



# Interim Report

# 2016

## **NEW UNIVERSE ENVIRONMENTAL GROUP LIMITED**

(incorporated in the Cayman Islands with limited liability)  
Stock Code :



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## CORPORATE INFORMATION

### PLACE OF INCORPORATION

Cayman Islands

### BOARD OF DIRECTORS

#### Executive Directors

Mr. XI Yu (*Chairman*)<sup>1 #</sup>  
Mr. SONG Yu Qing (*CEO*)<sup>1</sup>  
Ms. CHEUNG Siu Ling<sup>1</sup>  
Mr. LIAO Feng<sup>1</sup>  
Ms. LIU Yu Jie<sup>1</sup>  
Mr. HON Wa Fai<sup>1</sup>

#### Independent Non-Executive Directors

Dr. CHAN Yan Cheong<sup>2,3,4,5</sup>  
Mr. YUEN Kim Hung, Michael<sup>2,3,4,6</sup>  
Mr. HO Yau Hong, Alfred<sup>2,3,4,7</sup>

- <sup>1</sup> Member of Executive Committee
- <sup>2</sup> Member of Audit Committee
- <sup>3</sup> Member of Nomination Committee
- <sup>4</sup> Member of Remuneration Committee
- <sup>5</sup> Chairman of Audit Committee
- <sup>6</sup> Chairman of Nomination Committee
- <sup>7</sup> Chairman of Remuneration Committee

### AUTHORISED REPRESENTATIVES

Ms. CHEUNG Siu Ling  
Mr. HON Wa Fai

### COMPLIANCE OFFICER

Ms. CHEUNG Siu Ling

### COMPANY SECRETARY

Mr. HON Wa Fai

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 2110-2112  
Telford House  
16 Wang Hoi Road  
Kowloon Bay  
Kowloon  
Hong Kong

### SHARE REGISTRAR AND TRANSFER OFFICES

#### Principal

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

#### Hong Kong Branch

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

### LEGAL ADVISERS

#### As to Cayman Islands Laws

Conyers Dill & Pearman (Cayman) Limited

#### As to Hong Kong Laws

Troutman Sanders

#### As to China Laws

Beijing Sinobridge PRC Lawyers

### FINANCIAL ADVISERS

OCTAL Capital Limited

### INDEPENDENT AUDITOR

Crowe Horwath (HK) CPA Limited

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of Communication, Hong Kong Branch  
Standard Chartered Bank (Hong Kong) Limited

### LISTING INFORMATION

#### Shares

The issued shares of the Company are listed  
and traded on the Main Board of The Stock  
Exchange of Hong Kong Limited  
commenced from 1 August 2016

#### Stock Code

436

#### Board Lot

20,000 shares

#### WEBSITE

[www.nuigl.com](http://www.nuigl.com)

# With effect from 11 April 2016, Mr. XI Yu was appointed executive director and Chairman of the board of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2016 increased by 6.7% to HK\$157,440,000 compared to HK\$147,555,000 for the corresponding period in 2015.
- Net profit for the six months ended 30 June 2016 increased by 15.7% to HK\$55,357,000 compared to HK\$47,857,000 for the corresponding period in 2015.
- Profit attributable to owners of the Company for the six months ended 30 June 2016 increased by 17.3% to HK\$42,490,000 compared to HK\$36,234,000 for the corresponding period in 2015.
- Total earnings per share attributable to owners of the Company for the six months ended 30 June 2016 were HK cents 1.44 compared to HK cents 1.27 for the corresponding period in 2015.
- Equity attributable to owners of the Company was approximately HK\$710,566,000 at 30 June 2016 compared to HK\$688,853,000 at 31 December 2015.
- Cash and cash equivalents of the Group was approximately HK\$194,831,000 at 30 June 2016 compared to HK\$175,805,000 at 31 December 2015.
- The Board resolved not to declare a dividend for the six months ended 30 June 2016.

### BUSINESS REVIEW

#### Environmental Treatment of Industrial and Medical Waste Integrated Services

For the six months ended 30 June 2016, the Group collected for treatment in aggregate of approximately 16,312 metric tons (2015: 15,488 metric tons) of hazardous industrial waste, 3,047 metric tons (2015: 2,640 metric tons) of regulated medical waste, and 952 metric tons (2015: 842 metric tons) of general industrial waste from various cities of Jiangsu Province, China. For the six months ended 30 June 2016, the total revenue of the Group's operations of providing environmental treatment of industrial and medical waste services was approximately HK\$109,250,000 (2015: HK\$98,759,000) of which the revenue from treatment of hazardous industrial waste, medical waste and general industrial waste were HK\$92,904,000, HK\$15,614,000 and HK\$732,000 (2015: HK\$81,568,000, HK\$16,343,000 and HK\$848,000) respectively.

For the six months ended 30 June 2016, the profit margin (pre-tax) of the Group's environmental treatment of industrial and medical waste services was approximately 47.7% (2015: 45.7%).

At the end of the reporting period, the Group's facilities for the provision of industrial and medical waste integrated treatment services were summarised as follows:

	Note	Annualised capacity	
		30 June 2016 metric tons	31 December 2015 metric tons
Licensed hazardous waste incineration facilities		<b>45,000</b>	42,900
Licensed epidemic medical waste treatment facilities		<b>8,000</b>	8,000
<b>Total capacity of licensed treatment facilities</b>	(i)	<b>53,000</b>	50,900
Constructed hazardous waste incineration facilities pending operating permission license		–	9,600
Constructed hazardous waste landfill facilities pending operating permission license		<b>18,000</b>	18,000
Constructed medical waste treatment facilities pending operating permission license		<b>2,640</b>	2,640
<b>Total capacity of treatment facilities constructed and pending licenses</b>		<b>20,640</b>	30,240
New incineration facilities under construction		<b>33,000</b>	–
New facilities for medical waste treatment under construction		<b>3,300</b>	–
<b>Total capacity of new treatment facilities under construction</b>		<b>36,300</b>	–
New incineration facilities planned to start construction within one year	(ii)	<b>39,600</b>	33,000
New facilities for medical waste treatment planned to start construction within one year		–	3,300
<b>Total planned capacity of new treatment facilities to be constructed</b>		<b>39,600</b>	36,300

## Notes:

- (i) The total capacity of the licensed treatment facilities represents the total effective treatment capacity granted under valid operating permission licenses owned by the Group as at the end of the reporting period calculated on annualised basis.
- (ii) In June 2015, the Group has established a new subsidiary, 宿遷宇新固體廢物處置有限公司 (Suqian New Universe Solid Waste Disposal Company Limited\*) situated at the Suqian Eco Chemical Industry Park in Suqian of the Jiangsu Province, China. The subsidiary has acquired land use rights for a site area of approximately 66,433 square metres for a lease of 50 years, and the first phase of development is to construct new incineration facilities with a total treatment capacity of approximately 39,600 metric tons of hazardous waste per annum. The construction works of the treatment facilities are expected to be started in the fourth quarter of this year.

### Industrial Sewage and Sludge Treatment in Eco-plating Specialised Zone

For the six months ended 30 June 2016, the total revenue of the Group's operations of providing environmental treatment of industrial sewage and sludge and providing facility rental services in the eco-plating specialised zone (the "Eco-plating Specialised Zone") was approximately HK\$48,190,000 (2015: HK\$48,796,000) and the profit margin (pre-tax) was approximately 14.2% (2015: 14.5%).

As at 30 June 2016, the Group's operations of providing environmental treatment of industrial sewage and sludge and providing facility rental services in the Eco-plating Specialised Zone were summarised as follows:

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
Total gross floor area of factory buildings and facilities built at the end of the reporting period (square metres)	<b>106,577</b>	106,577
Average utilisation rate during the reporting period	<b>91%</b>	89%
Plating sewage handled by the centralised sewage treatment plant during the reporting period (metric tons)	<b>296,000</b>	267,000

\* For identification purpose only.

## **Investments in Plastic Materials Dyeing Operations**

The Group holds the equity interests in the three manufacturing entities that principally engaged in plastic material dyeing business in the Mainland China as strategic equity investments. For the six months ended 30 June 2016, the profit margins (pre-tax) of Suzhou New Huamei Plastics Company Limited (“Suzhou New Huamei”), Danyang New Huamei Plastics Company Limited (“Danyang New Huamei”) and Qingdao Zhongxin Huamei Plastics Company Limited (“Qingdao Huamei”) were 1.5%, 1.7% and 5.0% (2015: 4.8%, 2.9% and 3.6%) respectively.

The board meetings of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei have been held at the end of May 2016 and early June 2016 to review the respective annual results of 2015, and the final dividends declared by the boards that attributable to the Group (before China Dividend Tax) were totally amounted approximately to HK\$4,199,000 (2015: HK\$4,527,000).

## **Change of Company Name and Stock Short Name**

After the proposal was announced by the Board on 12 April 2016 and the special resolution for the change of name of the Company was duly passed by the shareholders of the Company at the extraordinary general meeting held on 6 May 2016, the change of English name of the Company from “New Universe International Group Limited” to “New Universe Environmental Group Limited” and the adoption of the dual foreign name in Chinese “新宇環保集團有限公司” to replace the previous Chinese name “新宇國際實業（集團）有限公司”<sup>\*</sup> have become effective. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 6 May 2016, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 24 May 2016.

The stock short name for trading in the shares of the Company on the Stock Exchange has been changed from “NU INT’L” to “NU ENVIRO” in English and from “新宇國際” to “新宇環保” in Chinese with effect from 9:00 a.m. on 1 June 2016.

The Board considers that the change of company name would better reflect the strategic business plan and future business development of the Group and believes that the change of company name is in the best interests of the Company and its shareholders as a whole.

\* *For identification purpose only.*

### **Transfer of Listing from GEM to Main Board**

On 13 April 2016, the Company submitted the formal application to The Stock Exchange of Hong Kong Limited (“Stock Exchange”) for the transfer of the listing of the Company’s shares from the Growth Enterprise Market (“GEM”) to the Main Board (“Transfer of Listing”) pursuant to Chapter 9A of the Main Board Listing Rules. The Board believes that the Transfer of Listing will enhance the profile of the Company and increase the trading liquidity of the Shares. The Board considers that the Transfer of Listing will be beneficial to the future growth and business development of the Group as well as its financing flexibility.

On 21 July 2016 and 29 July 2016, the approval-in-principle for the Transfer of Listing and listing approval were granted respectively by the Stock Exchange for the Company’s shares be listed on the Main Board. Listing and dealing in shares of the Company on the Main Board has commenced on 1 August 2016.

### **Outlook**

As at 30 June 2016, the Group owns 6 (2015: 5) major entities that engaged in providing hazardous waste treatment and related supporting services, and owns the Eco-plating Specialised Zone that engaged in providing environmental sewage treatment and facility provision services in the industrial park situate at Jiangsu Province, China. The Group will continue to focus on environmental related business, and to enhance the waste management and treatment standards. The Group will also strengthen the risk management and internal control on all project development. Barring any unforeseeable risks from the global and local economies that might affect the Group’s environmental operations in the Mainland China, the Group is looking forward to a sustainable growth in this year.



## FINANCIAL REVIEW

The changes in unaudited consolidated financial information of the Group's for the six months ended 30 June 2016 as comparing to the unaudited figures for the corresponding period in 2015 are summarised as follows:

(Expressed in HK\$'000 unless indicated otherwise)	Note	For the three months			For the six months		
		ended 30 June 2016	2015	Change %	ended 30 June 2016	2015	Change %
Revenue from environmental treatment of industrial and medical waste		<b>59,216</b>	50,413	+17.5	<b>109,250</b>	98,759	+10.6
Revenue from environmental treatment of sewage and facility rental services in Eco-plating Specialised Zone		<b>24,568</b>	26,446	-7.1	<b>48,190</b>	48,796	-1.2
Total Revenue	(a)	<b>83,784</b>	76,859	+9.0	<b>157,440</b>	147,555	+6.7
Average gross profit margin (%)	(b)	<b>50.4</b>	48.3	+4.3	<b>49.0</b>	48.8	+0.4
Other revenue	(c)	<b>4,193</b>	4,527	-7.4	<b>4,608</b>	4,962	-7.1
Other net income	(d)	<b>4,319</b>	128	+3,274.2	<b>7,224</b>	2,848	+153.7
Distribution and selling expenses	(e)	<b>2,507</b>	3,327	-24.6	<b>4,546</b>	6,507	-30.1
Administrative expenses	(f)	<b>11,011</b>	10,370	+6.2	<b>21,164</b>	18,941	+11.7
Other operating expenses	(g)	<b>5,706</b>	2,868	+99.0	<b>7,760</b>	6,249	+24.2
Finance income	(h)	<b>63</b>	328	-80.8	<b>316</b>	551	-42.6
Finance costs	(i)	<b>954</b>	711	+34.2	<b>1,984</b>	1,510	+31.4
Share of net profit of an associate	(j)	<b>1,242</b>	1,190	+4.4	<b>1,837</b>	3,548	-48.2
Income tax	(k)	<b>(3,927)</b>	(2,482)	N/A	<b>347</b>	2,794	-87.6
Net profit for the period	(l)	<b>35,783</b>	28,510	+25.5	<b>55,357</b>	47,857	+15.7
Profit attributable to owners of the Company	(l)	<b>27,472</b>	21,923	+25.3	<b>42,490</b>	36,234	+17.3
Basic and diluted EPS (HK cents)	(m)	<b>0.93</b>	0.75	+24.0	<b>1.44</b>	1.27	+13.4
EBITDA	(n)	<b>42,324</b>	36,051	+17.4	<b>76,305</b>	69,133	+10.4

## Notes:

- (a) Net increase in total revenue for the six months ended 30 June 2016 was mainly attributable to increase in revenue from the operation of environmental treatment of industrial and medical waste services, and increase in quantities of hazardous wastes collected for innocuity treatment and disposal in current period.
- (b) Increase in gross profit margin of the Group for the six months ended 30 June 2016 was mainly attributable to cost control being tightened to cover the China Value-Added Tax ("VAT") of 17% on the revenue from hazardous industrial waste treatment in current period.
- (c) Net decrease in other revenue for the six months ended 30 June 2016 was mainly attributable to the decrease in income from nitrile rubber recycling and the Group has decided to cease the operation of nitrile rubber recycling with effect from January 2016.
- (d) Net increase in other net income for the six months ended 30 June 2016 was mainly attributable to refund of VAT under tax preferential policy entitled by three subsidiaries of the Group.
- (e) Net decrease in distribution and selling expenses for the six months ended 30 June 2016 was mainly attributable to decrease in environmental marketing incentive expenses.
- (f) Net increase in administrative expenses for the six months ended 30 June 2016 was mainly attributable to increase in administrative staff costs of the Group.
- (g) Net increase in other operating expenses for the six months ended 30 June 2016 was mainly attributable to increase in research and development costs of the Group.
- (h) Net decrease in finance income for the six months ended 30 June 2016 was mainly attributable to decrease in interest income from free cash in China during the period.
- (i) Net increase in finance costs for the six months ended 30 June 2016 was mainly attributable to increase in bank borrowings in current period.
- (j) Net decrease in profit shared from an associate for the six months ended 30 June 2016 was mainly attributable to decrease in profits on hazardous waste landfill in the first quarter of current year.
- (k) Net decrease in income tax for the six months ended 30 June 2016 was mainly attributable to reversal of income tax provided in previous year under the preferential tax policy in China.

- (l) For the six months ended 30 June 2016, net increase in profit and increase in profit attributable to owners of the Company and increase in EPS were mainly attributable to:
- (i) increase in revenue from the operating segment of environmental waste treatment services;
  - (ii) refund of VAT under tax preferential policy in China; and
  - (iii) reversal of PRC Income Tax provided in previous year under tax preferential policy in China.
- (m) The Company uses Earnings before interest, tax, depreciation and amortisation (“EBITDA”) to measure the operation result of the Group, which represents the consolidated profit before taxation plus adding back net finance costs, depreciation and amortisation charges over the reporting period. Increase in EBITDA for the six months ended 30 June 2016 was mainly attributable to increase in net profit of the Group in current period.

### **Seasonality of operations**

For the years ended 31 December 2015 and 2014, the operation of providing environmental hazardous waste treatment services has encountered a relatively higher demand of treatment services in the first and second quarters of a year.

For the 12 months ended 30 June 2016, the environmental waste treatment services reported a revenue of HK\$195,193,000 (12 months ended 30 June 2015: HK\$183,553,000) and pre-tax profit of HK\$73,034,000 (12 months ended 30 June 2015: HK\$87,199,000).

### **Capital expenditure**

For the six months ended 30 June 2016, the Group incurred capital expenditure to increase property, plant and equipment (i) for the operation of environmental treatment of hazardous waste services amounted approximately to HK\$19,550,000 (2015: HK\$44,807,000), (ii) for the operation of environmental sewage and sludge treatment and facility provision services in the Eco-plating Specialised Zone was HK\$6,417,000 (2015: HK\$10,282,000), and (iii) for corporate use at the head office in Hong Kong amounted to HK\$21,000 (2015: HK\$1,540,000).

## Commitments

At the end of the reporting period, the Group had the following commitments for material investments and capital assets:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Contracted but not provided for:		
– Acquisition of property, plant and equipment for subsidiaries in PRC	<b>38,651</b>	14,113

## Liquidity and financial resources

During the six months ended 30 June 2016, the Group financed its operations with internally generated cash flows, banking facilities and other borrowings. The Group remained stable in its financial position with equity attributable to owners of the Company amounted to HK\$710,566,000 (31 December 2015: HK\$688,853,000) and consolidated total assets amounted to HK\$1,019,097,000 (31 December 2015: HK\$999,118,000) respectively as at 30 June 2016.

At the end of the reporting period, the Group had:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Cash and bank balances	<b>194,831</b>	175,805
Available unused secured banking facilities	<b>35,754</b>	31,040
Available unused unsecured banking facilities	<b>41,910</b>	50,000
Available unused unsecured stand-by loan facility granted by a shareholder*	<b>500,000</b>	500,000

\* The unused stand-by loan facility granted by the shareholder has been lapsed on 14 July 2016.

## Key performance indicators

The Group monitors its operating performance through EBITDA. EBITDA of the Group was HK\$76,305,000 for the six months ended 30 June 2016 (2015: HK\$69,133,000) and was HK\$116,502,000 for 12 months ended 30 June 2016 (2015: HK\$133,145,000).

The Group monitors its liquidity through current ratio. The current ratio of the Group representing the ratio of the consolidated current assets to the consolidated current liabilities was 1.6 times as at 30 June 2016 (31 December 2015: 1.4 times).

The Group monitors its capital and level of borrowings through gearing ratio. This ratio is calculated as net debt divided by total capital. The net debt is calculated as all liabilities (excluding deferred government grants, income tax payable and deferred taxes) less cash and cash equivalents of the Group shown in the consolidated statement of financial position. Total capital is calculated as the total equity shown in the consolidated statement of financial position plus the aforementioned net debt. The gearing ratio at the end of the reporting period was as follows

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Interest-bearing bank borrowings	<b>68,033</b>	47,672
Other interest-bearing borrowings	<b>25,000</b>	30,000
Trade and other payables, accruals and customers' deposits received	<b>100,883</b>	122,844
<b>Total liabilities</b>	<b>193,916</b>	200,516
<b>Less: cash and cash equivalents</b>	<b>194,831</b>	175,805
<b>Net debt/(net cash)</b>	<b>(915)</b>	24,711
<b>Total equity (inclusive of non-controlling interests)</b>	<b>791,561</b>	759,772
<b>Total capital</b>	<b>790,646</b>	784,483
<b>Gearing ratio</b>	<b>N/A</b>	3.1%

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

The Company did not carry out any equity fund raising activity within the past twelve months immediately prior to the date of this report.

### **Capital structure**

There was no significant change to the capital structure of the Company as at 30 June 2016 compared to that as at 31 December 2015.

### **Material acquisitions and disposals of subsidiaries and affiliated companies**

The 97% owned subsidiary of the Group, Bestwin (China) Limited was dissolved and duly de-registered in Hong Kong on 8 January 2016. The de-registration of the subsidiary did not have any significant financial impact to the Group.

Save as disclosed therein, there were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the six months ended 30 June 2016.

Subsequent to the end of the reporting period, the 51.66% indirectly owned subsidiary, Zhenjiang New Universe Rubber Limited\* (鎮江新宇橡塑有限公司) was de-registered in China on 7 July 2016. The subsidiary previously engaged in the operation of nitrile rubber recycling. The de-registration of the subsidiary did not have any significant financial impact to the Group.

### **Significant investments held and their performance**

According to the valuation report dated 5 August 2016 issued by an independent professional valuer, DTZ Cushman & Wakefield Limited (“DTZ”) (2015: Cushman & Wakefield Valuation Advisory Services (HK) Limited, “Cushman & Wakefield”), the fair value attributable to the Group’s interests in the available-for-sale equity investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei as at 30 June 2016 were HK\$27,500,000, HK\$11,100,000 and HK\$27,300,000 (31 December 2015: HK\$38,000,000, HK\$15,400,000 and HK\$23,300,000) respectively. As at 30 June 2016, the fair value of the unlisted equity investments were determined by reference to the valuation carried out by DTZ (2015: by Cushman & Wakefield), using a market approach model based on the observable market data of the multiple of enterprise value to earnings before interest and tax of comparable listed companies and adjusted for the lack of marketability at a discount of 17% (31 December 2015: 16%).

For the six months ended 30 June 2016, total dividend declared by Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei that has been accounted for by the Group was approximately HK\$4,199,000 (before PRC dividend tax) (2015: HK\$4,527,000) which is expected to be distributed in cash to the Group in the fourth quarter of this year.

\* For identification purpose only

## Impairment testing on goodwill

As at 30 June 2016, the assessment on the recoverable amount of the Group's cash generating unit principally engaged in environmental waste treatment services in the Mainland China was determined by referring to the valuation report dated 5 August 2016 issued by the independent professional valuer, DTZ (2015: Cushman & Wakefield), on a value-in-use calculation using cash flows projections based on the financial forecast at a pre-tax discount rate of 16.4% (31 December 2015: 16.2%) of the environmental entities of the Group comprising Zhenjiang New Universe Solid Waste Disposal Company Limited, Yancheng New Universe Solid Waste Disposal Company Limited, and Taizhou New Universe Solid Waste Disposal Company Limited. The cash flows beyond the five-year period are extrapolated using an annual growth rate of 2% (31 December 2015: 2%) which does not exceed the long-term growth rate for the waste treatment industries. Other key assumptions for the value-in-use calculation related to the estimated cash inflows/outflows include forecasted sales and gross margin and the cessation of operations of Yancheng New Universe Solid Waste Disposal Company Limited. Such estimation is based on the past performance of the cash generating unit and the management's expectations for the market development. Accordingly, no impairment loss to the goodwill was considered necessary for the six months end 30 June 2016 (2015: Nil).

## Charges on Group assets

The Group pledged certain property, plant and equipment and the land use rights with carrying amount of HK\$45,259,000 and HK\$14,050,000 as at 30 June 2016 (31 December 2015: HK\$47,489,000 and HK\$14,515,000) respectively to secure banking facilities totally amounted approximately to HK\$52,953,000 as at 30 June 2016 (31 December 2015: HK\$58,812,000) which to the extent of HK\$17,199,000 were utilised as secured bank borrowings as at 30 June 2016 (31 December 2015: HK\$27,772,000).

The Group has been granted unsecured banking facilities totally amounted approximately to HK\$92,744,000 as at 30 June 2016 (31 December 2015: HK\$69,900,000) which to the extent of HK\$50,834,000 were utilised as unsecured bank borrowings as at 30 June 2016 (31 December 2015: HK\$19,900,000). Of the total banking facilities as at 30 June 2015, HK\$11,700,000 has previously been secured by bank deposits approximately amounted to HK\$5,000,000, which has been released by the bank in June 2016, and thereafter the banking facility became unsecured and under which HK\$5,000,000 were utilised as unsecured bank borrowings as at 30 June 2016.

### **Exposure to exchange rate fluctuations**

The Group mainly operates in the Mainland China and most of the Group's transactions, assets and liabilities are denominated in RMB. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK\$. Fluctuation of RMB against HK\$ is expected to be moderate, and the Group considers the foreign currency risk exposure is acceptable. The Group will review and monitor its currency exposure from time to time, and when appropriate hedge its currency risk.

The results of the Group's subsidiaries in China are translated from RMB into HK\$ at the average exchange rate which approximate the rates ruling at the dates of the transactions. Statement of financial position items of the Group's subsidiaries in China are translated from RMB into HK\$ at the closing rate ruling at the end of the reporting period. For the six months ended 30 June 2016, RMB devaluation against the HK\$ resulted in exchange differences on translation from RMB to HK\$ for the financial statements of the subsidiaries in China amounted approximately to HK\$12,349,000 (2015: HK\$4,788,000), which were recognised in other comprehensive income and accumulated separately in equity in the translation reserve of the Company and did not have any effect to the profit and loss of the Company in current period. The accumulated exchange differences in the translation reserve will be reclassified to profit or loss as when the interests in the relevant subsidiaries in China being disposed of by the Group.

### **Contingent liabilities**

There were no significant contingent liabilities of the Group as at 30 June 2016 (31 December 2015: Nil).

### **Employee information**

As at 30 June 2016, the Group had 428 (2015: 365) full-time employees, of which 21 (2015: 18) were based in Hong Kong, and 407 (2015: 347) in the Mainland China. For the six months ended 30 June 2016, staff costs, including the Directors' remuneration and amount capitalised as inventories was HK\$28,474,000 (2015: HK\$23,240,000). Employees and Directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, continuing development and trainings.



## **OTHER INFORMATION**

### **Disclosure of Information on Directors**

Reference is made to the announcement of the Company dated 11 April 2016 that with effect from 11 April 2016:

- (1) Mr. XI Yu was appointed as executive Director and Chairman of the Board;
- (2) Mr. SUEN Ki resigned as non-executive Director; and
- (3) Mr. SONG Yu Qing resigned as Chairman of the Board, and Mr. SONG has remained as an executive Director and the Chief Executive Officer of the Company.

With effect from 18 April 2016, Mr. XI Yu was appointed director of the following subsidiaries of Group:

Fair Time International Limited  
New Universe (China) Limited  
New Universe Environmental Technologies (Jiang Su) Limited  
New Universe Recyclables Limited  
Smartech Manufacturing Limited  
Smartech Plastic Moulding Limited  
Smartech Services Limited

With effect from 8 July 2016, Mr. YUEN Kim Hung, Michael has become a non-practising member of the Hong Kong Institute of Certified Public Accountants, and he continues to provide accounting, secretarial and taxation services in Hong Kong.

Save as disclosed therein, there was no other change in details of the Directors' information since the date of last annual report of the Company for the year ended 31 December 2015.

Save as disclosed therein, there are no other information is to be disclosed pursuant to the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market or the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited.

## Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debenture of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporation

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### The Company

#### *Long positions in ordinary shares of the Company*

Name of Director	Number of ordinary shares of HK\$0.01 each				% of total shares in issue
	Personal/beneficial interest	Interests of children or spouse	Interests of controlled corporation	Number of shares held	
Mr. Xi Yu*	–	–	1,071,823,656	1,071,823,656	36.26
Ms. LIU Yu Jie	202,000,000	–	–	202,000,000	6.83

Note:

- \* Mr. Xi Yu is the shareholder of 16,732 shares of US\$1.00 each in New Universe Enterprises Limited ("NUEL"), representing 83.66% of the issued share capital of NUEL, which in turn interested in 1,071,823,656 shares of the Company, representing approximately 36.26% of the issued share capital of the Company.

**Associated corporation**

*Long positions in ordinary shares of NUEL*

Name of Director	Number of ordinary shares of US\$1.00 each of NUEL			Number of shares held	% of total shares in issue
	Personal/beneficial interest	Interests of children or spouse	Interests of controlled corporation		
Mr. Xi Yu**	16,732	–	–	16,732	83.66
Ms. CHEUNG Siu Ling**	1,214	1,214	–	2,428	12.14

Note:

\*\* Mr. Xi Yu and Ms. CHEUNG Siu Ling are also directors of NUEL.

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed therein, at no time during the period was the Company, its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the chief executives, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

## Interests and/or Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares of the Company

As at 30 June 2016, so far as is known to any Director or chief executive of the Company, the interests or short positions of any person, other than a Director or chief executive of the Company, 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 were as follows:

### Long positions in ordinary shares of the Company

Name of shareholder	Number of ordinary shares of HK\$0.01 each				% of total shares in issue
	Beneficial owner	Family interest	Interests of controlled corporation	Number of shares held	
NUEL <sup>(i)</sup>	1,071,823,656	–	–	1,071,823,656	36.26
CM International Capital Limited (“CMIC Cayman”) <sup>(ii)</sup>	800,000,000	–	–	800,000,000	27.07
CM International Capital Limited 中民國際資本有限公司 (“CMIC Hong Kong”) <sup>(ii)</sup>	–	–	800,000,000	800,000,000	27.07
China Minsheng Investment Corp. Ltd. 中國民生投資股份有限公司 <sup>(ii)</sup>	–	–	800,000,000	800,000,000	27.07
Ms. LIU Yu Jie <sup>(iii)</sup>	202,000,000	–	–	202,000,000	6.83

#### Notes:

- (i) NUEL is the beneficial owner of the 1,071,823,656 issued ordinary shares of the Company. The interest disclosed by NUEL is the same interest disclosed by Mr. XI Yu as Director of the Company.
- (ii) CMIC Cayman is the beneficial owner of the 800,000,000 issued ordinary shares of the Company. CMIC Cayman is 100% directly owned by CMIC Hong Kong. CMIC Hong Kong is 100% directly owned by China Minsheng Investment Corporation Limited (中國民生投資股份有限公司).
- (iii) The interest disclosed by Ms. LIU Yu Jie is the same interest disclosed by her as Director of the Company.

Save as disclosed above, as at 30 June 2016, the Directors of the Company were not aware of any other person who had an interest or short position in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

### **Share Option Scheme**

The old share option scheme of the Company was adopted on 10 December 2003 and has expired on 9 December 2013. As at 30 June 2016, no option was granted or was outstanding under the old share option scheme.

The Company has a new share option scheme which was adopted by the Company's shareholders at the general meeting held on 5 May 2015 ("New Share Option Scheme"). The purpose of the New Share Option Scheme is to reward the participants who have contributed to the Group and/or to provide incentives to the participants to work towards the success of the Company. The total number of shares of the Company which might be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme by the shareholders of the annual general meeting on 5 May 2015 (the "Scheme Mandate Limit") unless the Company obtains an approval by its shareholders at its general meeting to refresh the Scheme Mandate Limit. Further, the maximum number of shares of the Company which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and options which may be granted and yet to be exercised under any other share option schemes of the Company shall not exceed 30% of the total number of the Company's shares in issue from time to time. Based on the issued share capital of 2,755,697,018 shares of the Company as at 24 March 2015, being the latest practicable date prior to the shareholders' meeting approving the New Share Option Scheme, the Scheme Mandate Limit was 275,569,701 shares of the Company.

As at 30 June 2016, no option was granted or was outstanding under the New Share Option Scheme.

### **Service Contracts**

There is no service contract between any member of the Group and any Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

## Connected Transactions

Mr. XI Yu was appointed as a consultant to the Group for the period from 22 August 2014 to 31 March 2016. The Company has paid consultant fees to Mr. XI Yu totally amounted to HK\$36,000 for the six months ended 30 June 2016 and totally HK\$228,000 during his tenure until 31 March 2016. Mr. XI Yu is beneficially interested in approximately 83.66% of the issued share capital of NUEL, which in turn is currently interested in 36.26% of the issued share capital of the Company. As such, Mr. XI Yu is a connected person of the Company for the purposes of Chapter 20 of the GEM Listing Rules. Although the engagement of Mr. XI Yu constitutes a continuing connected transaction of the Company, his remuneration package is below the de minimis threshold provided in Rule 20.74(1) of the GEM Listing Rules, which is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements.

Save as disclosed therein, there was no significant connected transactions of the Group (defined under the GEM Listing Rules) which were discloseable in the reporting period or any time during the six months ended 30 June 2016.

## Directors' Interests in Contracts of Significance

As at 30 June 2016, contracts or arrangements subsisted, of which certain Directors had interests that were deemed significant to the business of the Group are set out as follows:

Ms. CHEUNG Siu Ling is a director of the landlord, Sun Ngai International Investment Limited ("Sun Ngai", a wholly owned subsidiary of New Universe Holdings Limited that Ms. CHEUNG Siu Ling is also a director) to the tenancy agreement entered into by the Group as tenant. Pursuant to the tenancy agreement dated 20 July 2015 entered into between Sun Ngai as tenant and Smartech Services Limited ("Smartech Services", an indirectly 100% owned subsidiary of the Company) as tenant for two office units at Rooms 2109 and 2110, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong, Smartech Services has to pay a monthly rental of HK\$50,000 for the term from 1 August 2015 to 31 July 2016. For the six months ended 30 June 2016, total rentals paid by Smartech Services to Sun Ngai were HK\$300,000.

The above transactions were conducted on terms no less favourable than terms available from independent third parties which were in the ordinary course of business of the Group.

Save as disclosed therein, no contract of significance to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or any time during that period.

## **Competing Interests**

The Board is not aware of any Director or controlling shareholder and the respective associates of each having any interests in a business that competes or may compete with the business of the Group.

## **Sufficiency of Public Float**

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

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

Neither the Company, nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

## **Corporate Governance Practices**

The shares of the Company were listed on the GEM on 18 May 2002. Subsequent to the end of the reporting period, the 2,955,697,018 shares in issue of the Company and 275,569,701 new shares, being the maximum number of new shares which may fall to be issued upon the exercise of all options which may be granted under the New Share Option Scheme, have been listed on the Main Board by way of transfer of listing from GEM to the Main Board commenced from 1 August 2016. Thereafter, the Board shall continue to comply with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of Main Board Listing Rules.

During the six months ended 30 June 2016, the Company complied with the code provisions of Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules ("CG Code"), but save for the code provision A.2.1, the Directors confirmed that they were not aware of any other deviation from the CG Code during the period then ended.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. On 18 August 2014, Mr. SONG Yu Qing ("Mr. SONG") was appointed the chairman of the board ("Chairman") of the Company. Mr. SONG is also the chief executive officer ("Chief Executive Officer") of the Company. Mr. SONG has assumed the role of both the Chairman and the Chief Executive Officer. As such, such dual role constitutes a deviation from code provision A.2.1 of the CG Code.

The Board considers that: (i) the Company has sufficient internal controls to provide checks and balances on the functions of the Chairman and Chief Executive Officer; (ii) Mr. SONG as the Chairman and Chief Executive Officer is fully accountable to the shareholders of the Company and contributes to the Board and the Group on all top level and strategic decisions and is responsible for ensuring that all Directors act in the best interests of the shareholders of the Company; and (iii) this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board believes that vesting the role of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and will enable the Company to make and implement decisions promptly and effectively.

On 11 April 2016, Mr. SONG resigned as Chairman and Mr. XI Yu was appointed the Chairman of the Company. Since then, the roles of chairman and chief executive officer of the Company was considered to be separate in compliance with the Code provision A.2.1 of the CG Code.

#### **Directors' Securities Transactions**

During the six months ended 30 June 2016, the Company had applied the principals of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). Having made specific enquiry of all Directors of the Company, the Directors confirmed that they had complied with or they were not aware of any non-compliance with the Required Standard of Dealings during the six months ended 30 June 2016.

#### **Audit Committee**

The Audit Committee of the Company comprises three independent non-executive Directors, Dr. CHAN Yan Cheong (as the Committee Chairman), Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred. The Audit Committee has reviewed with the management the unaudited consolidated financial results and financial information of the Company for the six months ended 30 June 2016.



## **Review of Interim Financial Statements**

The consolidated financial statements for the six months ended 30 June 2016 of the Company (“Interim Financial Report”) were unaudited, but have been reviewed in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by the Company’s independent auditor, Crowe Horwath (HK) CPA Limited, whose report on review of the Interim Financial Report is set out on pages 25 to 26 of this report and nothing has come to their attention that causes them to believe that the Interim Financial Report is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

By order of the Board  
**New Universe Environmental Group Limited**  
**XI Yu**  
*Chairman*

Hong Kong, 5 August 2016

As of the date of this report, the Board comprises the following Directors:

Mr. XI Yu	<i>(Executive Director and Chairman)</i>
Mr. SONG Yu Qing	<i>(Executive Director and Chief Executive Officer)</i>
Ms. CHEUNG Siu Ling	<i>(Executive Director)</i>
Mr. LIAO Feng	<i>(Executive Director)</i>
Ms. LIU Yu Jie	<i>(Executive Director)</i>
Mr. HON Wa Fai	<i>(Executive Director and Company Secretary)</i>
Dr. CHAN Yan Cheong	<i>(Independent Non-executive Director)</i>
Mr. YUEN Kim Hung, Michael	<i>(Independent Non-executive Director)</i>
Mr. HO Yau Hong, Alfred	<i>(Independent Non-executive Director)</i>

## REPORT ON REVIEW OF INTERIM FINANCIAL REPORT



國富浩華 (香港) 會計師事務所有限公司  
**Crowe Horwath (HK) CPA Limited**  
 Member Crowe Horwath International

香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
 9/F Leighton Centre,  
 77 Leighton Road,  
 Causeway Bay, Hong Kong

Review report to the board of directors of  
**New Universe Environmental Group Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

### Introduction

We have reviewed the interim financial report set out on pages 27 to 54 which comprises the consolidated statement of financial position of New Universe Environmental Group Limited (the “Company”, formerly known as New Universe International Group Limited) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2016 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34. Our responsibility is to form a conclusion based on our review on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

## **Crowe Horwath (HK) CPA Limited**

*Certified Public Accountants*

## **LEUNG Chun Wa**

Practising Certificate Number: P04963

Hong Kong, 5 August 2016

## CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 30 June		Six months ended 30 June	
		2016	2015	2016	2015
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Revenue</b>	5	<b>83,784</b>	76,859	<b>157,440</b>	147,555
Cost of sales		<b>(41,567)</b>	(39,728)	<b>(80,267)</b>	(75,606)
<b>Gross profit</b>		<b>42,217</b>	37,131	<b>77,173</b>	71,949
Other revenue	6	<b>4,193</b>	4,527	<b>4,608</b>	4,962
Other net income	7	<b>4,319</b>	128	<b>7,224</b>	2,848
Distribution and selling expenses		<b>(2,507)</b>	(3,327)	<b>(4,546)</b>	(6,507)
Administrative expenses		<b>(11,011)</b>	(10,370)	<b>(21,164)</b>	(18,941)
Other operating expenses		<b>(5,706)</b>	(2,868)	<b>(7,760)</b>	(6,249)
<b>Operating profit</b>		<b>31,505</b>	25,221	<b>55,535</b>	48,062
Finance income	8	<b>63</b>	328	<b>316</b>	551
Finance costs	8	<b>(954)</b>	(711)	<b>(1,984)</b>	(1,510)
Finance costs, net	8	<b>(891)</b>	(383)	<b>(1,668)</b>	(959)
Share of profits of an associate		<b>1,242</b>	1,190	<b>1,837</b>	3,548
<b>Profit before taxation</b>	9	<b>31,856</b>	26,028	<b>55,704</b>	50,651
Income tax	10	<b>3,927</b>	2,482	<b>(347)</b>	(2,794)
<b>Profit for the period</b>		<b>35,783</b>	28,510	<b>55,357</b>	47,857
<b>Attributable to:</b>					
Owners of the Company		<b>27,472</b>	21,923	<b>42,490</b>	36,234
Non-controlling interests		<b>8,311</b>	6,587	<b>12,867</b>	11,623
		<b>35,783</b>	28,510	<b>55,357</b>	47,857
<b>Earnings per share</b> attributable to owners of the Company during the period (expressed in HK cents per share)					
Basic and diluted	11	<b>0.93</b>	0.75	<b>1.44</b>	1.27

The notes on pages 33 to 54 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Profit for the period</b>	<b>35,783</b>	28,510	<b>55,357</b>	47,857
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to profit and loss</i>				
Exchange differences				
– on translation of financial statements of overseas subsidiaries	(15,716)	(116)	(12,349)	(4,788)
– on translation of financial statements of an overseas associate	(406)	3	(314)	(139)
Fair value changes on available-for-sale equity investments	(1,700)	7,700	(10,800)	4,600
Tax effect relating to changes in fair value of available-for-sale equity investments	170	(770)	1,080	(460)
Other comprehensive income for the period, net of tax	(17,652)	6,817	(22,383)	(787)
<b>Total comprehensive income for the period</b>	<b>18,131</b>	35,327	<b>32,974</b>	47,070
<b>Attributable to:</b>				
Owners of the Company	11,891	28,766	21,713	36,175
Non-controlling interests	6,240	6,561	11,261	10,895
	<b>18,131</b>	35,327	<b>32,974</b>	47,070

The notes on pages 33 to 54 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>525,361</b>	527,884
Prepaid lease payments and deposit paid for land use rights	14	<b>98,030</b>	99,984
Goodwill		<b>33,000</b>	33,000
Interest in an associate		<b>16,883</b>	15,360
Available-for-sale equity investments		<b>65,900</b>	76,700
		<b>739,174</b>	752,928
<b>Current assets</b>			
Inventories		<b>2,001</b>	1,042
Trade and bills receivables	15	<b>57,798</b>	46,857
Prepayments, deposits and other receivables	16	<b>18,884</b>	14,569
Dividend receivables		<b>3,848</b>	–
Prepaid lease payments	14	<b>2,561</b>	2,599
Pledged bank deposits	17	–	5,318
Cash and cash equivalents	17	<b>194,831</b>	175,805
		<b>279,923</b>	246,190
<b>Current liabilities</b>			
Interest-bearing bank borrowings	18	<b>64,874</b>	39,798
Trade payables	19	<b>3,237</b>	4,251
Accrued liabilities and other payables	20	<b>93,743</b>	114,972
Deposits received from customers		<b>3,903</b>	3,621
Deferred government grants		<b>470</b>	447
Income tax payable		<b>5,469</b>	9,436
		<b>171,696</b>	172,525
<b>Net current assets</b>		<b>108,227</b>	73,665
<b>Total assets less current liabilities</b>		<b>847,401</b>	826,593

The notes on pages 33 to 54 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
	Note		
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings	18	<b>3,159</b>	7,874
Other interest-bearing borrowings	21	<b>25,000</b>	30,000
Deferred government grants		<b>3,860</b>	3,790
Deferred tax liabilities		<b>23,821</b>	25,157
		<b>55,840</b>	66,821
<hr/>			
<b>Net assets</b>		<b>791,561</b>	759,772
<hr/>			
<b>Capital and reserves</b>			
Share capital	22	<b>29,557</b>	29,557
Reserves		<b>681,009</b>	659,296
<hr/>			
Equity attributable to owners of the Company		<b>710,566</b>	688,853
Non-controlling interests		<b>80,995</b>	70,919
<hr/>			
<b>Total equity</b>		<b>791,561</b>	759,772
<hr/>			

The notes on pages 33 to 54 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2015 (Audited)</b>	27,557	333,774	28,749	20,800	4,795	23,120	189,743	628,538	72,715	701,253
Change in equity for the 6 months ended 30 June 2015										
Profit for the period	-	-	-	-	-	-	36,234	36,234	11,623	47,857
Other comprehensive income	-	-	(4,199)	4,140	-	-	-	(59)	(728)	(787)
Total comprehensive income	-	-	(4,199)	4,140	-	-	36,234	36,175	10,895	47,070
Issue of ordinary shares, net of share issuance costs of HK\$309,000	2,000	66,691	-	-	-	-	-	68,691	-	68,691
<b>At 30 June 2015 (Unaudited)</b>	29,557	400,465	24,550	24,940	4,795	23,120	225,977	733,404	83,610	817,014
Change in equity for the 6 months ended 31 December 2015										
Profit for the period	-	-	-	-	-	-	8,102	8,102	3,453	11,555
Other comprehensive income	-	-	(23,393)	(11,610)	-	-	-	(35,003)	(3,899)	(38,902)
Total comprehensive income	-	-	(23,393)	(11,610)	-	-	8,102	(26,901)	(446)	(27,347)
Acquisition of additional interest in subsidiaries from a shareholder	-	-	-	-	378	-	-	378	(2,578)	(2,200)
Transfer of reserves	-	-	-	-	-	9,021	(12,862)	(3,841)	3,841	-
Dividend relating 2014	-	-	-	-	-	-	(14,187)	(14,187)	-	(14,187)
Dividend paid to non-controlling shareholders relating to 2014	-	-	-	-	-	-	-	-	(13,508)	(13,508)
<b>At 31 December 2015 and 1 January 2016 (Audited)</b>	29,557	400,465	1,157	13,330	5,173	32,141	207,030	688,853	70,919	759,772
Change in equity for the 6 months ended 30 June 2016										
Profit for the period	-	-	-	-	-	-	42,490	42,490	12,867	55,357
Other comprehensive income	-	-	(11,057)	(9,720)	-	-	-	(20,777)	(1,606)	(22,383)
Total comprehensive income	-	-	(11,057)	(9,720)	-	-	42,490	21,713	11,261	32,974
Distribution to non-controlling shareholders upon dissolution of a subsidiary	-	-	-	-	-	-	-	-	(1,185)	(1,185)
<b>At 30 June 2016 (Unaudited)</b>	29,557	400,465	(9,900)	3,610	5,173	32,141	249,520	710,566	80,995	791,561

The notes on pages 33 to 54 are an integral part of these consolidated financial statements.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>Operating activities</b>		
Net cash generated from operating activities	<b>27,683</b>	54,697
<b>Investing activities</b>		
– Payments for purchases of property, plant and equipment	<b>(25,988)</b>	(56,629)
– Proceeds from disposal of property, plant and equipment	<b>505</b>	36
– Receipt of government grants	<b>414</b>	196
Net cash used in investing activities	<b>(25,069)</b>	(56,397)
<b>Financing activities</b>		
– Final distribution paid to non-controlling interests of subsidiary upon dissolution	<b>(1,185)</b>	–
– Proceeds from bank borrowings	<b>53,236</b>	8,740
– Repayment of interest-bearing bank borrowings	<b>(32,875)</b>	(14,350)
– Release of pledged bank deposits	<b>5,318</b>	1,869
– Repayment of other interest-bearing borrowings	<b>(5,000)</b>	(18,000)
– Proceeds from issuance of new ordinary shares	–	69,000
– Expenses paid in relation to issuance of new ordinary shares	–	(309)
Net cash generated from financing activities	<b>19,494</b>	46,950
<b>Net increase in cash and cash equivalents</b>	<b>22,108</b>	45,250
<b>Cash and cash equivalents at 1 January</b>	<b>175,805</b>	121,780
Effect of foreign exchange rate changes	<b>(3,082)</b>	(598)
<b>Cash and cash equivalents at 30 June</b>	<b>194,831</b>	166,432

The notes on pages 33 to 54 are an integral part of these consolidated financial statements.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 1. General Information

- (a) New Universe Environmental Group Limited (formerly known as New Universe International Group Limited) was incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company were listed on The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 18 May 2000. The listing of the Company’s shares was transferred from GEM to the Main Board of the Stock Exchange on 1 August 2016. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) These unaudited consolidated financial statements are presented in Hong Kong dollars (“HK\$”) that is also the functional currency of the Company while the functional currency of the subsidiaries in the Mainland of The People’s Republic of China (“PRC”) is Renminbi (“RMB”). As the Company’s shares are listed in Hong Kong, the Directors of the Company consider that it is more appropriate to present the financial statements in HK\$, that most of its investors are located in Hong Kong.
- (c) The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as follows:
  - (i) environmental treatment of industrial and medical wastes;
  - (ii) environmental sewage treatment and facility rental services in an eco-plating specialised zone; and
  - (iii) investments in plastic materials dyeing operations.

### 2. Basis of preparation

The interim financial report for the six months ended 30 June 2016 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report of the Company for the six months ended 30 June 2016 was approved and authorised for issue by the board of Directors on 5 August 2016.

## **2. Basis of preparation (continued)**

The interim financial report for the six months ended 30 June 2016 has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The interim consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Group's financial statements for that financial year but is derived from those annual financial statements.

## **3. Change in accounting policies**

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### 4. Segment information

##### (a) Segment revenue, results, assets and liabilities

Information regarding the Group's reportable segments for the period under review is as follows:

	Operating segments											
	Environmental waste treatment services		Industrial waste treatment and facility rental services		Plastic dyeing investments		Segment Sub-total		Head office and corporate		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue from external customers	109,250	98,759	48,190	48,796	-	-	157,440	147,555	-	-	157,440	147,555
Other revenue	409	435	-	-	4,199	4,527	4,608	4,962	-	-	4,608	4,962
<b>Reportable segment revenue</b>	<b>109,659</b>	<b>99,194</b>	<b>48,190</b>	<b>48,796</b>	<b>4,199</b>	<b>4,527</b>	<b>162,048</b>	<b>152,517</b>	<b>-</b>	<b>-</b>	<b>162,048</b>	<b>152,517</b>
<b>Reportable segment results</b>	<b>52,298</b>	<b>45,332</b>	<b>6,823</b>	<b>7,089</b>	<b>3,832</b>	<b>4,103</b>	<b>62,953</b>	<b>56,524</b>	<b>(7,249)</b>	<b>(5,873)</b>	<b>55,704</b>	<b>50,651</b>
Other net income	6,860	2,350	364	497	-	-	7,224	2,847	-	1	7,224	2,848
Finance income	162	254	153	235	-	-	315	489	1	62	316	551
Finance costs	379	366	752	1,144	-	-	1,131	1,510	853	-	1,984	1,510
Depreciation	9,947	9,045	7,070	6,513	-	-	17,017	15,558	309	200	17,326	15,758
Amortisation	277	235	1,014	979	-	-	1,291	1,214	-	-	1,291	1,214
	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<b>Reportable segment assets</b>	<b>497,492</b>	<b>458,592</b>	<b>383,126</b>	<b>375,699</b>	<b>70,019</b>	<b>76,987</b>	<b>950,637</b>	<b>911,278</b>	<b>68,460</b>	<b>87,840</b>	<b>1,019,097</b>	<b>999,118</b>
Additions to non-current segment assets	19,550	80,978	6,417	10,282	-	-	25,967	91,260	21	2,404	25,988	93,664
<b>Reportable segment liabilities</b>	<b>95,718</b>	<b>123,301</b>	<b>76,670</b>	<b>88,465</b>	<b>290</b>	<b>1,370</b>	<b>172,678</b>	<b>213,136</b>	<b>54,858</b>	<b>26,210</b>	<b>227,536</b>	<b>239,346</b>

4. Segment information (continued)

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>Revenue</b>		
Consolidated Revenue	157,440	147,555
Elimination of inter-segment revenue	–	–
Other revenue	4,608	4,962
<b>Reportable segment revenue</b>	<b>162,048</b>	<b>152,517</b>
<b>Profit</b>		
Reportable segment profit	62,953	56,524
Unallocated head office and corporate expenses	(7,249)	(5,873)
<b>Consolidated profit before taxation</b>	<b>55,704</b>	<b>50,651</b>
	<b>30 June 2016 (Unaudited) HK\$'000</b>	<b>31 December 2015 (Audited) HK\$'000</b>
<b>Assets</b>		
Reportable segment assets	950,637	911,278
Unallocated head office and corporate assets	68,460	87,840
<b>Consolidated total assets</b>	<b>1,019,097</b>	<b>999,118</b>
<b>Liabilities</b>		
Reportable segment liabilities	172,677	213,136
Unallocated head office and corporate liabilities	54,859	26,210
<b>Consolidated total liabilities</b>	<b>227,536</b>	<b>239,346</b>

#### 4. Segment information (continued)

##### (c) Geographical information

Reportable segment revenue of the Group based on geographical location of customers is analysed as follows:

	Six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
PRC	162,048	152,517

#### 5. Revenue

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Environmental waste treatment services	59,216	50,413	109,250	98,759
Industrial sewage treatment and facility provision services	24,568	26,446	48,190	48,796
	83,784	76,859	157,440	147,555

#### 6. Other revenue

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Dividend income from available-for-sale equity investments	4,199	4,527	4,199	4,527
Scrap sales	(6)	–	409	435
	4,193	4,527	4,608	4,962

7. Other net income

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Refund of VAT under tax preferential policy in PRC	4,116	–	6,522	–
Government environmental subsidies	50	–	313	2,316
Release of deferred governmental grants	117	118	237	496
Sundry	36	10	152	36
	<b>4,319</b>	128	<b>7,224</b>	2,848

8. Finance income and costs

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Finance income from:				
Interest income on short-term bank deposits	156	327	268	490
Net foreign exchange (loss)/gain on financing activities	(93)	1	48	61
<b>Total finance income</b>	<b>63</b>	328	<b>316</b>	551
Interest expenses on:				
Bank borrowings wholly repayable within 5 years	705	389	1,442	714
Other borrowings wholly repayable within 5 years	249	322	542	796
<b>Total finance costs</b>	<b>954</b>	711	<b>1,984</b>	1,510
<b>Net finance costs</b>	<b>891</b>	383	<b>1,668</b>	959

## 9. Profit before taxation

Profit before taxation was arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cost of sales (note)	41,567	39,728	80,267	75,606
Depreciation of property, plant and equipment	8,619	8,482	17,326	15,758
Amortisation of land lease prepayments	642	607	1,291	1,214
Operating lease charges for minimum lease payments				
– Land and buildings in Hong Kong	174	174	348	348
– Land and buildings in PRC	276	347	563	648
– Landfill in PRC	29	37	59	44

Note:

Included in cost of sales were raw materials consumed of HK\$13,667,000 (2015: HK\$9,532,000), direct labour costs of HK\$10,576,000 (2015: HK\$12,271,000) and depreciation of HK\$15,253,000 (2015: HK\$13,546,000), and of which depreciation was included in the respective amount disclosed above.



10. Income tax

(a) Income tax in the consolidated income statement represents:

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax:				
Hong Kong Profits Tax	–	–	–	–
PRC Income Tax	3,843	5,439	8,246	10,844
Over-provision in prior periods	(7,642)	(7,793)	(7,642)	(7,793)
	<b>(3,799)</b>	<b>(2,354)</b>	<b>604</b>	<b>3,051</b>
Deferred tax	<b>(128)</b>	<b>(128)</b>	<b>(257)</b>	<b>(257)</b>
	<b>(3,927)</b>	<b>(2,482)</b>	<b>347</b>	<b>2,794</b>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax was made, as the Group had no assessable profits arising in Hong Kong for the periods.
- (iii) The Company's subsidiaries in PRC are subject to a statutory Enterprise Income Tax at the rate of 25% (2015: 25%), except for the subsidiary which is qualified for the High and New Technology Enterprise that would be entitled to enjoy a preferential Enterprise Income Tax at the rate of 15% (2015: 15%).

**10. Income tax (continued)****(b) Reconciliation between income tax and accounting profit at the applicable rates:**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited) HK\$'000</b>	<b>(Unaudited) HK\$'000</b>
Profit before taxation	<b>55,704</b>	50,651
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	<b>14,464</b>	12,936
Tax effect of expenses not deductible for tax purpose	<b>723</b>	383
Tax effect of income not taxable for tax purpose	<b>(4,410)</b>	(1,653)
Tax effect of tax losses not recognised	<b>1,175</b>	1,788
Tax effect of temporary differences recognised	<b>(257)</b>	(257)
Over provision in relation to prior years	<b>(7,642)</b>	(7,793)
Effect of income tax preferential policy in PRC	<b>(3,706)</b>	(2,610)
Tax expense for the period	<b>347</b>	2,794

**11. Earnings per share**

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the profit attributable to owners of the Company of HK\$42,490,000 for the six months ended 30 June 2016 (2015: HK\$36,234,000) and the weighted average number of 2,955,697,018 (2015: 2,847,409,725) ordinary shares of the Company in issue during the period.

**(a) Profit attributable to owners of the Company:**

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>(Unaudited) HK\$'000</b>	<b>(Unaudited) HK\$'000</b>	<b>(Unaudited) HK\$'000</b>	<b>(Unaudited) HK\$'000</b>
Earnings for the purpose of basic and diluted earnings per share	<b>27,472</b>	21,923	<b>42,490</b>	36,234

## 11. Earnings per share (continued)

### (b) Weighted average number of ordinary shares:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
Ordinary shares in issue at the beginning of the period	2,955,697,018	2,755,697,018	2,955,697,018	2,755,697,018
Effect of new shares issued	-	182,417,582	-	91,712,707
<b>Weighted average number of ordinary shares in issue during the period</b>	<b>2,955,697,018</b>	<b>2,938,114,600</b>	<b>2,955,697,018</b>	<b>2,847,409,725</b>

There were no dilutive ordinary shares in existence during the period under review; therefore, diluted earnings per share is the same as basic earnings per share.

## 12. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

## 13. Property, plant and equipment

Movements in property, plant and equipment are analysed as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<b>Carrying amount at 1 January</b>	<b>527,884</b>	505,640
Additions	25,988	84,084
Disposals	(2,305)	(1,591)
Depreciation		
– charge for the period/year	(17,326)	(31,887)
– eliminated on disposals	1,101	1,336
Impairment loss recognised in profit and loss	-	(2,159)
Exchange adjustments	(9,981)	(27,539)
<b>Carrying amount at the end of the reporting period</b>	<b>525,361</b>	527,884

As at 30 June 2016, certain property, plant and equipment of the Group with an aggregate carrying amount of approximately HK\$45,259,000 (31 December 2015: HK\$47,489,000) were pledged to secure banking facilities granted to the Group.

#### 14. Prepaid lease payments and deposit paid for land use rights

(a) Movements in prepaid lease payments are analysed as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<b>Carrying amount at 1 January</b>	<b>93,003</b>	96,947
Additions	–	–
Transfer from deposit paid for acquisition of land use rights	<b>9,580</b>	–
Amortisation	<b>(1,291)</b>	(2,413)
Exchange adjustments	<b>(701)</b>	(1,531)
<b>Carrying amount at the end of the reporting period</b>	<b>100,591</b>	93,003
<b>Carrying amount analysed for reporting purposes as:</b>		
Current assets	<b>2,561</b>	2,599
Non-current assets	<b>98,030</b>	90,404
	<b>100,591</b>	93,003
<b>Carrying amount analysed for expiry of lease terms as:</b>		
Remaining lease periods of over 50 years	–	–
Remaining lease periods between 10 to 50 years	<b>100,591</b>	93,003
	<b>100,591</b>	93,003

Prepaid lease payments represents interests of the Group in land use rights held in the Jiangsu Province, PRC.

As at 30 June 2016, certain land use rights of the Group with an aggregate carrying amount of approximately HK\$14,050,000 (31 December 2015: HK\$14,515,000) were pledged to secure banking facilities granted to the Group.

14. Prepaid lease payments and deposit paid for land use rights (continued)

(b) Deposit paid for land use rights is analysed as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<b>Carrying amount at 1 January</b>	<b>9,580</b>	–
Additions	–	9,580
Transfer to prepaid lease payment	<b>(9,580)</b>	–
Amortisation	–	–
Exchange adjustments	–	–
<b>Carrying amount at the end of the reporting period</b>	<b>–</b>	<b>9,580</b>
<b>Non-current asset</b>		
Deposit paid for acquisition of land use rights	–	9,580

15. Trade and bills receivables

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade receivables	<b>41,280</b>	25,046
Less: allowance for impairment of trade receivables	–	–
	<b>41,280</b>	25,046
Bills receivable	<b>16,518</b>	21,811
	<b>57,798</b>	46,857

**15. Trade and bills receivables (continued)****(a) Aging analysis**

The ageing analysis of trade and bills receivables (net of allowance for doubtful debts) as of the end of the reporting period based on the invoice date is presented as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
0 to 30 days	<b>23,122</b>	24,098
31 to 60 days	<b>15,495</b>	11,330
61 to 90 days	<b>6,720</b>	3,614
91 to 180 days	<b>10,969</b>	5,233
181 to 360 days	<b>1,492</b>	2,582
Over 360 days	–	–
	<b>57,798</b>	46,857

The Group's trading terms with its customers are mainly on credit. The Group allows an average credit period of 60 days to its customers of environmental industrial hazardous waste treatment services and industrial sewage and sludge treatment services, and an extended average credit period of 180 days to the customers of regulated medical treatment which are hospitals and medical clinics.

**(b) Impairment losses of trade receivables**

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for doubtful debts during the reporting period is as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
At 1 January	–	–
Impairment loss recognised	–	508
Uncollectible amounts written off	–	(508)
At the end of reporting period	–	–

15. Trade and bills receivables (continued)

(c) Analysis of trade receivables not being impaired

Ageing analysis of trade and bills receivables at the end of the reporting period that is neither individually nor collectively considered to be impaired is presented as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Neither past due nor impaired	<b>38,617</b>	35,428
Less than 30 days past due	<b>6,720</b>	3,614
More than 30 days but less than 90 days past due	<b>10,969</b>	5,233
More than 90 days but less than 360 days past due	<b>1,492</b>	2,582
	<b>57,798</b>	46,857

Receivables that were neither past due nor impaired are related to a wide range of independent customers for whom there was no recent history of default. Receivables that were past due but not impaired are related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16. Prepayments, deposits and other receivables

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Prepayments and deposits paid	<b>12,630</b>	6,940
Other receivables	<b>6,254</b>	7,629
	<b>18,884</b>	14,569

**17. Cash and cash equivalents and pledged bank deposits**

Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated statement of cash flows comprise:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Cash and bank balances	139,853	168,238
Time deposits	54,978	12,885
	<b>194,831</b>	<b>181,123</b>
Less: Pledged bank deposits for short term bank borrowings	–	5,318
Cash and cash equivalents in the consolidated statement of cash flows	<b>194,831</b>	<b>175,805</b>

Short term time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group. The bank balances and pledged bank deposits are deposited with creditworthy banks with no recent history of default.

**18. Interest-bearing bank borrowings**

At the end of the reporting period, interest-bearing bank borrowings of the Group were repayable as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
<b>Current liabilities</b>		
Within 1 year or on demand	64,874	39,798
<b>Non-current liabilities</b>		
Between 1 year and 2 years	3,159	7,874
Between 2 years and 5 years	–	–
Over 5 years	–	–
	<b>3,159</b>	<b>7,874</b>
Total interest-bearing bank borrowings	<b>68,033</b>	<b>47,672</b>



**18. Interest-bearing bank borrowings (continued)**

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Unsecured bank borrowings	<b>50,834</b>	19,900
Secured bank borrowings	<b>17,199</b>	27,772
	<b>68,033</b>	47,672

At the end of the reporting period, the carrying amounts of the Group's bank borrowings were denominated in the following currencies:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Hong Kong Dollar	<b>50,834</b>	33,475
Renminbi	<b>17,199</b>	14,197
	<b>68,033</b>	47,672

**19. Trade payables**

The ageing analysis of trade payables as of the end of the reporting period based on the invoice date is presented as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
0 to 30 days	<b>2,042</b>	3,916
31 to 60 days	<b>688</b>	149
61 to 90 days	<b>333</b>	14
Over 90 days	<b>174</b>	172
	<b>3,237</b>	4,251

**20. Accrued liabilities and other payables**

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Salaries and productivity bonuses payable	<b>8,697</b>	13,068
Payables for acquisition of property, plant and equipment	<b>30,515</b>	52,878
Other payables and accruals	<b>54,531</b>	49,026
	<b>93,743</b>	114,972

**21. Other interest-bearing borrowings**

Other interest-bearing borrowings represent unsecured loans from an independent third party, bearing interest at 4.0% per annum (2015: 4%) and repayable on 31 December 2017. For the six months ended 30 June 2016, the Company has partially repaid HK\$5,000,000 of the other borrowings.

**22. Share capital**

	<b>Numbers of shares</b>		<b>Share capital</b>	
	<b>30 June 2016 (Unaudited) '000</b>	31 December 2015 (Audited) '000	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>				
<b>Authorised</b>				
At 1 January and at the end of the reporting period	<b>100,000,000</b>	100,000,000	<b>1,000,000</b>	1,000,000
<b>Issued and fully paid</b>				
At 1 January	<b>2,955,697</b>	2,755,697	<b>29,557</b>	27,557
Issue of ordinary shares (note)	-	200,000	-	2,000
At the end of the reporting period	<b>2,955,697</b>	2,955,697	<b>29,557</b>	29,557

Note:

On 31 March 2015, the Company has entered into a conditional subscription agreement with a subscriber, in relation to the subscription of 200,000,000 new ordinary shares of the Company at a subscription price of HK\$0.345 per subscription share to be allotted and issued to the subscriber, Ms. LIU Yu Jie (a businesswoman who subsequently became an executive director of the Company with effect from 9 June 2015) upon completion of the subscription agreement. Upon the granting of the approval for the listing of, and the permission to deal in, the said subscription shares by the Stock Exchange, the condition of the subscription agreement had been fulfilled, and the completion of the subscription agreement took place on 9 April 2015. Under general mandate granted to the directors of the Company, 200,000,000 new ordinary shares of aggregate nominal value of HK\$2,000,000 were allotted and issued at a net proceed of approximately HK\$68,691,000 (after deduction of the related expenses of approximately HK\$309,000) or at a net price per subscription share of approximately HK\$0.3435. Pursuant to the said subscription agreement, the subscriber has undertaken to the Company that she will not, directly or indirectly: (i) in respect of 25% of the said subscription shares, during the period commencing from the completion date and ending on the date which is 12 months from the completion date; and (ii) in respect of the remaining 75% of the said subscription shares, during the period commencing from the completion date and ending on the date which is 36 months from the completion date, offer, pledge, charge, sell, dispose (in whatever ways, including through the securities agent) of any of such subscription shares as aforementioned.

## 23. Fair value measurement of financial instruments

## (a) Financial assets measured at fair value

	Categorisation as at 30 June 2016			
	Fair value at 30 June 2016 HK\$'000	Unadjusted quoted prices in active markets for identical assets (Level 1) HK\$'000	Other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurement				
Available-for-sale equity investments	65,900	–	–	65,900

	Categorisation as at 31 December 2015			
	Fair value at 31 December 2015 HK\$'000	Unadjusted quoted prices in active markets for identical assets (Level 1) HK\$'000	Other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurement				
Available-for-sale equity investments	76,700	–	–	76,700

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 (2015: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## (b) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Marketability discount	
			30 June 2016	31 December 2015
Unlisted available-for-sale equity investments	Market comparable companies	Discount for lack of marketability	17%	16%

## 24. Commitments

### (a) Capital commitments

At the end of the reporting periods, the Group had the following capital commitments:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Capital expenditure in respect of property, plant and equipment		
– contracted for but not provided for	<b>38,651</b>	14,113

### (b) Operating lease commitments

At the end of the reporting period, the Group as lessee had the following minimum lease payments:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Office premises	<b>170</b>	518
Plant premises	–	573
Landfill	<b>12</b>	12
	<b>182</b>	1,103

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Within 1 year	<b>158</b>	1,031
After 1 year but within 5 years	<b>24</b>	72
After 5 years	–	–
	<b>182</b>	1,103

## 25. Related party transactions

### (a) List of related parties

During the period under review, the Directors are of the view that the following entities and individuals are related parties to the Group:

Name of related party	Relationship
New Universe Enterprises Limited (“NUEL”)	A shareholder interested in 36.26% of the issued share capital of the Company, and the Company’s Directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are also the directors of NUEL.
CM International Capital Limited (“CMIC Cayman”)	A shareholder interested in 27.07% of the issued share capital of the Company, and the Company’s Director, Mr. LIAO Feng is also the directors of CMIC Cayman.
Sun Ngai International Investment Limited (“Sun Ngai”)	100% owned subsidiary of New Universe Holdings Limited (“NUHL”), and the Company’s Director, Ms. CHEUNG Siu Ling is also the director of Sun Ngai and NUHL.
Mr. XI Yu	A shareholder of NUEL who is interested in 83.66% of the issue share capital of NUEL.
Zhenjiang New District Solid Waste Disposal Limited* (鎮江新區固廢處置股份有限公司) (“Zhenjiang New District”)	An associate of the Group, of which the Company holds 24.6% effective equity interest.

\* For identification purpose only

25. Related party transactions (continued)

(b) Transactions with related parties:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Recurring transactions:</b>		
Rental paid to Sun Ngai	300	348
Consultancy fee paid to Mr. XI Yu	36	72
Landfill charges on hazardous waste disposal paid to Zhenjiang New District	1,149	449

(c) Arrangement on standby loan facility

On 14 July 2015, the Company accepted and agreed to a commitment letter issued by CMIC Cayman for a standby loan facility in the amount of HK\$500,000,000 to support new establishment and merger and acquisition of appropriate environmental project(s) of the Company. Within an availability of period of one year, loan(s) to be drawn down under the standby facility shall bear interest at 7% per annum, and for each drawdown the Company shall enter into a loan agreement in the form acceptable to both parties, including the provision of credit enhancement that CMIC Cayman may request for at its discretion. The standby loan facility has lapsed on 14 July 2016 without any draw down or loan being made during the available period.

(d) Key management personnel remuneration:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other benefits	4,102	2,987
Discretionary bonuses	–	–
Retirement scheme contributions	57	43
	4,159	3,030