGE ON ASSETS

As at 31 December 2019 the restricted deposit of the Group amounting to approximately HK$Nil (2018: approximately HK$343,000) will be paid to customer once the Company breach of contract.

MANAGEMENT DISCUSSION AND ANALYSIS

DETAILS REGARDING THE QUALIFIED OPINION ISSUED IN THE ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. DECONSOLIDATION OF PFI CAYMAN AND ITS SUBSIDIARIES ("PFI CAYMAN GROUP")

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 was 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 Holding 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 when he was 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 putting 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, and retired as non-executive Director on 28 June 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 were 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 had taken all reasonable steps and had 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 was 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.

MANAGEMENT DISCUSSION AND ANALYSIS

As disclosed in the Company's announcement dated 23 June 2019, the Company had successfully applied to the Cayman courts to put PFI Cayman Group into provisional liquidation and subsequent liquidation. Therefore, PFI Cayman was definitely not controlled or managed by the Company after 23 June 2019 and therefore, the fact that PFI Cayman was not a subsidiary of the Company was confirmed without doubt once provisional liquidation commenced. The Board of Directors was able to work closely with the provisional liquidators/liquidators to obtain the financial records of PFI Cayman Group as well as getting up to date information of the liquidation process. As a result, ZHONGHUI were a) able to have obtained the latest information of PFI Cayman Group and obtain adequate findings to support the Group's accounting treatments relating to the classification and amount of the remaining investment in the PFI Cayman Group as at 31 December 2019; and b) confirmed that PFI Cayman Group should not be consolidated after 23 June 2019 without doubt.

Despite the fact that ZHONGHUI did not issue audit qualification to the Group's financial position as at 31 December 2019, the modified audit opinion in the financial year ended 31 December 2018 had a carrying effect to 2019 financial year, and therefore, there was a modified audit opinion on the financial results for the year ended 31 December 2019.

2. LIMITED ACCOUNTING BOOKS AND RECORDS OF 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 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.

Therefore, PFI Singapore was deconsolidated from the Group since 22 February 2019. And 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 for the year ended 31 December 2018, ZHONGHUI were 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 had 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 issuance date of 2018 Annual Report. On the other hand, since all employees of PFI Singapore had been dismissed, ZHONGHUI could not get explanations for certain accounting books and records.

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, which formed the basis for the corresponding figures presented in the current year's consolidated financial statements:

MANAGEMENT DISCUSSION AND ANALYSIS

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 of 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)

Furthermore, due to the same reasons stated above, ZHONGHUI cannot obtained sufficient evidence to satisfy themselves, in relation to the deconsolidated subsidiary, as to the completeness of the transactions of the Group for the period from 1 January 2019 to 22 February 2019, and as to the accuracy of the gain on deconsolidation of the subsidiary of approximately HK$27,564,000 for the year ended 31 December 2019.

The Board of Directors was working closely with the Interim Judicial Manager/Judicial Manager since their appointments. Further, the Company had agreed to provide financial support to Judicial Manager to start litigation claims against Leon Li for his wrongdoings in PFI Singapore in the courts of Singapore. As a result, ZHONGHUI were able to have access latest information of PFI Singapore and obtain adequate findings to support the Group's accounting treatments relating to the classification and amount of the remaining investment in the PFI Singapore as at 31 December 2019.

Despite the fact that ZHONGHUI did not issue audit qualification to the Group's financial position as at 31 December 2019, the modified audit opinion in the financial year ended 31 December 2018 had a carrying effect to 2019 financial year, and therefore, there was a modified audit opinion on the financial results for the year ended 31 December 2019.

3. IMPAIRMENT LOSS ON OTHER RECEIVABLES

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 to 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 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.

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 were satisfied that the Group's other receivables as at 31 December 2019 and 31 December 2018 were 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 no 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. Therefore the consolidated financial statements of the Group for the year ended 31 December 2018, which formed the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified.

4. ONEROUS CONTRACT AND PROVISION FOR CLAIMS AGAINST CESSATION LEASE CONTRACT

Due to the inherent uncertainties in respect of the Group's restructuring during the year ended 31 December 2018 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 ("the Hospital Project") as at 31 December 2018, ZHONGHUI have been unable to obtain robust supportable evidence for them to assess whether the Group's 20-year long term non-cancellable lease contact (the "Lease Contract") with commitments of approximately HK$354,981,000 as at 31 December 2018 in relation to this new business constitute an onerous contract as defined under Hong Kong Accounting Standard 37. Should the execution of the Lease Contract constitute an onerous contract for the year ended 31 December 2018, a provision is required to an extent that is necessary for relevant unavoidable costs of meeting the obligations under the Lease Contract exceed the economic benefits expected to be received.

In 2019, the Group had stopped the lease payments and disposed the Hospital Project in the 4th quarter of 2019, which caused the Landlord to officially cease the Lease Contract ("Cessation"). Further, the Group a) engaged legal counsel to issue a formal legal opinion on the possible claim from landlord; b) obtain written confirmation from the Hospital Project (after it had been sold) for the amount of annual lease that the new management is willing to pay; c) engage one of the largest property agent in China to provide evidence on the market rate of the property; in order to estimate the provision for such contingent claim due to the Cessation. As a result, ZHONGHUI were satisfied that adequate but not excessive provision was made as at 31 December 2019 and there was no uncertainty arising from this Lease Contract on or beyond 31 December 2019.

However, ZHONGHUI considered that they have not obtained sufficient audit evidence on how the consequential accounting treatments of the Lease Contract would affect the consolidated profit or loss for the years ended 31 December 2019 and 2018, therefore, ZHONGHUI made a qualification in this respect, including the net gain on the Cessation of approximately HK$13,112,000 for the year ended 31 December 2019.

5. In the opinion of the Directors, the above mentioned audit qualifications relating to the impairment loss on other receivables will be removed in next year's auditor's report, while the other above mentioned audit qualifications relating to PFI Cayman, PFI Singapore and the claims against cessation lease contract will be carried to the next year's auditor's report because these qualifications are concerning the consolidated financial statements of the Group for the year ended 31 December 2019, which will form the basis for the corresponding figures presented in the next year's consolidated financial statements.

6. Further, in the opinion of the Directors, none of the above mentioned audit qualifications will impact the consolidated profit or loss for the year ending 31 December 2020 and the consolidated financial position as at 31 December 2020.

7. The Audit Committee has duly reviewed the audit modifications and discussed with ZHONGHUI regarding the Qualified Opinion during the Audit Committee meeting held on 31 March 2020. The Audit Committee has agreed with the management's position, which was no difference from that of ZHONGHUI apart from those disclosed in point 1 above.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Xu Zhong Ping, aged 57, is born in Beijing and is the chairman and executive Director of the Company. He graduated from Nanjing University of Finance and Economics with a bachelor's degree. Mr. Xu has over 30 years of experience in corporate management, business investment and international economic strategic cooperation. He independently created the famous domestic fashion brand Yinmeng Fashion in the 1990s, and cooperated with China New Technology Venture Capital Corporation (中國新技術創業投資公司) to establish the most famous department store Beijing Scitech Plaza after the reform and opening-up, serving as its first managing director. He led the introduction of the largest supermarket chain, Carrefour, in France into China, serving as vice chairman and vice president on behalf of the Chinese side, and set up nearly 100 Carrefour supermarkets in Beijing, Shanghai and other major capital cities. He served as an executive director of the China International Economic and Cultural Promotion Association in Hong Kong, promoting hundreds of economic and cultural exchanges between Hong Kong and the Mainland. From 2009 to date, he has become the controlling shareholder of the Company as a major shareholder together with several partners including Beijing Capital Group.

Mr. Yang Baodong, aged 45, graduated from Wuhan University of Surveying and Mapping, majoring in urban construction, bachelor of engineering, and registered project management expert of the American Project Management Institute. Joined the Group in 2014, successively served as assistant to the President and Vice President of the Group, and was appointed as the executive Director of the Company in June 2019. Mr. Yang Baodong has been engaged in management for 22 years in various industries such as construction, energy and environmental protection. He has more than 10 years of work experience in listed companies in Hong Kong, and has extensive experience in project management, investment mergers and acquisitions, and mid- and long-term planning of enterprises. From May 2015 to present, he has served as vice president of the company and general manager of Beijing Jingrui Kemai Water Purification Technology Co., Ltd., leading Beijing Jingrui to compile two national standards and newly applied for more than ten patents, becoming a leading enterprise in subdivided industries. Mr. Yang Baodong worked for China Gas Holdings Limited from July 2007 to April 2013, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 00384), and also successively served as the assistant general manager of China Gas Aisika Energy Holdings Co., Ltd., a joint venture between China Gas and South Korea SK Group, assistant General Manager of Planning and Development Department of China Gas Group. During his tenure, he was mainly responsible for industrial research, development and mergers and acquisitions, investment analysis, asset restructuring, introduction of corporate governance structure system of the urban pipeline gas projects, decentralized energy, biomass power plants, and natural gas power plants, as well as the establishment of the group's mid- and long-term plans and strategic plans, enterprise management system reform design and other work. From April 2013 to March 2014, he served as general manager of the project department of Guangdong Yueshang High-tech Co., Ltd., mainly responsible for the company's overall investment business development, including investment in technology real estate projects and equity projects and project mergers and acquisitions.

Ms. Hu Yueyue, aged 40, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Ma Tianfu, aged 73, is a non-executive Director of the Company. Mr. Ma is a director of Gentle International Holdings Limited and Superform Investment Development Limited; he is also a director and senior engineer of Shanghai Shi Dong Kou Embankment Development Engineering Company Limited (上海石洞口圍堤開發工程有限公司). Mr. Ma graduated from Shanghai University of Electric Power (formerly known as Shanghai Electric Power School) in the PRC and completed a four-year study in thermal engineering automatic system in power plants and has years of experience in the field of electricity power engineering and construction projects. He was awarded a Science and Technology Progress Award of Shanghai in 1993 issued by the Science and Technology Progress Awards Jury of Shanghai Municipality. Mr. Ma was issued with a certificate as a researcher for life of the Enterprises Committee of the Chinese Academy of Management Science in 2002. Mr. Ma joined the Group in 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSE Chi Wai, aged 52, is an independent non-executive Director of the Company. Mr. Tse has over thirty years of experience in areas of auditing, accounting and finance gained from working with various international accounting firms and listed companies. Mr. Tse graduated from the University of Hong Kong in June 1989 with a bachelor's degree in social sciences. Mr. Tse is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tse is currently an executive director of Jih Sun Financial Holding Company Limited, the shares of which are listed in Taiwan and an independent non-executive director of certain other Hong Kong listed companies, namely Great Water Holdings Limited (Stock Code: 8196) and Huarong Investment Stock Corporation Limited (Stock Code: 2277). Mr. Tse was an independent non-executive director of Chong Kin Group Holdings Limited (Stock Code: 1609) from January to August 2018, Winto Group (Holdings) Limited (Stock Code: 8238) from January 2018 to May 2019, Greens Holdings Limited ("**Greens Holdings**") (Stock Code: 1318) fro March 2015 to November 2015 and Sunac China Holdings Limited ("**Sunac**") (Stock Code: 1918) from December 2012 to December 2017. Mr. Tse stepped down as an executive director of China Information Technology Development Limited, a company listed on GEM of the Stock Exchange (stock code: 8178) with effect from June 2019.

During the period between March 2015 and November 2015, Mr. Tse was an independent non-executive director of Greens Holdings. a company incorporated in the Cayman Islands and principally engaged in the manufacture and supply of heat transfer products and solutions. Greens Holdings announced that (i) on 2 September 2015, Greens Holdings filed a winding up petition with the Grand Court of the Cayman Islands as Greens Holdings was unable to repay its debt; (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 Grand Court of the Cayman Islands; (iv) the winding up petition hearing which was originally scheduled on 2 December 2015, had been adjourned several times to 3 August 2016 after which the petitioner was granted leave to withdraw the winding up petition in Hong Kong; (v) the Grand Court of the Cayman Islands convened a case management conference on 7 April 2016 and ordered that the winding up petition with the Grand Court of the Cayman Islands 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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.

Professor Zhu Nan Wen, aged 51, 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 is a professor of Shanghai Jiao Tong University, a famous domestic expert of water and sludge disposal and an outstanding academic leader in Shanghai. He currently acts as the executive director of "Shanghai Solid Waste Treatment and Recycling Engineering Research Centre", a member of the Technical Guidance Committee of "National Environmental Protection and Engineering Technology Centre for the Treatment and Disposal of Household Wastes in Villages and Towns", the "Technical Committee of City Appearance and Environmental Sanitation Standardization under the Ministry of Housing and Urban-Rural Development" and the Academic Committee of "Zhejiang Provincial Key Laboratory of Solid Waste Treatment and Recycling", a project evaluation expert of the Ministry of Science and Technology, the Ministry of Housing and Urban-Rural Development and the Ministry of Ecology and Environment, a core expert in environmental development planning of Shanghai Science and Technology Commission and an editorial board member of "Water Purification Technology". He has engaged in the research of solid waste, wastewater treatment technology for a long period. He owns 43 invention patents and 7 utility model patents. Professor Zhu joined the Group in 2009.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Prof. Li Jun, aged 55, is an independent non-executive Director of the Company. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee respectively. He is the Registered Environmental Protection Engineer, a professor and PhD student tutor in Beijing University of Technology,director of Research Institute of Municipal Engineering and Supervisor of Sewage and Sludge Treatment and Recycling Technology Research Laboratory in Beijing University of Technology. He obtained the Doctorate Degree in Environmental Engineering from Harbin Institute of Technology in 1995. From 1996 to 1999, he worked as a post-doctorate researcher in Chiba University of Japan. Prof. Li has been engaged in the research for sewage treatment technology for many years and completed over 40 national and provincial subjects research. He is a well-known domestic expert in water affair. He is currently the director of China Water Industry Association CCES, the standing director of the Committee of Water Recycling of Chinese Society of Environmental Science, the deputy director of Water Pollution Control Committee of China Association of Environmental Protection Industry, Deputy Secretary General of the Committee of Environmental Engineering of Chinese Society of Environmental Sciences and the evaluation expert of National Natural Science Foundation of China and National 863 Program. Prof. Li joined the Group in 2016.

SENIOR MANAGEMENT

Mr. Liu Dong, holds a bachelor's degree in engineering majoring in mechanical and electrical engineering from Northwestern Polytechnic University; graduated from a postgraduate course in business management at Capital University of Economics and Business. Mr. Liu is currently the executive general manager of the core subsidiary Beijing Jingrui Kemai Water Purification Technology Co., Ltd., responsible for the company's daily operation and management. He has 30 years of experience in the military, automotive, construction, and environmental protection industries, as well as mid- and high-level management experience in the enterprise; strong enterprise operation and comprehensive management capabilities in enterprise management and technical management. Mr. Liu has been working in Shaanxi Aircraft Industry (Group) Co., Ltd. since 1989. He has successively served as a technician, aircraft instrument engineer, and company representative in the field. He has worked in Beiqi Foton Motor Co., Ltd. since 2000. He has held various positions such as minister, deputy director of the business department, and deputy general manager of the independent legal person company. Since 2010, Mr. Liu worked in a number of environmental protection companies, successively served as deputy general manager, executive deputy general manager and other positions, responsible for the company's daily operations and management.

Mr. Li Wang Hing, Nelson, is the Company Secretary 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Shi Chen, is the Group's financial controller. Ms. Shi holds an MBA degree from Renmin University of China. Ms. Shi is a non-practicing member of the Chinese Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. She graduated from Renmin University of China with a master's degree in business administration. Ms. Shi has 17 years of professional work experience in the financial field of enterprises and accounting firms. She has extensive experience in financial analysis, financial management, auditing, tax planning, corporate due diligence and mergers and acquisitions.

Ms. Zhang Xuyang, joined the Company in October 2019 as the director of Internal Audit of the Company with more than 17 years' experience in finance and accounting industry. She started her career in PricewaterhouseCoopers as an auditor and she worked for Asia Info Inc., Vance Info Technologies Inc. and iQiyi, Inc. as director of investor relations department, associate vice president of corporate strategy and financial director, respectively. Her experience covered capital market management, financial communications, corporate finance management and merger & acquisition deals. From August 2016 to April 2019, Ms. Zhang also served as an independent non-executive director and chairman of audit committee of Life Healthcare Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 00928). Ms. Zhang graduated from School of Economics and Management, Tsinghua University with Master of Management and Bachelor of Economics, and she was a member of Chinese Institute of Certified Public Accountants.

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 2019.

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.

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 three executive Directors, one non-executive Directors and three independent non-executive Directors.

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

Executive Directors:

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

Non-Executive Directors:

Mr. Ma Tianfu

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 2019, 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 2019, 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 coming annual general meeting of the Company.

A circular containing detailed information of the Directors standing for re-election at the coming annual general meeting of the Company shall be sent to the shareholders.

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 2019, Directors attended a comprehensive, formal and tailored conduction as newly appointed and 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 2019, 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.

CORPORATE GOVERNANCE REPORT

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 2019.

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 a formal internal audit department was set up in 2019 to report to the Audit Committee on any findings and measures to address the variances and identified risks.

In 2018, 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 Healthcare 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 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.

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 2019, 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 2018; and the interim results for the period ended 30 June 2019, 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 4 meetings during the year ended 31 December 2019 and the attendance records are set out under "Directors' Attendance Records" on page 29

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 42 to 48.

During the year ended 31 December 2019, 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$1,380,000
Non audit services	HK$ —
Total	HK$1,380,000

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 2019, 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 thirty four 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 2018 and interim results for the period ended 30 June 2019. 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 2019 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	34/34	—	—	1/1
Mr. Yang Baodong (appointed on 28 June 2019)	0/1	16/34	—	—	—
Ms Hu Yueyue	0/1	29/34	—	—	—
Non-Executive Directors:					
Mr. Ma Tianfu	0/1	20/34	—	—	—
Mr. Xu Xiao Yang (retired on 28 June 2019)	0/1	13/34	—	—	—
Independent Non-Executive Directors:					
Mr. Tse Chi Wai	1/1	33/34	4/4	1/1	1/1
Prof. Zhu Nan Wen	0/1	33/34	4/4	1/1	1/1
Prof. Li Jun	0/1	15/34	3/4	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 2019.

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 2019 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.

CORPORATE GOVERNANCE REPORT

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 2019.

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	28.96%
Five largest customers in aggregate	96.15%

Percentage of the Group's total Purchases	**Percentage of the Group's total Purchases**
The largest supplier	53.71%
Five largest suppliers in aggregate	67.92%

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 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 49 and 50.

The Directors do not recommend payment of any dividend for the year ended 31 December 2019 (2018: Nil).

REPORT OF THE DIRECTORS

TRANSFER TO RESERVES

Loss attributable to owners of the Company, before dividends, of approximately HK$260,883,000 (2018: approximately HK$309,054,000) have been transferred to reserves. Other movements in reserves of the Company are set out in note 33 to the consolidated financial statements.

At 31 December 2019, 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)*
Mr. Yang Baodong *(appointed on 28 June 2019)*
Ms. Hu Yueyue

NON-EXECUTIVE DIRECTORS

Mr. Ma Tianfu
Mr. Xu Xiaoyang *(retired on 28 June 2019)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Yang Baodong will retire from the office as an executive Director at the forthcoming annual general meeting of the Company in accordance with Article 111 of the Articles of Association of the Company.

Mr. Ma Tianfu 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. Mr. Tse Chi Wai 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.

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 2019 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%
Mr. Yang Baodong	Beneficial owner	792,000	0.02%
Ms. Hu Yueyue	Beneficial owner	8,000,000	0.22%

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 2019, 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.

REPORT OF THE DIRECTORS

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 2019, 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 2019.

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

EQUITY LINKED AGREEMENTS

Save as disclosed above in the section headed "Share Options", no equity-linked an agreements were entered into by the Group, or existed during the year ended 31 December 2019.

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. This disclosure is based on Leon Li and PFI's self-declaration in the public domain. The Directors are unable to obtain written evidence to support Leon Li and PFI's claim despite an effort try to obtain such evidence from Leon Li and PFI was made.

Save as disclosed above, as at 31 December 2019, 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.

REPORT OF THE DIRECTORS

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 32 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 2019, the Group had 62 employees (2018: 61 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 2019 and 2018.

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 2019 are set out in notes 29 and 30 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2019, 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 125-126 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.

REPORT OF THE DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

References is made to the announcements of the Company dated 29 March 2020 and 31 March 2020. Terms used hereinafter have the same meaning as defined in the above announcements.

BUSINESS REVIEW

OVERVIEW

The business review of the Group as at 31 December 2019 is set out under the section headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report on pages 3 to 14.

PRINCIPAL RISKS AND UNCERTAINTIES

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

MARKET RISK

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

LIQUIDITY RISK

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

OPERATIONAL RISK

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

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

REPORT OF THE DIRECTORS

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

Crowe Horwath (HK) CPA Limited ("**Crowe Horwath**") was appointed as auditors of the Company on 7 August 2013 to fill the vacancy following the resignation of PWC.

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

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

The consolidated financial statements of the Group for the year ended 31 December 2019 and 2018 have been audited by ZHONGHUI ANDA CPA Limited 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, 31 March 2020

INDEPENDENT AUDITOR'S REPORT

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 49 to 124, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 for the year ended 31 December 2018, certain subsidiaries of the Group were deconsolidated from the Group since 1 January 2018. No sufficient evidence has been provided to satisfy ourselves as to whether the Group had lost control of those subsidiaries on 1 January 2018 or any dates afterwards. 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.

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 years ended 31 December 2019 and 2018 and the Group's financial position as at 31 December 2018, 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.

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

Due to insufficient 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; the assets and liabilities as at 31 December 2018; and the segment information and other related disclosure notes in relation to the Group, which formed the basis for the corresponding figures presented in the current year's 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 of 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)

As explained in note 2 to the consolidated financial statements, PFI Singapore was deconsolidated from the Group since 22 February 2019. No sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiary, as to the completeness of the transactions of the Group for the period from 1 January 2019 to 22 February 2019, and as to the accuracy of the gain on deconsolidation of the subsidiary of approximately HK$27,564,000 for the year ended 31 December 2019.

3. Impairment loss on other receivables

For the year ended 31 December 2018, the Group has recorded an impairment loss amounted to approximately HK$23,728,000 on other receivables. We have not been provided with sufficient audit evidence as to whether the impairment loss should be recorded in the year 2018 or prior years. However, we are satisfied that such other receivables are fairly stated as at 31 December 2019 and 2018.

4. Onerous contract and provision for claims against cessation lease contract

Due to the inherent uncertainties in respect of the Group's restructuring during the year ended 31 December 2018 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 as at 31 December 2018, 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 (the "Lease Contract") with commitments of approximately HK$354,981,000 as at 31 December 2018 in relation to this new business constitute an onerous contract as defined under Hong Kong Accounting Standard 37. Should the execution of the Lease Contract constitute an onerous contract for the year ended 31 December 2018, a provision is required to an extent that is necessary for relevant unavoidable costs of meeting the obligations under the Lease Contract exceed the economic benefits expected to be received.

During the year ended 31 December 2019, the Group has undergone an early cessation arrangement for the Lease Contract (the "Cessation") with the lessor. We have not been provided with sufficient audit evidence on how the consequential accounting treatments of the Lease Contract would affect the consolidated profit or loss for the years ended 31 December 2019 and 2018, including the net gain on the Cessation of approximately HK$13,112,000 for the year ended 31 December 2019.

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 2019 and 2018 and the consolidated financial position of the Group as at 31 December 2018, 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$260,883,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities and net liabilities of approximately HK$334,959,000 and approximately HK$465,225,000 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.

CONTRACT COSTS

Refer to Note 26 to the consolidated financial statements

The Group tested the amount of contract costs for impairment. This impairment test is significant to our audit because the balance of contract costs of HK$28,322,000 as at 31 December 2019 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 ordering and holding of contract costs;

— Evaluating the Group's impairment assessment;

— Assessing the budget cost of contract costs;

— Assessing the ageing of the contract costs; and

— Assessing the net realisable values of the contract costs.

We consider that the Group's impairment test for contract costs is supported by the available evidence.

TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

Refer to Note 25 and Note 26 to the consolidated financial statements

The Group tested the amount of trade and other receivables and contract assets for impairment. This impairment test is significant to our audit because the balance of trade and other receivables and contract assets of approximately HK$27,312,000 and approximately HK$2,641,000 respectively, as at 31 December 2019 are 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;

— Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements; and

— Testing subsequent settlement of receivables after the end of the reporting period on a sample basis.

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

EMPHASIS OF MATTER

We draw attention to note 1 to the consolidated financial statements which states that the Company received a petition filed by Pacific Fertility Institutes Holding Company Limited against the Company for orders that the Company be wound up.

Our opinion is not modified in respect of this matter.

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. The other information is expected to be made available to us after the date of this auditor's report.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

This description forms part of our auditor's report.

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

Hong Kong, 31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**33,787**	49,443
Cost of sales		**(28,886)**	(39,395)
Gross profit		**4,901**	10,048
Other income	8	**3,921**	1,625
Other gain	9	**13,186**	4,666
Distribution costs		**(1,432)**	(1,368)
Net gain/(loss) on deconsolidation of subsidiaries	11	**2,142**	(126,306)
Impairment/write off of various assets	14	**(10,095)**	(111,470)
Provision for claims against cessation of lease contract	28(i)	**(180,713)**	—
Administrative expenses		**(50,496)**	(87,698)
Loss from operations		**(218,586)**	(310,503)
Finance costs	12	**(44,488)**	(16,218)
Loss before tax	14	**(263,074)**	(326,721)
Income tax credit	13	**634**	308
Loss for the year		**(262,440)**	(326,413)
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		**5,374**	3,794
Exchange differences reclassified to profit or loss on disposal of an associate		**—**	13
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**(1,220)**	526
Exchange differences reclassified to profit or loss on deconsolidation of subsidiaries		**41**	(12)
		4,195	4,321
Total comprehensive expenses for the year		**(258,245)**	(322,092)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(260,883)**	(309,054)
Non-controlling interests		**(1,557)**	(17,359)
		(262,440)	(326,413)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(256,696)**	(305,200)
Non-controlling interests		**(1,549)**	(16,892)
		(258,245)	(322,092)
Loss per share	17		
— Basic (HK cent per share)		**(7.15)**	(8.47)
— Diluted (HK cent per share)		**(7.15)**	(8.47)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	18	**1,514**	2,400
Right-of-use assets	19	**7,169**	—
Intangible assets	20	**1,071**	1,169
Construction in progress	21	**—**	62,313
Prepayment for construction in progress	25	**—**	14,233
Goodwill	22	**—**	2,937
Interests in an associate	23	**—**	—
		9,754	83,052
Current assets			
Inventories	24	**—**	561
Trade and other receivables	25	**27,312**	38,181
Contract assets and contract costs	26	**30,963**	19,582
Restricted and pledged bank deposits	27	**—**	343
Bank and cash balances	27	**3,351**	4,981
		61,626	63,648
Current liabilities			
Trade and other payables	28	**309,636**	213,921
Contract liabilities	26	**21,820**	14,060
Borrowings	29	**60,260**	76,678
Lease liabilities	31	**4,869**	—
Current tax liabilities		**—**	636
		396,585	305,295
Net current liabilities		**(334,959)**	(241,647)
Total assets less current liabilities		**(325,205)**	(158,595)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Trade and other payables	28	**23,568**	—
Borrowings	29	**61,058**	3,000
Convertible bonds	30	**53,200**	46,113
Lease liabilities	31	**2,194**	—
		140,020	49,113
NET LIABILITIES		**(465,225)**	(207,708)
Capital and reserves			
Share capital	32	**91,259**	91,259
Reserves	34	**(560,454)**	(301,498)
Equity attributable to owners of the Company		**(469,195)**	(210,239)
Non-controlling interests		**3,970**	2,531
TOTAL DEFICIT		**(465,225)**	(207,708)

The consolidated financial statements on pages 49 to 124 were approved and authorised for issue by the Board of Directors on 31 March 2020 and are signed on its behalf by:

Mr. Xu Zhong Ping
Director

Mr. Yang Bao Dong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2018	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/(expenses) 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)
At 1 January 2019	91,259	370,411	(180)	6,190	7,442	15,350	(700,711)	(210,239)	2,531	(207,708)
Loss for the year	—	—	—	—	—	—	(260,883)	(260,883)	(1,557)	(262,440)
Other comprehensive income/(expenses) for the year:										
— Exchange differences on translation of foreign operations	—	—	—	5,366	—	—	—	5,366	8	5,374
— Exchange differences reclassified to profit or loss on disposal of subsidiaries	—	—	—	(1,220)	—	—	—	(1,220)	—	(1,220)
— Exchange differences reclassified to profit or loss on deconsolidated of subsidiaries	—	—	—	41	—	—	—	41	—	41
Total comprehensive income/(expenses) for the year	—	—	—	4,187	—	—	(260,883)	(256,696)	(1,549)	(258,245)
Capital injection to a non-wholly owned subsidiary by the Group	—	—	—	—	—	—	(2,260)	(2,260)	2,260	—
Disposal of subsidiaries	—	—	—	—	—	—	—	—	728	728
At 31 December 2019	91,259	370,411	(180)	10,377	7,442	15,350	(963,854)	(469,195)	3,970	(465,225)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(263,074)**	(326,721)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	**11,164**	1,177
Amortisation of intangible assets	**78**	1,313
Net (gain)/loss on deconsolidation of subsidiaries	**(2,142)**	126,306
Gain on disposal of an associate	**—**	(2,175)
Net gain on the early cessation arrangement for the lease contract	**(13,112)**	—
Provision for claims against cessation of lease contract	**180,713**	—
Impairment on right-of-use assets	**8,162**	—
Impairment loss on trade receivables	**366**	1,286
Impairment loss on amount due from an associate	**159**	238
Write-off of other receivables	**1,408**	69,843
Write-off of property, plant and equipment	**—**	40,103
Write-down of obsolete inventories	**—**	4,371
Reversal of impairment loss on trade receivables	**(2)**	(2,491)
Bad debts recovered from other receivables	**(72)**	—
Interest expenses	**44,488**	16,218
Interest income	**(26)**	(195)
Net loss on disposal of property, plant and equipment	**6**	6
Waiver of trade and other payables	**(306)**	—
Exchange difference	**(3,157)**	(963)
Operating cash flows before working capital changes	**(35,347)**	(71,684)
Change in inventories	**559**	323
Change in contract assets and contract costs	**(11,727)**	(4,962)
Change in trade and other receivables	**(6,007)**	(15,234)
Change in contract liabilities	**8,008**	468
Change in trade and other payables	**20,076**	72,595
Net cash used in operating activities	**(24,438)**	(18,494)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVTIES		
Payment for purchase of property, plant and equipment	**(30)**	(14,743)
Payment for purchase of construction in progress	**(2,817)**	(13,407)
Prepayment for construction in progress	**—**	(14,828)
Net cash outflow for disposal of subsidiaries	**(94)**	(41)
Net cash outflow for deconsolidation of subsidiaries	**(1,604)**	(5,952)
Net cash inflow for disposal of an associate	**—**	2,076
Interest income received	**26**	195
Change in restricted and pledged bank deposits	**343**	(343)
Net cash used in investing activities	**(4,176)**	(47,043)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new bank loans	**1,812**	—
Proceeds from new other loans	**74,258**	—
Repayment of bank loans	**(4,538)**	—
Repayment of other loans	**(13,200)**	—
Repayment of bonds	**(15,750)**	—
Repayment of lease liabilities and interest	**(10,892)**	—
Interest paid	**(8,819)**	(14,094)
Transaction costs paid on issuance of convertible bonds	**—**	(300)
Net cash generated from/(used in) financing activities	**22,871**	(14,394)
Net decrease in cash and cash equivalents	**(5,743)**	(79,931)
Effect of change in foreign exchange rate	**4,113**	1,533
Cash and cash equivalents at beginning of year	**4,981**	83,379
Cash and cash equivalents at end of year	**3,351**	4,981
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**3,351**	4,981

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 2019, 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.

In the opinion of the Directors, as at the date of issue of these consolidated financial statements, the Company received a petition (the "Petition") filed by Pacific Fertility Institutes Holding Company Limited (the "Petitioner") against the Company in the High Court of the Hong Kong Special Administrative Region (the "Court") for orders that the Company be wound up by the Court and provisional liquidator and/or interim manager be appointed to the Company on 12 August 2019. The Petition was filed against the Company on the ground that the Company's affairs had been conducted in an oppressive and unfairly prejudicial manner. Up to the date of these consolidated financial statements, the Petitioner had not yet obtained the Registrar Certificate and the Petitioner was still awaiting the outcome of whether the Court had satisfied with their answers and also whether further requisitions would be raised, which resulted to the hearing of the Petition and the Petitioner's application for leave to amend the Petition be adjourned. The Directors are of the view that the winding-up petition would not cause any material adverse impact to the operation of the Company.

2. BASIS OF PREPARATION

Going Concern

The Group incurred loss attributable to owners of the Company of approximately HK$260,883,000 for the year ended 31 December 2019 and the Group had net current liabilities and net liabilities of approximately HK$334,959,000 and approximately HK$465,225,000 respectively as at 31 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group'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.

2. BASIS OF PREPARATION (Continued)

Going Concern (Continued)

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 2019. 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 not less than twelve months from 31 December 2019. Accordingly, the consolidated financial statements have been prepared on a going concern basis;

(ii) there was an investor ("Investor") confirmed to provide an adequate financial support of amount not less than HK$180,000,000 to the Group as it is necessary to ensure its continuing operation for a period of at least fifteen months from 31 March 2020;

(iii) the Investor executed a letter agreeing not to demand for repayment for other loan principal of HK$800,000 and the accrued interest of approximately HK$106,000 as at 31 December 2019 before July 2021 under an loan agreement executed on 27 March 2019, and all interests accrued from this other loan are to be repaid on the maturity date under the loan agreement, which is on 31 March 2022 or if such date is not a business day, the next business day.

The Investor also agreeing not to demand for repayment for other loan principal of approximately HK$17,058,000 and the accrued interest of approximately HK$794,000 as at 31 December 2019 before July 2021 under another loan agreement executed on 23 September 2019, and all interests accrued from this other loan are to be repaid on the repayment date under loan agreements, which is on 31 December 2022 or if such date is not a business day, the next business day.

The Investor also agreeing not to demand for repayment for working capital of approximately HK$18,234,000 lent to the Group by certain companies controlled by the Investor before July 2021;

(iv) China Daisy Finance Limited ("China Daisy") executed a letter agreeing not to demand for repayment for other loan principal of HK$40,000,000 and the accrued interest of approximately HK$4,434,000 as at 31 December 2019 before July 2021 under an loan agreement executed on 27 March 2019, and all interests accrued from this other loan are to be repaid on the repayment date under the loan agreement, which is on 27 March 2022 or if such date is not a business day, the next business day;

2. BASIS OF PREPARATION (Continued)

Going Concern (Continued)

(v) the Group's entrusted loan of approximately RMB45,992,000 (approximately HK$51,448,000) as at 31 December 2019 was borrowed from an independent third party through commissioning a bank renewed on 26 March 2019. The lender had decided to extend the repayment schedule of this entrusted loan, for which in the outstanding amount of the entrusted loan as at 31 December 2019, approximately RMB20,992,000 (approximately HK$23,482,000) of the entrusted loan should be repaid on or before 31 December 2019 while the remaining RMB25,000,000 (approximately HK$27,966,000) of the entrusted loan shall be repaid on or before 31 December 2020. Up to the date of these consolidated financial statements, the Group is undergoing active and positive negotiation with the lender to renew the repayment schedule;

(vi) the Directors will consider to carry out debt and group restructuring for the Company's certain subsidiaries in capital deficiencies to release the certain level of liabilities when necessary; 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.

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 a subsidiary

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 Interim Judicial Managers being appointed upon an application filed in the High Court of Singapore by Acromec Engineers Pte Ltd to place Pacific Fertility Institutes (Singapore) Pte Ltd ("PFI Singapore") under judicial management on 22 February 2019, the Group is no longer able to exercise control over the assets and operations over PFI Singapore. The Directors considered that the control over the PFI Singapore had been lost since 22 February 2019. The results, assets, liabilities and cash flows of this subsidiary was deconsolidated from the consolidated financial statements of the Group since 22 February 2019.

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 ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. 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 financial statements and amounts reported for the current year and prior years except as stated below.

The following explains the impact of the adoption of HKFRS 16 "Leases" ("HKFRS 16") on the Group's financial information and the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior years.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting year, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 11.67%.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

— the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

— reliance on previous assessments on whether leases are onerous;

— the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

— the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

— the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

Adjustments recognised on adoption of HKFRS 16 (Continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

As a lessee, the Group's leases are mainly rentals of premises for operating hospital. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. The changes in the consolidated amounts reported in the consolidated financial statements as follows:

	HK$'000
At 1 January 2019	
Increase in right-of-use assets	145,684
Increase in lease liabilities	156,597
Decrease in trade and other payables	10,913

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	377,326
Less: Recognition exemption — short-term leases	(688)
Gross operating lease obligations at 1 January 2019	376,638
Discounting at relevant incremental borrowing rates at 1 January 2019	(220,041)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	156,597
Analysed as:	
Current	387
Non-current	156,210
	156,597

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	HK$'000
Land and buildings	145,684

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

Adjustments recognised on adoption of HKFRS 16 (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination and goodwill

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

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	2–18 years
Motor vehicles	2 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in consolidated profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

If the identifiable consideration received by the Group appears to be less than the fair value of the convertible loans issued, the Group measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible loans issued and that of the identifiable consideration received, and the difference is 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.

Other financial liabilities

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 non-financial assets

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

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

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

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

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) *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 and contract assets, 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 contract assets and doubtful debt expenses in the year in which such estimate has been changed.

b) *Income taxes*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

c) *Allowance for contract costs*

Allowance for contract costs is made based on the ageing and estimated net realisable value of contract costs. 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 contract costs and allowance charge/write-back in the period in which such estimate has been changed.

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 2019 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, restricted and pledged bank deposits, and bank and cash balances. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on bank and cash balances 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.

6. FINANCIAL RISK MANAGEMENT (Continued)

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.

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

At 31 December 2019	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	298,312	23,568	—	321,880	321,880
Other loans	—	—	85,292	85,292	61,058
Bonds	7,490	—	—	7,490	7,000
Entrusted loan	57,707	—	—	57,707	51,448
Bank loans	1,812	—	—	1,812	1,812
Convertible bonds	4,368	65,532	—	69,900	53,200
	369,689	89,100	85,292	544,081	496,398

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	65,532	74,268	46,113
	289,708	7,436	65,532	362,676	325,508

6. FINANCIAL RISK MANAGEMENT (Continued)

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.

e) Categories of financial instruments at 31 December

	2019 HK$'000	2018 HK$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**29,233**	30,538
Financial liabilities:		
Financial liabilities at amortised cost	**496,398**	325,508

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:

	2019 HK$'000	2018 HK$'000
Trading of wastewater treatment facilities and machineries and the provision for related services	**664**	502
Sales of goods	**33,123**	41,723
Wastewater treatment services	**—**	4,140
Healthcare services	**—**	3,078
	33,787	49,443

8. OTHER INCOME

	2019	2018
	HK$'000	HK$'000
Interest income on bank deposits	**26**	195
Net foreign exchange gain	**3,157**	963
Waiver of trade and other payables	**306**	—
Others	**432**	467
	3,921	1,625

9. OTHER GAIN

	2019	2018
	HK$'000	HK$'000
Net gain on the early cessation arrangement for the lease contract	**13,112**	—
Gain on disposal of an associate	**—**	2,175
Reversal of impairment loss on trade receivables	**2**	2,491
Bad debts recovered from other receivables	**72**	—
	13,186	4,666

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 two reportable segments. No operating segments have been aggregated to form the following reportable segments:

i. Wastewater treatment

This segment engages in the provision of wastewater treatment plants construction and operation services, as well as the trading of wastewater treatment facilities and machineries and the provision for related services.

ii. Healthcare

This segment engages in the provision of healthcare 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 represents the loss from each segment without allocation of central administration costs such as directors' salaries and unallocated other income/losses. This is the measure reported to the CODM for purposes of resources allocation and performance assessment. Taxation 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:

	2019	2018
	HK$'000	HK$'000
Disaggregated by major products or service		
— Wastewater treatment	**33,787**	46,365
— Healthcare	**—**	3,078
Revenue from contracts with customers	**33,787**	49,443
Disaggregated by geographical location of customers		
— The PRC	**33,787**	46,365
— Singapore	**—**	3,078
	33,787	49,443

	Timing of revenue recognition					
	2019			2018		
	At a point in time HK$'000	**Over time HK$'000**	**Total HK$'000**	At a point in time HK$'000	Over time HK$'000	Total HK$'000
Wastewater treatment	**33,787**	**—**	**33,787**	41,723	4,642	46,365
Healthcare	**—**	**—**	**—**	3,078	—	3,078
Total	**33,787**	**—**	**33,787**	44,801	4,642	49,443

10. SEGMENT INFORMATION (Continued)

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

Wastewater treatment

Revenue from wastewater treatment includes construction and operation services and equipment trading.

Wastewater treatment 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.

For construction services and 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.

Healthcare

Revenue from healthcare is recognised when the services are rendered.

Healthcare services are normally made with credit terms of 30 days. A receivable is recognised when the services are provide to the customers as this is the point in 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:

	Wastewater treatment HK$'000	Healthcare HK$'000	Subtotal HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2019					
Revenue from customers	35,067	—	35,067	—	35,067
Intersegment revenue	(1,280)	—	(1,280)	—	(1,280)
Revenue from external customers	33,787	—	33,787	—	33,787
Segment loss	(16,612)	(201,308)	(217,920)	(45,154)	(263,074)
Interest income	23	2	25	1	26
Finance costs	7,012	19,398	26,410	18,078	44,488
Depreciation of property, plant and equipment and right-of-use assets, and amortisation	1,661	7,757	9,418	1,824	11,242
Impairment loss on trade receivables	366	—	366	—	366
Reversal of impairment loss on trade receivables	2	—	2	—	2
Write-off of other receivables	641	255	896	512	1,408
Bad debts recovered from other receivables	—	72	72	—	72
Impairment loss on amount due from an associate	159	—	159	—	159
Impairment loss on right-of-use assets	—	8,162	8,162	—	8,162
Additions to property, plant and equipment and construction in progress	30	4,213	4,243	—	4,243
As at 31 December 2019					
Reportable segment assets	65,844	929	66,773		
Reportable segment liabilities	167,512	226,786	394,298		

10. SEGMENT INFORMATION (Continued)

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

	Wastewater treatment HK$'000	Healthcare HK$'000	Subtotal HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2018					
Revenue from customers	48,761	3,078	51,839	—	51,839
Intersegment revenue	(2,396)	—	(2,396)	—	(2,396)
Revenue from external customers	46,365	3,078	49,443	—	49,443
Segment loss	(26,018)	(278,676)	(304,694)	(22,027)	(326,721)
Interest income	89	105	194	1	195
Finance costs	7,463	—	7,463	8,755	16,218
Depreciation and amortisation	2,321	78	2,399	91	2,490
Write-down of inventories	4,371	—	4,371	—	4,371
Impairment loss on trade receivables	1,265	21	1,286	—	1,286
Reversal of impairment loss on trade receivables	2,491	—	2,491	—	2,491
Write-off of other receivables	25,047	44,346	69,393	450	69,843
Impairment loss on amount due from an associate	238	—	238	—	238
Write-off of property, plant and equipment	—	40,103	40,103	—	40,103
Additions to property, plant and equipment and construction in progress	136	99,009	99,145	—	99,145
As at 31 December 2018					
Reportable segment assets	47,583	96,765	144,348		
Reportable segment liabilities	144,991	135,753	280,744		

10. SEGMENT INFORMATION (Continued)

(c) Reconciliations of reportable segment profit or loss:

	2019 HK$'000	2018 HK$'000
Total loss of reportable segments	**(217,920)**	(304,694)
Unallocated depreciation of property, plant and equipment, right-of-use assets, and amortisation	**(1,824)**	(91)
Unallocated head office and corporate expenses	**(43,330)**	(21,936)
Consolidated loss before tax	**(263,074)**	(326,721)

(d) Reconciliations of reportable segment assets and liabilities:

	2019 HK$'000	2018 HK$'000
Assets		
Total assets of reportable segments	**66,773**	144,348
Unallocated		
— cash and cash equivalents	**789**	227
— corporate assets	**3,818**	2,125
Consolidated total assets	**71,380**	146,700
Liabilities		
Total liabilities of reportable segments	**394,298**	280,744
Unallocated		
— current tax liabilities	**—**	636
— corporate liabilities	**142,307**	73,028
Consolidated total liabilities	**536,605**	354,408

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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**—**	—	**2,156**	—
The PRC	**33,787**	46,365	**7,598**	83,052
Singapore	**—**	3,078	**—**	—
	33,787	49,443	**9,754**	83,052

(f) Revenue from major customers

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

	2019	2018
	HK$'000	HK$'000
Wastewater treatment		
Customer A	**—**	14,421
Customer B	**—**	8,193
Customer C	**—**	7,057
Customer D	**6,302**	—
Customer E	**4,401**	—
Customer F	**9,785**	—
Customer G	**8,214**	—
Customer H	**3,785**	—

11. NET GAIN/(LOSS) ON DECONSOLIDATION OF SUBSIDIARIES

The net gain/(loss) on deconsolidation of subsidiaries consisted of:

		2019 HK$'000	2018 HK$'000
Gain on liquidation of a subsidiary	*Note a*	**27,564**	—
(Loss)/gain on disposal of subsidiaries	*Note b*	**(25,422)**	9,082
Loss on lost control of subsidiaries		**—**	(135,388)
		2,142	(126,306)

Note a: On 22 February 2019, Interim Judicial Managers were appointed upon an application filed in the High Court of Singapore by Acromec Engineers Pte Ltd to place Pacific Fertility Institutes (Singapore) Pte Ltd ("PFI Singapore"), under judicial management. On 15 April 2019, the Singapore courts appointed the Interim Judicial Managers as Judicial Managers. The Directors considered that the control of PFI Singapore had been lost since 22 February 2019. The results, assets, liabilities and cash flows of PFI Singapore was deconsolidated from the consolidated financial statements of the Group since 22 February 2019.

Net liabilities of this subsidiary as at the date of lost of control were as follows:

	HK$'000
Trade and other receivables	730
Bank and cash balances	1,604
Trade and other payables	(29,939)
Net liabilities loss of control	(27,605)
Release of exchange reserve	41
Gain on liquidation of a subsidiary	(27,564)
Net cash outflow arising on deconsolidation of subsidiaries:	
Cash and cash equivalents	1,604

11. NET GAIN/(LOSS) ON DECONSOLIDATION OF SUBSIDIARIES (Continued)

Note b: On 14 October 2019, the Group disposed 90% of the issued share capital of Beijing Jianbao Kangying Medical Technology Co., Limited ("Beijing Jianbao Kangying"), a 90% owned subsidiary of the Group, at a consideration of RMB1 (equivalent HK$1).

Net liabilities at the date of disposal were as follows	HK$'000
Construction in progress	65,091
Property, plant and equipment	29
Prepayment for construction in progress	15,947
Goodwill	2,937
Trade and other receivables	6,605
Cash and bank balances	94
Trade and other payables	(57,323)
Amounts due to the Group	(27,913)
Lease liabilities	(7,985)
Net liabilities disposal of	(2,518)
Non-controlling interest	728
Release of foreign currency	(1,220)
	(3,010)
Impairment on amount due from Beijing Jianbao Kangying	28,432
Loss on disposal of Beijing Jianbao Kangying	(25,422)
Consideration	—
Net cash outflow arising on disposal:	
Cash consideration received	—
Cash and cash equivalents disposed of	(94)
	(94)

12. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Lease interests	**15,116**	—
Interest expenses on:		
— Bank loans	**47**	266
— Entrusted loan	**6,901**	7,197
— Other loans	**5,335**	—
— Bonds	**1,204**	1,592
— Convertible bonds	**11,455**	7,163
Default interest on construction contracts	**4,430**	—
Total borrowing costs	**44,488**	16,218

13. INCOME TAX CREDIT

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

	2019	2018
	HK$'000	HK$'000
Current tax — Corporate Income Tax in the PRC		
Over-provision in prior years	**634**	—
Deferred tax	**—**	308
Income tax credit	**634**	308

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the years ended 31 December 2019 and 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%.

13. INCOME TAX CREDIT (Continued)

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

	2019 HK$'000	2018 HK$'000
Loss before tax	**(263,074)**	(326,721)
Notional tax on loss before tax, calculated at the rates applicable to losses in the tax jurisdictions concerned	**(47,361)**	(60,951)
Tax effect of		
— non-deductible expenses	**43,167**	55,535
— non-taxable income	**(6,115)**	(2,403)
— tax losses not recognised	**9,031**	7,622
— utilisation of previously unrecognised tax losses	**(467)**	(568)
— temporary differences not recognised	**1,745**	457
— over-provision in prior years	**(634)**	—
Income tax credit	**(634)**	(308)

As at 31 December 2019, subject to agreement by tax authority, the Group had estimated tax losses of approximately HK$145,856,000 (2018: 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$105,912,000 (2018: approximately HK$93,080,000) in the PRC are available for offsetting against future profits that may be carried forward for five years for PRC enterprise income tax purpose.

14. LOSS BEFORE TAX

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

	2019 HK$'000	2018 HK$'000
Amortisation of intangible assets*	78	1,313
Cost of inventories sold	559	532
Staff costs (including Directors' emoluments)		
— Salaries, wages and other benefits	13,956	29,145
— Pension costs-defined contribution plans	1,599	3,375
	15,555	32,520
Write-off of property, plant and equipment	—	40,103
Impairment loss on right-of-use assets	8,162	—
Impairment loss on trade receivables	366	1,286
Write-off of other receivables	1,408	69,843
Impairment loss on amount due from an associate	159	238
	10,095	111,470
Depreciation of property, plant and equipment and right-of-use assets	11,164	1,177
Write-down of obsolete inventories (included in cost of sales)	—	4,371
Net loss on disposal of property, plant and equipment	6	6
Auditors' remuneration	1,380	1,656
Legal and professional fee	14,184	2,006
Minimum lease payments under operating lease (under HKAS 17)	—	37,519
Expenses related to short-term leases	1,423	—

* 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 2019 Emoluments paid or receivable in respect of a person's services as a Director whether of the Company or its subsidiary undertaking			
	Directors' fees	Salaries	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Mr. Xu Zhong Ping	—	1,200	32	1,232
Mr. Yang Bao Dong (note (b))	—	679	18	697
Ms. Hu Yueyue	—	1,200	18	1,218
	—	3,079	68	3,147
Non-executive Directors				
Mr. Xu Xiao Yang (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	3,079	68	3,747

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

(a) Directors' emoluments (Continued)

	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$'000	Total HK$'000
Executive Directors				
Mr. Xu Zhong Ping	—	1,200	—	1,200
Mr. Xu Xiao Yang (note (a))	—	1,200	—	1,200
Ms. Hu Yueyue	—	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

Notes:

(a) Removed from the office of chief executive officer and re-designated from an executive director to a non-executive director on 17 January 2019, and retired on 28 June 2019

(b) Appointed on 28 June 2019

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

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

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

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

(c) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2018: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2018: two) individual are set out below:

	2019	2018
	HK$'000	HK$'000
Salaries and other emoluments	**1,523**	1,981
Retirement scheme contributions	**59**	—
	1,582	1,981

The emoluments fell within the following band:

	Number of individuals	
	2019	2018
HK$Nil — HK$1,000,000	**2**	1
HK$1,000,001 — HK$1,500,000	**—**	1

Before appointing as a director of the Group, Mr. Yang Bao Dong's salaries and other emoluments and retirement scheme contributions are amounted to approximately HK$525,000 and HK$18,000 respectively.

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 2019 (2018: 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:

	2019	2018
	HK$'000	HK$'000
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share	**(260,883)**	(309,054)
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**	3,650,359

Basic and diluted loss per share for the years ended 31 December 2019 and 2018 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 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 and 1 January 2019	—	4,196	2,739	3,468	10,403
Exchange adjustments	—	(74)	(26)	(52)	(152)
Additions	—	—	30	—	30
Disposal of subsidiaries	—	—	(82)	—	(82)
Disposals	—	—	(39)	(82)	(121)
At 31 December 2019	—	4,122	2,622	3,334	10,078
Accumulated depreciation and impairment losses					
At 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 and 1 January 2019	—	2,414	2,369	3,220	8,003
Exchange adjustments	—	(53)	(20)	(48)	(121)
Charge for the year	—	727	92	31	850
Disposal of subsidiaries	—	—	(53)	—	(53)
Disposals	—	—	(37)	(78)	(115)
At 31 December 2019	—	3,088	2,351	3,125	8,564
Carrying amount					
At 31 December 2019	—	1,034	271	209	1,514
At 31 December 2018	—	1,782	370	248	2,400

19. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2019 HK$'000
At 31 December:	
Right-of-use assets	
— Land and buildings	**3,837**
— Motor vehicles	**3,332**
	7,169
Lease commitments of short-term leases	**181**
The maturity analysis based on undiscounted cash flows, of the Group's lease liabilities is as follows:	
— Less than 1 year	**5,064**
— Between 1 and 2 years	**2,229**
	7,293

19. LEASES AND RIGHT-OF-USE ASSETS (Continued)

	2019 HK$'000
Year ended 31 December:	
Depreciation charge of right-of-use assets	
— Land and buildings	**10,007**
— Motor vehicles	**307**
	10,314
Lease interests	**15,116**
Expenses related to short-term leases	**1,423**
Total cash outflow for leases	**12,315**
Additions to right-of-use assets	**9,786**

The Group leases various land and buildings and motor vehicles. Lease agreements are typically made for fixed periods of 2 to 18 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

20. INTANGIBLE ASSETS

	Club memberships HK$'000 (Note)	Patent HK$'000	Distribution channel HK$'000	Total HK$'000
Cost				
At 1 January 2018	1,866	61,809	88,095	151,770
Exchange adjustments	(97)	(3,209)	—	(3,306)
Deconsolidation of subsidiaries	—	—	(88,095)	(88,095)
At 31 December 2018 and 1 January 2019	1,769	58,600	—	60,369
Exchange adjustments	(31)	(1,036)	—	(1,067)
At 31 December 2019	1,738	57,564	—	59,302
Accumulated amortisation and impairment losses				
At 1 January 2018	550	60,563	11,012	72,125
Exchange adjustments	(32)	(3,194)	—	(3,226)
Amortisation charge	82	1,231	—	1,313
Deconsolidated of subsidiaries	—	—	(11,012)	(11,012)
At 31 December 2018 and 1 January 2019	600	58,600	—	59,200
Exchange adjustments	(11)	(1,036)	—	(1,047)
Amortisation charge	78	—	—	78
At 31 December 2019	667	57,564	—	58,231
Carrying amount				
At 31 December 2019	1,071	—	—	1,071
At 31 December 2018	1,169	—	—	1,169

Note:

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

21. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 January 2018	—
Additions	62,293
Transfer from leasehold improvements	2,628
Exchange adjustments	(2,608)
At 31 December 2018 and 1 January 2019	62,313
Additions	4,213
Disposals of subsidiaries	(65,091)
Exchange adjustments	(1,435)
At 31 December 2019	—

22. GOODWILL

	Pacific Fertility Institutes Holding Company Limited HK$'000	Beijing Jianbao Kangying HK$'000 (Note)	Total HK$'000
Cost			
At 1 January 2018	97,667	2,937	100,604
Deconsolidation of subsidiaries	(97,667)	—	(97,667)
At 31 December 2018 and 1 January 2019	—	2,937	2,937
Disposal of subsidiaries	—	(2,937)	(2,937)
At 31 December 2019	—	—	—
Impairment			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	—	—	—
Carrying amount			
At 31 December 2019	—	—	—
At 31 December 2018	—	2,937	2,937

Note:

As at 31 December 2018, 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.

23. INTERESTS IN AN ASSOCIATE

	2019 HK$'000	2018 HK$'000
Share of net assets	—	—

The particulars of the associate of the Group, which is unlisted, as at 31 December 2019, are as follows:

Name of associate	Particulars of paid up registered capital	Proportion of ownership interest indirectly held by the Company 2019	2018	Principal activity
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

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$83,000 (2018: approximately HK$158,000) and approximately HK$346,000 (2018: approximately HK$263,000), respectively.

24. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	—	561

25. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**21,996**	20,779
Bills receivable	**1,812**	—
Less: allowance for doubtful debts	**(4,356)**	(4,898)
	19,452	15,881
Other receivables	**5,762**	13,850
Prepayments and deposits	**2,098**	8,150
Prepayment for construction in progress	**—**	14,233
Amounts due from directors	**—**	300
	27,312	52,414
Analysed as:		
Current assets	**27,312**	38,181
Non-current assets	**—**	14,233
	27,312	52,414

Trade receivables are due in accordance with contract terms.

The Group's bills receivable of approximately HK$1,812,000 (2018: Nil) were pledged to secure bank borrwings of approximately HK$1,812,000 (2018: Nil).

25. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2019 and 2018, the ageing analysis of the trade and bills receivables, based on the invoice date and bills receipt date respectively, and net of allowance were as follows:

	2019 HK$'000	2018 HK$'000
Within 3 months	6,168	6,800
More than 3 months but within 12 months	3,386	3,615
More than 12 months	9,898	5,466
	19,452	15,881

As at 31 December 2019, trade receivables of the Group amounting to approximately HK$4,356,000 (2018: approximately HK$4,898,000) were individually determined to be impaired. The individually impaired receivables were outstanding for more than 12 months at the end of the reporting period.

Movements in the allowance for doubtful debts

	2019 HK$'000	2018 HK$'000
At 1 January	4,898	28,405
Allowance for the year	366	1,286
Reverse of allowance for the year	(2)	(2,491)
Write off trade receivables	(817)	(11,400)
Disposal of subsidiaries	—	(9,968)
Deconsolidation of a subsidiary	(21)	—
Exchange adjustments	(68)	(934)
At 31 December	4,356	4,898

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

25. TRADE AND OTHER RECEIVABLES (Continued)

	Current	Up to 3 months past due	3 to 12 months past due	Over 12 months past due	Total
At 31 December 2019					
Weighted average expected loss rate	—	—	—	31%	
Receivable amount (HK$'000)	4,176	1,992	3,386	14,254	23,808
Loss allowance (HK$'000)	—	—	—	(4,356)	(4,356)
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)

26. CONTRACT ASSETS, COSTS AND LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000	As at 1 January 2018 HK$'000
Total contract assets	**2,641**	4,608	957
Total contract costs	**28,322**	14,974	
Total contract assets and contract costs	**30,963**	19,582	
Total contract liabilities	**21,820**	14,060	14,327
Contract receivables (included in trade and bills receivables)	**7,742**	5,805	1,386
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
— 2019		—	43,975
— 2020		47,363	—
		47,363	43,975

Year ended 31 December	**2019 HK$'000**	2018 HK$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	**9,130**	4,793

26. CONTRACT ASSETS, COSTS AND LIABILITIES (Continued)

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

	2019 Contract assets HK$'000	**2019 Contract liabilities HK$'000**	2018 Contract assets HK$'000	2018 Contract liabilities HK$'000
Increase due to operations in the year	**2,227**	**18,102**	4,076	13,292
Decrease due to disposal of subsidiaries	**—**	**—**	—	(8,213)
Transfer of contract assets to receivables	**(4,112)**	**—**	(376)	—
Transfer of contract liabilities to revenue	**—**	**(10,094)**	—	(4,600)

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.

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

	2019 HK$'000	2018 HK$'000
Restricted and pledged bank deposits (note)	**—**	343
Cash and bank balances	**3,351**	4,981
	3,351	5,324

At 31 December 2019, the bank deposits and cash and bank balances of the PRC's subsidiaries denominated in RMB amounted to approximately HK$2,460,000 (2018: approximately HK$1,731,000). 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.

28. TRADE AND OTHER PAYABLES

	Notes	2019 HK$'000	2018 HK$'000
Trade payables		**36,064**	36,187
Other payables	(i)	**284,805**	163,530
Other tax payable		**11,324**	14,204
Amounts due to directors		**1,011**	—
		333,204	213,921
Analysed as:			
Current liabilities		**309,636**	213,921
Non-current liabilities		**23,568**	—
		333,204	213,921

Note:

(i) As at 31 December 2019, other payables included rent payable of approximately HK$8,382,000, non-contractual loan of approximately HK$39,564,000, amounts due to the Investor and companies controlled by the Investor of approximately HK$19,394,000, interest payables of approximately HK$9,838,000, and legal and professional fee payables of approximately HK$5,309,000.

As at 18 November 2019, the Group has undergone an early cessation arrangement for a lease contract with the lessor, who is entitled to bring legal actions against a subsidiary of the Company for the early cessation claims. The Directors estimated that a provision for claims in relation to the early cessation on arrangement of approximately HK$180,713,000 should be accounted for during the year ended 31 December 2019. Given the rental despostis paid of approximately HK$3,915,000, which could be deducted by lessor as stated in the lease, the probable exposure would be approximately HK$176,798,000.

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, non-contractual loan of approximately HK$51,556,000 and decoration costs payable of approximately HK$12,158,000.

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

	2019 HK$'000	2018 HK$'000
Within 1 month	**4,833**	11,628
After 1 month but within 3 months	**2,913**	3,348
After 3 months but within 4 months	**489**	775
After 4 months but within 1 year	**13,416**	11,295
After 1 year	**14,413**	9,141
	36,064	36,187

29. BORROWINGS

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

	2019 HK$'000	2018 HK$'000
Bank loans (note (a))	**1,812**	—
Entrusted loan (note (b))	**51,448**	56,928
Other loans (note (c))	**61,058**	—
Bonds (note (d))	**7,000**	22,750
Total borrowings	**121,318**	79,678

The borrowings are repayable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**60,260**	76,678
In the second to third years, inclusive	**—**	3,000
In the third to fifth years, inclusive	**61,058**	—
	121,318	79,678
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(60,260)**	(76,678)
Amount due for settlement after 12 months	**61,058**	3,000

The carrying amounts of all borrowings are denominated in Renminbi ("RMB"), except the bonds and other loans are denominated in Hong Kong Dollar ("HK$").

29. BORROWINGS (Continued)

Notes:

(a) The bank loans are secured by the Group's bills receivable. The effective discount interest rate on the Group's bills receivable of approximately HK$1,812,000 is 3.1% per annum for the year ended 31 December 2019.

(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, RMB25,000,000 of the entrusted loan shall be repaid on or before 31 December 2019 while the other RMB25,000,000 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% (2018: 12%) per annum. During the year ended 31 December 2019, the Group had repaid approximately RMB4,000,000. Approximately RMB21,000,000 of the entrusted loan was overdue as at 31 December 2019. Up to the date of these consolidated financial statements, the Group is undergoing active and positive negotiation with the lender to renew the repayment schedule.

(c) As at 31 December 2019, the Group have obtained other loans in an aggregate principal amount of approximately HK$74,258,000, of which HK$13,200,000 had been repaid during the year ended 31 December 2019. All other loans are unsecured, of which HK$3,200,000 is interest-free and the remaining arranged at a fixed interest rate of 12% per annum, and repaid in full upon the maturity. Other loans of HK$40,000,000, HK$3,200,000, HK$800,000, and approximately HK$17,058,000 are matured on 27 March 2022, 8 January 2022, 31 March 2022, and 31 December 2022, respectively.

(d) As at 31 December 2019, the Group have issued two (2018: six) unlisted straight bonds to two (2018: five) independent investors in an aggregate principal amount of HK$7,000,000 (2018: HK$22,750,000) (the "Bonds"). The Bonds are unsecured, arranged at a fixed interest rate of 7% per annum and redeemed in full upon the maturity, i.e. three or four years from the date of issue. All outstanding bonds are overdue as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30. 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 HK$'000	**Equity component** HK$'000	**Total** 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
Imputed interest expenses	11,455	—	11,455
Less: coupon payable	(4,368)	—	(4,368)
At 31 December 2019	53,200	15,350	68,550

The interest charged for the year is calculated by applying an effective interest 20.97% 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 under level 2 fair value measurement.

The payment obligations and the performance of all of the obligations of the Company under the convertible bonds are secured by the share charge, being 588,000,000 Company's shares pledged by the immediate parent of the Company.

31. LEASE LIABILITIES

	Lease payments 2019 HK$'000	Present value of lease payments 2019 HK$'000
Within one year	**5,064**	**4,869**
In the second to fifth years, inclusive	**2,229**	**2,194**
	7,293	**7,063**
Less: Future finance charges	**(230)**	
Present value of lease liabilities	**7,063**	
Less: Amount due for settlement within 12 months (shown under current liabilities)		**(4,869)**
Amount due for settlement after 12 months		**2,194**

At 31 December 2019, the effective borrowing rate was from 3.125% - 4.75%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

32. SHARE CAPITAL

	Number of ordinary shares of HK$0.025 per share '000	HK$'000
Authorised		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	8,000,000	200,000
Issued and fully paid		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	3,650,359	91,259

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

(a) Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
Non-current assets		
Property, plant and equipment	—	—
Right-of-use assets	2,156	—
Investments in and loans to subsidiaries	—	—
	2,156	—
Current assets		
Other receivables and deposits	1,663	2,126
Cash and cash equivalents	191	180
	1,854	2,306
Current liabilities		
Other payables	12,517	6,985
Amounts due to directors	1,011	—
Amounts due to subsidiaries	43,332	43,332
Lease liabilities	2,016	—
Borrowings	7,000	19,750
	65,876	70,067
Net current liabilities	(64,022)	(67,761)
Total assets less current liabilities	(61,866)	(67,761)
Non-current liabilities		
Other payables	5,334	—
Lease liabilities	171	—
Borrowings	61,058	3,000
Convertible bonds	53,200	46,113
	119,763	49,113
NET LIABILITIES	(181,629)	(116,874)
Capital and reserves		
Share capital	91,259	91,259
Reserves	(272,888)	(208,133)
TOTAL DEFICIT	(181,629)	(116,874)

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

(Continued)

(b) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	370,411	59,063	(435,281)	(5,807)
Loss for the year	—	—	(202,326)	(202,326)
At 31 December 2018 and 1 January 2019	370,411	59,063	(637,607)	(208,133)
Loss for the year	—	—	(64,755)	(64,755)
At 31 December 2019	370,411	59,063	(702,362)	(272,888)

34. 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.

34. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(ii) Foreign currency transaction 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.

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	Lease liabilities HK$'000	Total liabilities from financing activities HK$'000
At 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 and 1 January 2019	46,113	79,678	—	125,791
Changes in cash flows	—	42,582	(10,892)	31,690
Non-cash changes				
— disposal of subsidiaries	—	—	(7,985)	(7,985)
— initial recognition on lease liabilities	—	—	156,597	156,597
— addition to lease liabilties	—	—	9,786	9,786
— interest charged	11,455	—	15,116	26,571
— other payables	(4,368)	—	(9,467)	(13,835)
— cessation of lease	—	—	(142,759)	(142,759)
— exchange differences	—	(942)	(3,333)	(4,275)
At 31 December 2019	53,200	121,318	7,063	181,581

36. PLEDGE OF ASSETS

At 31 December 2019, the Group has no restricted bank deposit. (2018: approximately HK$343,000).

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:

	2019	2018
	HK$'000	HK$'000
Short-term employee benefits	**5,202**	6,181
Post-employment benefits	**127**	18
	5,329	6,199

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
	HK$'000
Within 1 year	15,057
After 1 year but within 5 years	73,904
Over 5 years	288,365
	377,326

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 2019 and 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:

	2019	2018
	HK$'000	HK$'000
Contracted for:	**—**	79,563

40. EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Company received a letter from China Daisy, in which China Daisy had committed not to ask for repayment of a loan principal of HK$40,000,000 before July 2021 and all interest payments related to the loan shall only be repaid upon the repayment date of the loan, which is on 27 March 2022 or if such date is not a business day, the next business day.

After the end of the reporting period, the Company also received a letter from the Investor, in which the Investor had committed not to ask for repayment of loans principal of HK$800,000 and approximately HK$17,058,000 from him before July 2021 and all interest payments related to such loans shall only be paid upon the maturity date or repayment date of these loans, which is on 31 March 2022 or 31 December 2022 or if such dates are not business days, the next business days, respectively. The Investor also agreeing not to demand for repayment for working capital of approximately HK$18,234,000 lent to the Group by certain companies controlled by the Investor before July 2021.

The long stop date in relation to the sale and purchase of convertible bonds of US$7,000,000 due 2021 issued on 15 January 2018 is extended under supplemental agreement dated 31 March 2020.

41. PARTICULARS OF SUBSIDIARIES

(a) Particulars of the Company's subsidiaries which affected the results, assets and liabilities of the Group as at 31 December 2019 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 19,826,025	—	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
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	—	100%	Investment holding

41. PARTICULARS OF SUBSIDIARIES (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 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 Limited# 北京金瑞通達科技有限公司*	PRC**	HK$5,000,000	—	100%	Investment holding
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**	RMB0.00	—	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
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

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

Name	**Hainan Yinkai**	
Principal place of business/country of incorporation	**PRC**	
	2019	2018
% of ownership interest/voting rights held by NCI	**47.98%**	47.98%
	HK$'000	HK$'000
As 31 December:		
Non-current assets	**5**	7
Current assets	**10,511**	10,761
Current liabilities	**(215)**	(241)
Non-current liabilities	**—**	—
Net assets	**10,301**	10,527
Carrying amount of NCI	**4,942**	5,051
Year ended 31 December:		
Revenue	**—**	—
Loss for the year	**(41)**	(35,763)
Loss allocated to NCI	**(20)**	(17,159)
Total comprehensive expenses	**(227)**	(36,783)
Total comprehensive expenses allocated to NCI	**(109)**	(17,648)
Dividend paid to NCI	**—**	—
Net cash used in operating activities	**—**	(8,808)
Net cash used in investing activities	**—**	(21)
Net decrease in cash and cash equivalents	**—**	(8,829)

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 31 March 2020.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2019

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Continuing operations					
Revenue	**33,787**	49,443	72,668	34,689	61,999
Loss from operations	**(218,586)**	(310,503)	(49,229)	(53,004)	(61,094)
Finance costs	**(44,488)**	(16,218)	(9,081)	(9,537)	(9,104)
Loss before tax	**(263,074)**	(326,721)	(58,310)	(62,541)	(70,198)
Income tax credit/(expenses)	**634**	308	(4,464)	2,454	(687)
Loss for the year from continuing operations	**(262,440)**	(326,413)	(62,774)	(60,087)	(70,885)
Discontinued operations					
Loss for the year from discontinued operations	**—**	—	—	—	(3,969)
Loss for the year	**(262,440)**	(326,413)	(62,774)	(60,087)	(74,854)
Attributable to:					
— Owners of the Company	**(260,883)**	(309,054)	(64,379)	(55,239)	(74,117)
— Non-controlling interests	**(1,557)**	(17,359)	1,605	(4,848)	(737)
Loss for the year	**(262,440)**	(326,413)	(62,774)	(60,087)	(74,854)

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2019

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**9,754**	83,052	204,177	7,411	34,902
Net current (liabilities)/assets	**(334,959)**	(241,647)	(43,855)	19,230	(48,493)
Non-current liabilities	**(140,020)**	(49,113)	(35,780)	(23,407)	(22,063)
	(465,225)	(207,708)	124,542	3,234	(35,654)
Share capital	**91,259**	91,259	91,259	75,009	62,508
Reserves	**(560,454)**	(301,498)	(11,648)	(64,805)	(96,352)
Total equity attributable to owners of the Company	**(469,195)**	(210,239)	79,611	10,204	(33,844)
Non-controlling interests	**3,970**	2,531	44,931	(6,970)	(1,810)
Total (capital deficiency)/equity	**(465,225)**	(207,708)	124,542	3,234	(35,654)

	2019	2018	2017	2016	2015
	HK$	HK$	HK$	HK$	HK$
Loss per share					
Basic	**(7.15 cents)**	(8.47 cents)	(1.84 cents)	(2.19 cents)	(2.96 cents)
Diluted	**(7.15 cents)**	(8.47 cents)	(1.84 cents)	(2.19 cents)	(2.96 cents)