

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



New Universe Environmental Group Limited

新宇環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 436)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS FOR THE YEAR 2017

- Group revenue up 20.0% to HK\$382,423,000.
- Profit attributable to owners of the Company up 34.9% to HK\$83,577,000.
- Equity attributable to owners of the Company was HK\$887,438,000 at 31 December 2017.
- Cash and cash equivalents of the Group amounted to HK\$237,884,000 at 31 December 2017.
- Total earnings per share attributable to owners of the Company up 32.4% to HK cents 2.78.
- The Board resolved to declare a final dividend of HK cents 0.65 per share for the year ended 31 December 2017.

FINAL RESULTS 2017

The board of directors (the “Board”) of New Universe Environmental Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2017, together with the comparative figures for 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	5	382,423	318,616
Cost of sales		<u>(214,778)</u>	<u>(173,683)</u>
Gross profit		167,645	144,933
Other revenue	6	3,520	4,621
Other net income	7	28,539	13,254
Distribution and selling expenses		(4,682)	(5,745)
Administrative expenses		(50,553)	(46,684)
Other operating expenses		(20,622)	(21,335)
Gain on bargain purchase		7,200	–
Operating profit		131,047	89,044
Finance income		(184)	3,036
Finance costs		(9,129)	(3,962)
Finance costs – net		(9,313)	(926)
Share of profits of associates		11,716	3,985
Profit before taxation	8	133,450	92,103
Income tax	9	(20,916)	(5,985)
Profit for the year		112,534	86,118
Attributable to:			
Owners of the Company		83,577	61,947
Non-controlling interests		28,957	24,171
		112,534	86,118
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	10	2.78	2.10

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2017

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	112,534	86,118
Other comprehensive income:		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences		
– on translation of financial statements of overseas subsidiaries	57,335	(41,277)
– on translation of financial statements of overseas associates	13,122	(1,109)
– reclassification of translation reserve upon de-registration of an overseas subsidiary	–	(29)
Fair value changes on long-term equity investments	16,400	(13,100)
Tax effect relating to changes in fair value of long-term equity investments	(1,640)	1,310
Other comprehensive income for the year, net of income tax	85,217	(54,205)
Total comprehensive income for the year	197,751	31,913
Attributable to:		
Owners of the Company	161,567	13,211
Non-controlling interests	36,184	18,702
Total comprehensive income for the year	197,751	31,913

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		754,897	531,379
Prepaid lease payments for land use rights		139,670	118,447
Goodwill		33,000	33,000
Interests in associates		183,520	18,236
Long-term equity investments		80,000	63,600
		<u>1,191,087</u>	<u>764,662</u>
Current assets			
Inventories		2,460	1,476
Trade and bills receivables	<i>12</i>	69,175	58,507
Prepayments, deposits and other receivables	<i>13</i>	34,500	26,782
Prepaid lease payments for land use rights		3,811	3,084
Pledged bank deposits		–	9,606
Cash and cash equivalents		237,884	171,589
		<u>347,830</u>	<u>271,044</u>
Current liabilities			
Bank borrowings	<i>14</i>	137,677	75,549
Trade and bills payables	<i>15</i>	6,226	13,686
Accrued liabilities and other payables	<i>16</i>	196,967	107,687
Deposits received from customers		5,117	9,060
Consideration payable for acquisition of subsidiaries		35,200	–
Deferred government grants		504	452
Income tax payable		6,074	2,463
		<u>387,765</u>	<u>208,897</u>
Net current (liabilities)/assets		<u>(39,935)</u>	<u>62,147</u>
Total assets		<u>1,538,917</u>	<u>1,035,706</u>
Total assets less current liabilities		<u>1,151,152</u>	<u>826,809</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current liabilities			
Bank borrowings	14	45,000	2,793
Other borrowing		25,000	25,000
Consideration payable for acquisition of subsidiaries		49,600	–
Deferred government grants		3,637	3,454
Deferred tax liabilities		30,348	26,073
		<u>153,585</u>	<u>57,320</u>
Net assets		<u>997,567</u>	<u>769,489</u>
Capital and reserves			
Share capital		30,357	29,557
Reserves	17	<u>857,081</u>	<u>657,728</u>
Equity attributable to owners of the Company		887,438	687,285
Non-controlling interests		<u>110,129</u>	<u>82,204</u>
Total equity		<u>997,567</u>	<u>769,489</u>

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

- (a) New Universe Environmental Group Limited was incorporated on 12 November 1999 in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's issued shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 May 2000. With effect from 1 August 2016, the listing of the shares of the Company has been transferred from the GEM to the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange").
- (b) The 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 ("China" or the "PRC") is Renminbi ("RMB"). As the Company's shares are listed in Hong Kong where most of its investors are located, the directors of the Company (the "Directors") consider that it is more appropriate to present the consolidated financial statements in HK\$.
- (c) The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as follows:
 - (i) environmental treatment and disposal of hazardous industrial and medical wastes;
 - (ii) environmental plating sewage treatment services and provision of related facilities and utilities in an eco-plating specialised zone; and
 - (iii) investments in plastic materials dyeing operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Main Board Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) to the financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

At 31 December 2017, the Group's current liabilities exceeded current assets by approximately HK\$39,935,000 which included, as disclosed in note 14 below, approximately HK\$59,968,000 in respect of the non-current portions of long-term bank borrowings that contained a standard demand clause for immediate repayment at the discretion of the financial institutions under the underlying banking facilities granted. During the year ended 31 December 2017 and up to the date of approval for the consolidated financial statements, there had been no breaches on any of covenants of the relevant banking facilities. Notwithstanding the demand clause for immediate repayment in the banking facilities, the Company considered that the financial institutions will not exercise their discretionary rights to demand immediate repayment of these non-current portions of these long-term bank borrowings in the next twelve months from the date of approval of the consolidated financial statements and before their maturities.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future, after taking into consideration of (a) cash and bank balances of approximately HK\$237,884,000 as at 31 December 2017, (b) unused and available credit facilities of approximately HK\$82,726,000, (c) new bank loan facilities of approximately HK\$36,000,000 subsequently obtained from a bank up to the date of approval for the consolidated financial statements, and (d) additional new credit facilities and/or financial arrangements which are currently under serious and advanced stage of discussions between the Group and certain financial institution.

Management of the Company has prepared a cash flow forecast of the Group for a period covering not less than twelve months from date of approval for the consolidated financial statements. Based on the cash flow forecast and after having taken into account of the Group's available credit facilities and the above measures taken to date, management of the Group is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources, existing and new credit facilities, and the future capital expenditure requirements. Accordingly, the Company has prepared the consolidated financial statements for the year 31 December 2017 on a going concern basis.

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost convention except for the long-term equity investments which are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.

3. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2017, and which have not been adopted in these financial statements. These include the following new and amendments to HKFRSs and Interpretations below which may be relevant to the Group:

HKFRS 9	<i>Financial Instruments</i> ¹
HKFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i> ¹
HKFRS 16	<i>Leases</i> ²
HKFRS 17	<i>Insurance Contracts</i> ⁴
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ²
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKAS 28	<i>As part of the Annual Improvements to HKFRSs 2014-2016 Cycle</i> ¹
Amendments to HKAS 28	<i>Long term Interests in Associates and Joint Ventures</i> ²
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ¹
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i> ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs and Interpretations mentioned below which may be relevant to the Group, the Directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on

specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other financial assets are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as long-term equity investments will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

Impairment

In general, the Directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that are subject to the impairment provision upon application of HKFRS 9 by the Group. However, the Directors of the Company do not anticipate that the application of the expected credit loss model of HKFRS 9 will have material impact on the operating retained profits balance at 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarification to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group’s accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease. At 31 December 2017 the Group’s future minimum lease payments under non-cancellable operating leases amounted to HK\$632,000 (2016: HK\$958,000), the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

4. SEGMENT INFORMATION

The Group has presented the following three reportable segments. These segments are managed separately. No operating segments have been aggregated to form the following reportable segments.

- (i) provision of environmental waste treatment and disposal services;
- (ii) provision of environmental industrial sewage treatment and facility services in an eco-plating specialised zone; and
- (iii) investments in plastic materials dyeing business.

(a) Segment results, assets and liabilities

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 or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is “reportable segment results”. To arrive at “reportable segment results”, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs. Taxation charge is not allocated to reportable segments.

In addition to receiving segment information concerning “reportable segment results”, management is provided with segment information including revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Segment assets include all current and non-current assets with the exception of corporate assets. Segment liabilities include all current and non-current liabilities with the exception of corporate liabilities attributable to head office in Hong Kong.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

For the year ended 31 December 2017

	Operating segments				Unallocated head office and corporate	Total
	Environmental waste treatment and disposal services	Environmental sewage treatment and facility services	Plastic dyeing investments	Segment sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	278,672	103,751	-	382,423	-	382,423
Other revenue	-	-	3,520	3,520	-	3,520
Reportable segment revenue	278,672	103,751	3,520	385,943	-	385,943
Reportable segment results	135,127	16,962	3,268	155,357	-	155,357
Other net income	27,038	1,499	-	28,537	2	28,539
Finance income	(413)	(17)	141	(289)	105	(184)
Finance costs	(5,914)	(1,000)	-	(6,914)	(2,215)	(9,129)
Depreciation and amortisation	(29,348)	(16,847)	-	(46,195)	(618)	(46,813)
Reportable segment assets	1,025,655	370,709	80,418	1,476,782	62,135	1,538,917
Additions to non-current segment assets	211,132	5,374	-	216,506	42	216,548
Reportable segment liabilities	459,734	62,405	1,700	523,839	17,511	541,350

For the year ended 31 December 2016

	Operating segments			Segment sub-total HK\$'000	Unallocated head office and corporate HK\$'000	Total HK\$'000
	Environmental waste treatment and disposal services HK\$'000	Environmental sewage treatment and facility services HK\$'000	Plastic dyeing investments HK\$'000			
Revenue from external customers	218,926	99,690	–	318,616	–	318,616
Other revenue	422	–	4,199	4,621	–	4,621
Reportable segment revenue	<u>219,348</u>	<u>99,690</u>	<u>4,199</u>	<u>323,237</u>	<u>–</u>	<u>323,237</u>
Reportable segment results	<u>90,841</u>	<u>17,823</u>	<u>3,563</u>	<u>112,227</u>	<u>–</u>	<u>112,227</u>
Other net income	12,240	1,014	–	13,254	–	13,254
Finance income	2,751	433	(176)	3,008	28	3,036
Finance costs	(959)	(1,391)	–	(2,350)	(1,612)	(3,962)
Depreciation and amortisation	(20,541)	(16,116)	–	(36,657)	(618)	(37,275)
Reportable segment assets	<u>572,711</u>	<u>355,252</u>	<u>63,951</u>	<u>991,914</u>	<u>43,792</u>	<u>1,035,706</u>
Additions to non-current segment assets	90,304	8,070	–	98,374	21	98,395
Reportable segment liabilities	<u><u>175,468</u></u>	<u><u>76,129</u></u>	<u><u>60</u></u>	<u><u>251,657</u></u>	<u><u>14,560</u></u>	<u><u>266,217</u></u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Consolidated revenue	382,423	318,616
Elimination of inter-segment revenue	–	–
Other revenue	<u>3,520</u>	<u>4,621</u>
Reportable segment revenue	<u><u>385,943</u></u>	<u><u>323,237</u></u>
Profit or loss		
Reportable segment profit	155,357	112,227
Unallocated head office and corporate expenses, net	<u>(21,907)</u>	<u>(20,124)</u>
Consolidated profit before taxation	<u><u>133,450</u></u>	<u><u>92,103</u></u>
Assets		
Reportable segment assets	1,476,782	991,914
Unallocated head office and corporate assets	<u>62,135</u>	<u>43,792</u>
Consolidated total assets	<u><u>1,538,917</u></u>	<u><u>1,035,706</u></u>
Liabilities		
Reportable segment liabilities	523,839	251,657
Unallocated head office and corporate liabilities	<u>17,511</u>	<u>14,560</u>
Consolidated total liabilities	<u><u>541,350</u></u>	<u><u>266,217</u></u>

(c) **Geographic information**

The Group's operations are located in the PRC. All revenue and non-current assets of the Group are generated from and located in the PRC. Accordingly, no analysis by geographical basis is presented.

(d) **Major customers**

For the years ended 31 December 2017 and 2016, there was no major customer accounted for more than 10% of the total revenue of the Group.

5. REVENUE

Revenue represents the revenue from the provision of industrial and medical waste treatment and disposal services and the provision of industrial sewage and sludge treatment services and the related facilities and utilities in an eco-plating specialised zone. An analysis of the Group's revenue is presented as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Industrial and medical waste treatment and disposal services	278,672	218,926
Industrial sewage and sludge treatment services, related facilities and utilities	<u>103,751</u>	<u>99,690</u>
	<u><u>382,423</u></u>	<u><u>318,616</u></u>

6. OTHER REVENUE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Dividend income from long-term equity investments	3,520	4,199
Scrap sales	<u>-</u>	<u>422</u>
	<u><u>3,520</u></u>	<u><u>4,621</u></u>

7. OTHER NET INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Refunds of VAT (<i>note (i)</i>)	15,461	11,797
Government subsidies (<i>note (ii)</i>)	10,647	315
Release of deferred government grants	489	467
Sundry income	<u>1,942</u>	<u>675</u>
	<u><u>28,539</u></u>	<u><u>13,254</u></u>

Notes:

- (i) Pursuant to the tax rules and regulations in the PRC with effect from 2015, entities that engage in the environmental operations, comply with the requirements in the PRC and pay Value-Added Tax ("VAT") are entitled to a refund to the extent of 70% of the VAT paid.
- (ii) Government subsidiaries received by the Group from the PRC Government did not bear any unfulfilled conditions or contingencies for the relevant subsidies.

8. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Amortisation of land lease prepayments	<u>3,414</u>	<u>2,643</u>
Depreciation for property, plant and equipment	<u>43,399</u>	<u>34,632</u>
Operating lease charges: minimum lease payments		
– land and buildings in Hong Kong	846	696
– land and buildings in PRC	709	1,595
– landfill in PRC	<u>116</u>	<u>116</u>
	<u>1,671</u>	<u>2,407</u>
Net loss on disposal of property, plant and equipment	<u>600</u>	<u>1,059</u>
Auditor's remuneration:		
– audit service	1,130	980
– non-audit services	<u>170</u>	<u>370</u>
	<u>1,300</u>	<u>1,350</u>
Staff costs:		
– Directors' emoluments	4,469	3,543
– salaries, wages and other benefits of employees other than Directors	60,056	47,289
– contributions to retirement benefits schemes	<u>7,167</u>	<u>5,334</u>
Total staff costs	<u>71,692</u>	<u>56,166</u>
Cost of sales (<i>note</i>)	<u><u>214,778</u></u>	<u><u>173,683</u></u>

Note:

Included in cost of sales were raw materials consumed of HK\$44,795,000 (2016: HK\$34,944,000), water and electricity consumed of HK\$32,873,000 (2016: HK\$34,540,000), staff costs of HK\$26,295,000 (2016: HK\$24,060,000) and depreciation of HK\$40,165,000 (2016: HK\$30,604,000), and of which staff costs and depreciation have already been included in the respective total amounts disclosed above.

9. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	14,777	8,814
Under/(over)-provision in respect of prior years	<u>3,504</u>	<u>(5,055)</u>
	18,281	3,759
Deferred tax	<u>2,635</u>	<u>2,226</u>
	<u><u>20,916</u></u>	<u><u>5,985</u></u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgins Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgins Islands.
- (ii) Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the years. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2016.
- (iii) On 19 April 2016, 鹽城新宇輝豐環保科技有限公司 (“Yancheng NUHF”, Yancheng NUHF Environmental Technology Limited*), a subsidiary of the Group, obtained the consent from the relevant applicable tax authorities, for a preferential tax treatment that Yancheng NUHF is entitled to the exemption from PRC Enterprise Income Tax for three years, starting from 2014, following by a 50% tax exemption for the ensuring three years. The over-provision of income tax accrued at the tax rate of 25% by Yancheng NUHF in the financial year 2015 of HK\$5,055,000 was reversed and credited to the profit or loss for the last year ended 31 December 2016.
- (iv) The Company’s subsidiaries in PRC are subject to a statutory Enterprise Income Tax at the rate of 25% (2016: 25%), except for the subsidiaries which are qualified as the High and New Technology Enterprise in PRC that would be entitled to enjoy a preferential Enterprise Income Tax at the rate of 15% (2016: 15%).

* For identification purpose only

10. EARNINGS PER SHARE

The calculation of 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\$83,577,000 (2016: HK\$61,947,000) and the weighted average number of 3,011,587,429 (2016: 2,955,697,018) ordinary shares of the Company in issue during the year.

(a) Profit attributable to owners of the Company

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u>83,577</u>	<u>61,947</u>

(b) Weighted average number of ordinary shares

	2017	2016
Ordinary shares in issue at 1 January	2,955,697,018	2,955,697,018
Effect of new shares issued	<u>55,890,411</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u>3,011,587,429</u>	<u>2,955,697,018</u>

There were no dilutive potential ordinary shares in existence during both years, therefore, diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Final dividend proposed after the end of the reporting period of HK\$0.0065 (2016: HK\$0.0060) per share	<u>19,732</u>	<u>18,214</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period and is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.0060 (2016: HK\$0.0050) per share	<u>18,214</u>	<u>14,778</u>

12. TRADE AND BILLS RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	54,253	35,673
Less: allowance for impairment of trade receivables	<u>—</u>	<u>—</u>
	54,253	35,673
Bills receivable	<u>14,922</u>	<u>22,834</u>
	<u><u>69,175</u></u>	<u><u>58,507</u></u>

(a) Ageing 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 to 30 days	47,461	33,301
31 days to 60 days	11,562	12,847
61 days to 90 days	4,281	5,872
91 days to 180 days	5,191	5,790
181 days to 360 days	680	697
Over 360 days	<u>—</u>	<u>—</u>
	<u><u>69,175</u></u>	<u><u>58,507</u></u>

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 the environmental industrial waste, sewage and sludge treatment services, and an extended average credit period of 180 days to the customers of regulated medical waste 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 year is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January	—	—
Impairment loss recognised	—	—
Uncollectible amounts written off	<u>—</u>	<u>—</u>
At 31 December	<u><u>—</u></u>	<u><u>—</u></u>

(c) **Analysis of trade receivables not being impaired**

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Neither past due nor impaired	59,023	46,148
Less than 30 days past due	4,281	5,872
More than 30 days but less than 120 days past due	5,191	5,790
More than 120 days but less than 360 days past due	680	697
	<u>69,175</u>	<u>58,507</u>

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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Prepayments	6,522	9,047
Deposits paid for acquisition of property, plant and equipment	3,715	2,755
Refundable deposit paid for proposed acquisition (<i>note (i)</i>)	–	5,000
Refundable deposit paid for proposed establishment of a joint venture	1,200	–
Temporary loan to an associate (<i>note (ii)</i>)	3,800	–
Other receivables	19,263	9,980
	<u>34,500</u>	<u>26,782</u>

Notes:

- (i) On 30 November 2016, the Group entered into a non-binding memorandum of understanding with an independent third party with a payment of deposit amounted to HK\$5,000,000 for the intention to acquire the entire interests in Ever Champ (China) Limited (“ECCL”), which in turn holds 30% equity interests in 南京化學工業園天宇固體廢物處置有限公司 (“NCIP”, Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd.), a company incorporated in the PRC and principally engaged in the collection, storage and disposal of industrial hazardous wastes in Jiangsu Province, the PRC.
- (ii) On 7 April 2017, ECCL has made an unsecured temporary short-term loan of HK\$3,800,000 to NCIP which bears interest at a rate of 5.335% per annum and is repayable on demand. The loan has been fully repaid by NCIP on 22 March 2018.

14. BANK BORROWINGS

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current liabilities		
Current portion of bank borrowings due for repayment within one year	77,709	54,711
Non-current portion of bank borrowings subject to immediate demand repayment clause (<i>note</i>)	<u>59,968</u>	<u>20,838</u>
	<u>137,677</u>	<u>75,549</u>
Non-current liabilities		
Between 1 year and 2 years	5,000	2,793
Between 2 years and 5 years	40,000	–
Over 5 years	<u>–</u>	<u>–</u>
	<u>45,000</u>	<u>2,793</u>
Total interest-bearing bank borrowings	<u><u>182,677</u></u>	<u><u>78,342</u></u>
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
– Unsecured	154,237	45,502
– Secured	<u>28,440</u>	<u>32,840</u>
	<u><u>182,677</u></u>	<u><u>78,342</u></u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	77,709	54,711
After one but within two years	32,969	19,457
After two but within five years	71,999	4,174
Over five years	—	—
	<u>182,677</u>	<u>78,342</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong dollar	116,263	45,502
Renminbi	66,414	32,840
	<u>182,677</u>	<u>78,342</u>

Note:

Certain banking facilities are subject to the fulfillment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's banking facility agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements.

As at 31 December 2017, no covenants relating to the drawn down facilities had been breached (2016: Nil). All of the bank borrowings, including amounts repayable on demand, are carried at amortised cost. None of the portion of bank borrowings due for repayment after one year which contains a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

15. TRADE AND BILLS PAYABLES

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	6,226	4,080
Bills payable	<u>–</u>	<u>9,606</u>
	<u>6,226</u>	<u>13,686</u>

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	5,223	3,754
31 days to 60 days	213	67
61 days to 90 days	372	9
Over 91 days	<u>418</u>	<u>250</u>
	<u>6,226</u>	<u>4,080</u>

Trade payables are non-interest bearing and normally settled within 90 days to 180 days.

16. ACCRUED LIABILITIES AND OTHER PAYABLES

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and bonuses payable	21,540	15,426
Accounts payable for acquisition of property, plant and equipment	97,743	35,260
Other payables and accruals	<u>77,684</u>	<u>57,001</u>
	<u>196,967</u>	<u>107,687</u>

17. RESERVES

Details of movements in the reserves of the Group during the year are as set out as follows:

	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
At 1 January 2016	400,465	1,157	13,330	5,173	32,141	207,030	659,296
Profit for the year	-	-	-	-	-	61,947	61,947
Other comprehensive income							
Exchange differences							
– on translation of financial statements of overseas subsidiaries	-	(35,808)	-	-	-	-	(35,808)
– on translation of financial statements of an overseas associate	-	(1,109)	-	-	-	-	(1,109)
– reclassification of translation reserve upon de-registration of an overseas subsidiary	-	(29)	-	-	-	-	(29)
Fair value changes on long-term equity investments, net of deferred tax	-	-	(11,790)	-	-	-	(11,790)
Total comprehensive income for the year	-	(36,946)	(11,790)	-	-	61,947	13,211
Release of capital reserve upon de-registration of a foreign subsidiary	-	-	-	(1)	-	-	(1)
Transfer to statutory reserve	-	-	-	-	3,339	(3,339)	-
Dividend relating to 2015	-	-	-	-	-	(14,778)	(14,778)
At 31 December 2016 and 1 January 2017	400,465	(35,789)	1,540	5,172	35,480	250,860	657,728
Profit for the year	-	-	-	-	-	83,577	83,577
Other comprehensive income							
Exchange differences							
– on translation of financial statements of overseas subsidiaries	-	50,108	-	-	-	-	50,108
– on translation of financial statements of overseas associates	-	13,122	-	-	-	-	13,122
Fair value changes on long-term equity investments, net of deferred tax	-	-	14,760	-	-	-	14,760
Total comprehensive income for the year	-	63,230	14,760	-	-	83,577	161,567
Issue of consideration shares	56,000	-	-	-	-	-	56,000
Transfer to statutory reserve	-	-	-	-	23,510	(23,510)	-
Dividend relating to 2016	-	-	-	-	-	(18,214)	(18,214)
At 31 December 2017	<u>456,465</u>	<u>27,441</u>	<u>16,300</u>	<u>5,172</u>	<u>58,990</u>	<u>292,713</u>	<u>857,081</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2017, the Group recorded a growth on both revenue and profitability as compared to the previous years. For the year ended 31 December 2017, total reportable segment revenue of the Group (inclusive of dividend income from long-term equity investments) was HK\$385,943,000 (2016: HK\$323,237,000) with a year-on-year increase of 19.4% (2016: 12.9%). Total reportable segment revenue from the provision of industrial and medical waste treatment and disposal services was HK\$278,672,000 (2016: HK\$219,348,000) with a year-on-year increase of 27.0% (2016: 18.5%). Total reportable segment revenue from the provision of industrial sewage and sludge treatment and facility services in the eco-plating specialised zone was HK\$103,751,000 (2016: HK\$99,690,000) with a year-on-year increase of 4.1% (2016: 3.1%). The overall profit margin (pre-tax) of the reportable segment results of the Group's environmental operations in 2017 was approximately 40.3% (2016: 34.7%).

For the year ended 31 December 2017, the profit attributable to owners of the Company was HK\$83,577,000 (2016: HK\$61,947,000), an increase of 34.9% from 2016. Total earnings per share attributable to the owners of the Company was HK\$0.0278 for the year ended 31 December 2017 (2016: HK\$0.0210), an increase of 32.4% from 2016.

Equity attributable to owners of the Company as at 31 December 2017 was HK\$887,438,000 (2016: HK\$687,285,000). Cash and cash equivalents of the Group as at 31 December 2017 was HK\$237,884,000 (2016: HK\$171,589,000).

Environmental Industrial and Medical Waste Integrated Treatment and Disposal Services

For the year ended 31 December 2017, the Group had collected from external customers for treatment and disposal in aggregate of approximately 52,383 metric tons (2016: 34,985 metric tons) of hazardous industrial waste, 7,234 metric tons (2016: 6,426 metric tons) of regulated medical waste, and 2,358 metric tons (2016: 2,367 metric tons) of general industrial waste from various cities in Jiangsu Province, China. For the year ended 31 December 2017, the total revenue of the Group's operations of providing environmental waste integrated treatment and disposal services was approximately HK\$278,672,000 (2016: HK\$218,926,000) of which the revenue from treatment of hazardous industrial waste, medical waste and general industrial waste were HK\$244,667,000, HK\$31,780,000 and HK\$2,225,000 (2016: HK\$189,407,000, HK\$27,917,000 and HK\$1,602,000) respectively and the segment profit margin (pre-tax) of the Group's environmental waste integrated treatment and disposal services was approximately 48.5% (2016: 41.4%).

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

		31 December 2017 Annual capacity metric tons	31 December 2016 Annual capacity metric tons
Licensed hazardous waste incineration facilities	(i), (ii)	111,400	45,200
Licensed epidemic medical waste incineration facilities	(ii)	6,000	8,000
Licensed epidemic medical waste detoxification treatment facilities	(iii)	5,860	–
Licensed hazardous waste landfill facilities	(iv)	–	18,000
		<hr/>	<hr/>
Total licensed treatment and disposal facilities	(v)	123,260	71,200
		<hr/> <hr/>	<hr/> <hr/>
Constructed hazardous waste landfill facilities pending operating permission licence	(iv)	18,000	–
Constructed medical waste treatment facilities pending operating permission licence		–	5,940
		<hr/>	<hr/>
Total constructed treatment and disposal facilities pending licences		18,000	5,940
		<hr/> <hr/>	<hr/> <hr/>
New incineration facilities under construction		33,000	72,600
New incineration facilities planned to start construction within one year		–	33,000
		<hr/>	<hr/>
New facilities under construction or to be constructed		33,000	105,600
		<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) Increase in total incineration capacity was mainly attributable to the hazardous waste operating permission licences being newly granted to the Group during the year ended 31 December 2017. On 28 July 2017, the existing and newly built facilities of the Group at Dafeng District, Yancheng, Jiangsu Province was granted a renewed hazardous waste operating permission licence for an increased annual incineration capacity of total 39,000 metric tons. On 20 December 2017, the newly built facilities of the Group at Suqian, Jiangsu Province was granted a new hazardous waste operating permission licence for an annual incineration capacity of 40,000 metric tons.
- (ii) Certain old incineration facilities for handling hazardous industrial waste and regulated epidemic medical waste in Zhenjiang City, Jiangsu Province have ceased during the year ended 31 December 2017.

- (iii) Well-built detoxification facilities dedicated to handling regulated epidemic medical waste in Taizhou City and Zhenjiang City of the Jiangsu Province were granted new operating permission licences for total annual handling capacity of 5,860 metric tons during the year ended 31 December 2017.
- (iv) The hazardous waste operating permission licence for the hazardous waste landfill facilities located in Yancheng, Jiangsu Province, granted in December 2016 has lapsed in November 2017, and the construction of the landfill would be subject to further optimisation and the renewal of the licence would be deferred.
- (v) The total capacity of the licensed treatment facilities represents the total effective treatment and disposal quantity of hazardous waste allowable to handle under valid operating permission licences owned by the Group as at the end of the reporting period calculated on annualised basis.

Environmental Industrial Sewage Treatment Services in Eco-plating Specialised Zone

For the year ended 31 December 2017, total revenue of the Group's operations of providing environmental industrial sewage and sludge treatment services and providing facilities to the manufacturers in the eco-plating specialised industrial zone (the "Eco-plating Specialised Zone") was approximately HK\$103,751,000 (2016: HK\$99,690,000) and the segment profit margin (pre-tax) was approximately 16.3% (2016: 17.9%).

In the Eco-plating Specialised Zone with land area of approximately 180,000 square metres with total gross floor area of factory buildings built of approximately 106,605 square metres, the Group owns 22 factory buildings leased by 48 manufacturing clients engaging in plating operations as at 31 December 2017. The Group operates a centralised plating sewage treatment plant, a centralised industrial sludge treatment plant and customised facilities equipped for all clients in the zone.

In 2017, certain clients with production process unable to meet the environmental requirements have moved out of the zone which resulted in slightly decrease in pre-tax profit margin of this operating segment.

As at 31 December 2017, the Group's operations in the Eco-plating Specialised Zone were summarised as follows:

	2017	2016
Total gross floor area of factory buildings and facilities built (square metres)	106,605	106,605
Average utilisation rate of buildings and facilities	86.0%	89.7%
Plating sewage handled by the centralised sewage treatment plant (metric tons)	655,357	738,166
Average utilisation rate of sewage treatment capacity	39.7%	44.7%

Strategic Investments in Plastic Materials Dyeing Operations

The Group holds the equity interests in three manufacturing entities that principally engaged in plastic materials dyeing in China as long-term equity investments. For the year ended 31 December 2017, 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 2.5%, 1.7% and 3.1% (2016: 1.0%, 2.6% and 4.3%) respectively.

For the year ended 31 December 2017, total dividend received by the Group (before PRC dividend tax) in relation to the results of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei in 2016 was approximately HK\$3,520,000 (2016: HK\$4,199,000 in relation to the results in 2015).

Business Combination and Acquisition of Assets

Pursuant to the SPA dated 31 March 2017 entered into by the wholly-owned subsidiary of the Company, New Universe International Holdings Limited as the purchaser and Sinotech Investments Limited as the Vendor, the Company has completed the SPA on 21 April 2017 (the “Acquisitions”). The Acquisitions constituted a discloseable transaction for the Company under the Main Board Listing Rules and details of which have been announced by the Company on 31 March 2017 and 21 April 2017.

Upon completion of the SPA, the Company has acquired the 30% equity interest in NCIP, which is engaged in hazardous industrial waste treatment and disposal service in Nanjing, through the acquisition of the 100% equity interest in the issued share capital of ECCL and the entire interest of the outstanding interest-free unsecured shareholder’s loan at a total consideration of HK\$148,000,001. The transaction was considered a business combination with regard to the operations of NCIP in hazardous industrial waste treatment and disposal service in Jiangsu Province at the acquisition.

Upon completion of the SPA, the Company also acquired the land use rights and the liquid assets located in Jiangsu Province through the acquisition of (i) the 100% equity interest in the issued share capital of FIWRL, the entire interest of the outstanding interest-free unsecured shareholder’s loan, and the 100% equity interest in a subsidiary in China at a total consideration HK\$42,300,001; and (ii) the 100% equity interest in the issued share capital of FIIEL, the entire interest of the outstanding interest-free unsecured shareholder’s loan, and the 100% equity interest in its subsidiary in China at a total consideration of HK\$27,500,001.

The aggregate consideration for the Acquisitions was HK\$217,800,003, of which HK\$153,800,003 would be settled in cash by installments payable to the Vendor and the balance of HK\$64,000,000 was settled by the issue and allotment of 80,000,000 new shares of the Company to the nominee of the Vendor on 21 April 2017.

The Acquisitions comprised of business combination and acquisitions of assets located in Jiangsu Province enable the Group to extend its environmental waste treatment services and clients' network to Nanjing, and to further broaden the business scope of environmental operations in Jiangsu Province.

BUSINESS OUTLOOK

Up to 31 December 2017, the Group owned 6 (2016: 6) sites and interested in 2 (2016: 1) sites in joint venture to engage in providing hazardous waste treatment and disposal services, and also owned an industrial park, the Eco-plating Specialised Zone. The Group currently services approximately 800 medical organisations and a portfolio of approximately 800 manufacturing clients engaging in different industrial businesses inclusive of chemicals, plastics, automotive, paper-making and plating in the country. As at 31 December 2017, the combined licensed capacity of the Group for the collection, storage and treatment of hazardous industrial and medical waste in China was approximately 123,260 metric tons per annum (2016: 71,200 metric tons per annum). It is expected that the existing completed facilities together with those facilities to be completely shortly would contribute stable returns to the Group in the foreseeable future.

Further to a framework agreement signed by the Company on 17 November 2017, a joint venture company has been established on 26 December 2017 in Guangxi, China, with a registered capital of RMB70,000,000, of which the Company will contribute 65% of the equity interest. It is expected that the joint venture company will set up an integrated hazardous waste treatment centre which will include an integrated hazardous waste treatment plant and a hazardous landfill site at the Liuzhou City of Guangxi.

The Group will continue to focus on environmental related business and will continue to enhance the waste management and treatment standards. The Group will also strengthen the risk management and internal control on all project development. The Directors would explore for opportunities in a timely manner for business restructuring and industrial upgrade to improve the overall sustainable profitability. Barring any unforeseeable risks from the global and local economies that might affect the Group's environmental operations in China, the Group expects that profit growth will sustain in the coming year.

FINANCIAL REVIEW

The summary of annual and interim results for the year ended 31 December 2017 together with corresponding figures for 2016 is presented as follows:

Summary of annual results

(Expressed in HK\$'000 unless indicated otherwise)

		Year ended 31 December		Change
	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	%
Revenue from environmental waste treatment and disposal services	<i>1(i)</i>	278,672	218,926	+27.3
Revenue from environmental industrial sewage treatment and facility services	<i>1(ii)</i>	103,751	99,690	+4.1
Total Revenue	<i>1</i>	382,423	318,616	+20.0
Average gross profit margin (in percentage)	<i>2</i>	43.8	45.5	-3.7
Other revenue	<i>3</i>	3,520	4,621	-23.8
Other net income	<i>4</i>	28,539	13,254	+115.3
Distribution and selling expenses	<i>5</i>	4,682	5,745	-18.5
Administrative expenses	<i>6</i>	50,553	46,684	+8.3
Other operating expenses	<i>7</i>	20,622	21,335	-3.3
Gain on bargain purchase		7,200	–	N/A
Finance income	<i>8</i>	(184)	3,036	N/A
Finance costs	<i>9</i>	9,129	3,962	+130.4
Share of net profits of associates	<i>10</i>	11,716	3,985	+194.0
Income tax	<i>11</i>	20,916	5,985	+249.5
Net profit for the year	<i>12</i>	112,534	86,118	+30.7
Profit attributable to owners of the Company	<i>12</i>	83,577	61,947	+34.9
Total basic and diluted EPS (in HK cents)	<i>13</i>	2.78	2.10	+32.4
EBITDA	<i>14</i>	189,576	130,304	+45.5

Summary of interim results

(Expressed in HK\$'000 unless indicated otherwise)

For the year ended 31 December 2017

	Note	1H 2017 HK\$'000	2H 2017 HK\$'000	Total 2017 HK\$'000
Revenue from environmental waste treatment and disposal services	1(i)	120,561	158,111	278,672
Revenue from environmental industrial sewage treatment and facility services	1(ii)	<u>46,989</u>	<u>56,762</u>	<u>103,751</u>
Total Revenue	1	<u>167,550</u>	<u>214,873</u>	<u>382,423</u>
Average gross profit margin (in percentage)	2	44.1	43.6	43.8
Other revenue	3	3,701	(181)	3,520
Other net income	4	11,052	17,487	28,539
Distribution and selling expenses	5	2,705	1,977	4,682
Administrative expenses	6	20,950	29,603	50,553
Other operating expenses	7	9,768	10,854	20,622
Gain on bargain purchase		7,200	–	7,200
Finance income	8	(10)	(174)	(184)
Finance costs	9	3,530	5,599	9,129
Share of net profit of associates	10	6,256	5,460	11,716
Income tax	11	6,310	14,606	20,916
Net profit for the period	12	58,907	53,627	112,534
Profit attributable to owners of the Company	12	46,840	36,737	83,577
Basic and diluted EPS attributable to owners of the Company (in HK cents)	13	1.57	1.21	2.78
EBITDA	14	<u>89,266</u>	<u>100,310</u>	<u>189,576</u>

Summary of interim results (continued)

(Expressed in HK\$'000 unless indicated otherwise)

For the year ended 31 December 2016

	Note	1H 2016 HK\$'000	2H 2016 HK\$'000	Total 2016 HK\$'000
Revenue from environmental waste treatment services	1(i)	109,250	109,676	218,926
Revenue from environmental industrial sewage treatment and facility services	1(ii)	<u>48,190</u>	<u>51,500</u>	<u>99,690</u>
Total Revenue	1	<u>157,440</u>	<u>161,176</u>	<u>318,616</u>
Average gross profit margin (in percentage)	2	49.0	42.0	45.5
Other revenue	3	4,608	13	4,621
Other net income	4	7,224	6,030	13,254
Distribution and selling expenses	5	4,546	1,199	5,745
Administrative expenses	6	21,164	25,520	46,684
Other operating expenses	7	7,760	13,575	21,335
Finance income	8	316	2,720	3,036
Finance costs	9	1,984	1,978	3,962
Share of net profit of an associate	10	1,837	2,148	3,985
Income tax	11	347	5,638	5,985
Net profit for the period	12	55,357	30,761	86,118
Profit attributable to owners of the Company	12	42,490	19,457	61,947
Basic and diluted EPS attributable to owners of the Company (in HK cents)	13	1.44	0.66	2.10
EBITDA	14	<u>76,305</u>	<u>53,999</u>	<u>130,304</u>

Notes:

- Net increase in total revenue for the year ended 31 December 2017 was mainly attributable to:
 - net increase in total quantities of both industrial and medical hazardous waste collected for innocuity treatment and disposal after the newly built facilities were put into operation with new operating permission licence obtained in 2017; and
 - adjustments on unit prices for leasing facilities to the manufacturing clients in the Eco-plating Specialised Zone in 2017.
- Decrease in gross profit margin of the Group for the year ended 31 December 2017 was mainly attributable to increase in direct costs on handling post-incineration residues in 2017.

3. Net decrease in other revenue for the year ended 31 December 2017 was mainly attributable to decrease in dividends received from the long-term equity investments in 2017.
4. Net increase in other net income for the year ended 31 December 2017 was mainly attributable to increase in refund of VAT paid on environmental-related operations under tax preferential policy in China granted to the Group in 2017.
5. Net decrease in distribution and selling expenses for the year ended 31 December 2017 was mainly attributable to decrease in marketing incentive expenses in 2017.
6. Net increase in administrative expenses for the year ended 31 December 2017 was mainly attributable to the increase in administrative staff costs of the Group in 2017.
7. Net decrease in other operating expenses for the year ended 31 December 2017 was mainly attributable to decrease in research and development costs of the Group incurred in 2017.
8. Net decrease in finance income for the year ended 31 December 2017 was mainly attributable to the increase in exchange losses arisen on financing activities during the year.
9. Net increase in finance costs for the year ended 31 December 2017 was mainly attributable to increase in interests on bank borrowings and additional interest to finance the consideration payable after the completion of the acquisition of subsidiaries in 2017.
10. Net increase in profit shared from the associates for the year ended 31 December 2017 was mainly attributable to the profit shared from the newly acquired associate in 2017.
11. Net increase in income tax for the year ended 31 December 2017 was mainly attributable to increase in taxable profits in 2017.
12. For the year ended 31 December 2017, net increase in profit and increase in profit attributable to owners of the Company were mainly attributable to:
 - (i) increase in revenue from the operating segment of environmental waste treatment and disposal services;
 - (ii) increase in refund of VAT paid under tax preferential policy in China;
 - (iii) gain on bargain purchase arisen on a business combination completed in 2017; and
 - (iv) profit shared from a newly acquired associate in 2017.
13. Increase in earnings per shares (“EPS”) was directly attributable to the increase in net profit in 2017.
14. The Company uses the profit for the reporting period before deduction of interest, taxation, depreciation and amortisation (“EBITDA”) to measure the operating results of the Group. Increase in EBITDA for the year ended 31 December 2017 was mainly attributable to the increase in net profit of the Group in 2017.

Seasonality of operations

For the year ended 31 December 2017 and 2016, the operation of providing environment hazardous waste treatment and disposal services has encountered a relatively high demand of treatment services in the third and fourth quarters of a year.

For the year ended 31 December 2017, the environmental waste treatment services reported a revenue of HK\$278,672,000 (2016: HK\$218,926,000) and pre-tax profit of HK\$135,127,000 (2016: HK\$90,841,000) with revenue of approximately 43.3% (2016: 49.9%) being accumulated in the first half of the year and approximately 56.7% (2016: 50.1%) being accumulated in the second half of the year. In 2017, certain newly built environmental hazardous waste treatment facilities of the Group were granted operating permission licences in the fourth quarter and hence drove up the revenue of the Group in the second half of the year.

Capital expenditure

For the year ended 31 December 2017, the Group incurred capital expenditure to increase property, plant and equipment and to acquire land use rights (i) for the operating segment of environmental waste treatment and disposal services amounted approximately to HK\$211,132,000 (2016: HK\$90,304,000), (ii) for the operating segment of industrial sewage and sludge treatment and facility provision services in the Eco-plating Specialised Zone amounted approximately to HK\$5,374,000 (2016: HK\$8,070,000), and (iii) for corporate use at the head office in Hong Kong amounted approximately to HK\$42,000 (2016: HK\$21,000).

Commitments

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

	31 December 2017 HK\$'000	31 December 2016 HK\$'000
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	80,330	79,707
– Capital contribution payable to a newly established joint venture	54,600	–
	<u>134,930</u>	<u>79,707</u>

Liquidity, financial resources and gearing

For the year ended 31 December 2017, the Group financed its operations with internally generated cash flows, banking facilities, other borrowings and issuance of new shares. The Group remained stable in its financial position with equity attributable to owners of the Company amounted to HK\$887,438,000 as at 31 December 2017 (31 December 2016: HK\$687,285,000) and total assets amounted to HK\$1,538,917,000 as at 31 December 2017 (31 December 2016: HK\$1,035,706,000).

Except for the issuance of 80,000,000 new shares of the Company on 21 April 2017 to settle part of the consideration payable to the vendor upon completion of a business combination, the Company did not have any equity fund raising activity within the past twelve months immediately prior to the date of this announcement.

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

	31 December 2017 HK\$'000	31 December 2016 HK\$'000
(i) Cash and bank balances	237,884	171,589
(ii) Available unused secured banking facilities	–	48,701
(iii) Available unused unsecured banking facilities	82,726	23,700

Note:

After the end of the reporting period, on 3 February 2018, Suqian New Universe Solid Waste Disposal Company Limited*(宿遷宇新固體廢物處置有限公司), a wholly owned subsidiary of the Company in PRC, was granted a secured bank facility of RMB30,000,000 (approximately HK\$36,000,000) to finance its capital expenditure on construction of hazardous waste treatment and disposal facilities.

Key Performance indicators

The Group monitors its financial performance and earning potential through EBITDA. EBITDA of the Group was HK\$189,576,000 for the year ended 31 December 2017 (2016: HK\$130,304,000).

The Group monitors the proportion of its profits that being converted to cash flows through cash conversion rate. The cash conversion rate of the Group being the net cash generated from operating activities as a percentage of the consolidated operating profit was 165% for the year ended 31 December 2017 (2016: 120%).

* For identification purpose only

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 0.9 time as at 31 December 2017 (31 December 2016: 1.3 times). The current ratio being less than 1 as at 31 December 2017 was mainly attributable to the bank loans payable in or after 2019 amounted approximately to HK\$59,968,000 have been classified as current liabilities because those banking facilities bore a standard condition under which the banker reserves its overriding right at any time to cancel or vary the facilities and demand immediate repayment of all outstanding amount.

The Group monitors its capital through gearing ratio. This ratio is calculated as net debt divided by total capital. The net debt is calculated as total liabilities (excluding deferred government grants, income tax payable and deferred tax liabilities) 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:

	31 December 2017 HK\$'000	31 December 2016 HK\$'000
Bank borrowings	182,677	78,342
Other borrowing	25,000	25,000
Consideration payable for acquisition of subsidiaries	84,800	–
Trade, bills and other payables, accruals and customers' deposits received	208,310	130,433
Total liabilities	500,787	233,775
Less: cash and cash equivalents	237,884	171,589
Net debt	262,903	62,186
Total equity (inclusive of non-controlling interests)	997,567	769,489
Total capital	1,260,470	831,675
Gearing ratio	20.9%	7.5%

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

Capital structure

Details of in the share capital of the Company during the year ended 31 December 2017 are as follows:

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01each		
Authorised		
At 1 January 2017 and at 31 December 2017	100,000,000	1,000,000
Issued and fully paid		
At 1 January 2017	2,955,697	29,557
Consideration shares issued for business combination	80,000	800
At 31 December 2017	3,035,697	30,357

On 21 April 2017, the Company allotted and issued 80,000,000 new ordinary shares (“Consideration Shares”) of the Company to the Vendor upon completion of the Acquisitions to satisfy the amount of HK\$64,000,000, being part of the total consideration payable by the Company pursuant to the SPA. The Consideration Shares were issued under the general mandate granted to the Directors at the annual general meeting held on 6 May 2016. The Consideration Shares are not subject to any subsequent sale restriction. The aggregate nominal value of the 80,000,000 Consideration Shares at a par value of HK\$0.01 per share was HK\$800,000. The 80,000,000 Consideration Shares were determined by both parties to the SPA at HK\$0.80 per share and at an aggregate price of HK\$64,000,000. The net price of the Consideration Shares to the Company was HK\$56,800,000 at HK\$0.71 per share according to the closing price of the Company’s shares on the Stock Exchange on 21 April 2017.

Save as disclosed therein, there was no significant change to the capital structure of the Group as at 31 December 2017 compared to that as at 31 December 2016.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 21 April 2017, the Company has acquired (i) the 100% equity interest and the entire interest of the shareholder’s loan of ECCL, a company incorporated in Hong Kong, and its 30% equity interest in NCIP, a sino-foreign joint equity enterprise established in Nanjing at a consideration of HK\$148,000,001, (ii) the 100% equity interest and the entire interest of the outstanding interest-free unsecured shareholder’s loan of FIWRL, a company incorporated in Hong Kong, and its 100% equity interest in JXYE, a wholly foreign-owned enterprise established in the Zhenjiang City of Jiangsu Province at a consideration HK\$42,300,001; and (iii) the 100% equity interest and the entire interest of the outstanding interest-free unsecured shareholder’s loan of FIIEEL, a company incorporated in Hong Kong, and its 100% equity interest in TXXRR, a wholly foreign-owned enterprise established in the Taixing City of Jiangsu Province at a total consideration of HK\$27,500,001.

On 6 December 2017, the 100% owned subsidiary of the Group, HK Smartech Trading (Shenzhen) Limited* 港匯科貿易(深圳)有限公司 was duly de-registered in Shenzhen, China. The de-registration of the subsidiary did not have any significant financial impact to the Group.

On 26 December 2017, a sino-foreign joint venture, Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited* 柳州新宇榮凱固體廢物處置有限公司, was established in Liuzhou, Guangxi, of which, under the joint venture agreement, the Company will contribute 65% of the registered capital and the Company will account for the investment using equity method.

Save as disclosed therein, there were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the year ended 31 December 2017.

Significant investments held and their performance

According to the valuation report prepared by an independent professional valuer, Cushman and Wakefield Limited (“DTZ”, formerly known as DTZ Debenham Tie Leung Limited) (2016: DTZ Debenham Tie Leung Limited), the fair value attributable to the Group’s interests in the long-term equity investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei as at 31 December 2017 were HK\$29,900,000, HK\$11,540,000 and HK\$38,560,000 (31 December 2016: HK\$12,300,000, HK\$16,700,000 and HK\$34,600,000) respectively. The changes in value of the long-term equity investments for the year end 31 December 2017 were accounted for in investment revaluation reserve and recognised as other comprehensive income of the Company.

Impairment testing on goodwill

As at 31 December 2017, the assessment on the recoverable amount of the Group’s cash generating unit principally engaged in environmental waste treatment services in China was determined by referring to the valuation report prepared by the independent professional valuer, DTZ (2016: DTZ), after their review of the cash flows projection covering a five-year period with an annual growth rate at 2% (2016: 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, using the pre-tax discount rate of 18.48% (2016: 19.60%) taken into account of the risks for the industries, no impairment loss to the goodwill was considered necessary for the year end 31 December 2017 (2016: Nil).

* For identification purpose only

Charges on assets

The Group pledged certain property, plant and equipment and the land use rights with carrying amounts of HK\$51,762,000 and HK\$15,839,000 respectively (2016: HK\$51,232,000 and HK\$15,435,000 respectively, together with bank deposits of HK\$9,606,000) to secure banking facilities totally amounted approximately to HK\$28,440,000 as at 31 December 2017 (2016: HK\$81,541,000) which to the extent of HK\$28,440,000 were utilised as secured bank borrowings as at 31 December 2017 (2016: HK\$32,840,000) granted to the Group.

Contingent liabilities

There were no significant contingent liabilities of the Group as at 31 December 2017 (2016: Nil).

Employee information

As at 31 December 2017, the Group had 569 (2016: 443) full-time employees, of which 20 (2016: 21) were based in Hong Kong, and 549 (2016: 422) in China. For the year ended 31 December 2017, staff costs, including Directors' remuneration and amount capitalised as inventories was HK\$71,692,000 (2016: HK\$56,166,000). Employees and Directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, and continued development and training.

Exposure to fluctuations in exchange rates

The Group mainly operates in 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 to the Group, 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 exchange rates approximating 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 year ended 31 December 2017, RMB appreciated on average relatively to the HK\$ that resulted in an overall upside exchange difference on translation from RMB to HK\$ for the financial statements of the subsidiaries in China amounted approximately to HK\$57,335,000 (2016: downside exchange difference of HK\$41,277,000), which were recognised as 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 year. 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 entirely or partially disposed of by the Group.

Principal risks and uncertainties

The following are the principal risks and uncertainties related to the Company's business:

1. The Group is dependent on continuous renewal of hazardous waste operating permission licences to be granted by the China Government. The environmental business of the Group involving in collection, storage, incineration, landfill, treatment and final disposal of hazardous waste in China requires operating permission licences for handling hazardous waste and the operating permission licences for handling epidemic medical waste issued by the Environmental Protection Bureau of Jiangsu Province and local environmental authorities. All subsidiary entities of the Group engaging in environmental operations have to maintain and continuously uphold their operating standards and waste management standards and technically renovate the facilities in order to comply with the environmental policies, standards, and legislations as promulgated by the China Government that might be renewed or revised from time to time, or otherwise, there is a risk that the hazardous waste operating permission licence(s) of the Group may be suspended temporarily or withdrawn or the renewal of which may be deferred and subject to the compliance with the China Governmental directions for renovation and reconstruction.
2. The Group faces competition in the market of hazardous waste collection for treatment and disposal services from other operators in the environmental hazardous waste treatment industry. The Group has to continuously upkeep its facilities and provide continuing staff development, and to strengthen its waste management standard and financial stability in order to compete with the increasing competitors engaged in treatment of hazardous waste which may have greater financial resources to develop larger scaled waste disposal and recycling facilities and better technical know-how than we have.
3. The Group engages in hazardous waste incineration to reduce quantity of hazardous waste and to decompose hazardous waste through high temperature incineration process, and handling industrial sewage discharging by clients in an industrial zone that faces environmental and social responsibility risks, which might be caused by incidental breach of environmental emission limits, incidental safety issues and incidental adverse waste discharging conditions caused by clients, and which could have negatively impact to the environmental waste treatment operations of the Group. The Group has sought for high quality plant construction design, and implemented stringent controls over the construction of new projects. The Group undertakes to continuously upgrade the efficiency of the existing plant and equipment and to enhance the project management standards from time to time. The Group will appoint independent professionals to report on environmental emissions periodically and to monitor all possible environmental impact to the society.

4. The scale of the Group's operations has been increasing moderately which, at the same time, increases the significance of internal control risks arising from the uncertainties of effectiveness and achievement of the objective of the internal control system, or ineffectiveness of the internal control due to any defective critical point subsisted in the internal control system or any improper internal control measure. The Group has committed to continuously value the risk management and internal control systems of the Group by appointing independent professional consultants to carrying out internal control review on all key operations of the Group periodically. The Group also assigned designated staffs to monitor each key operation of the Group who would strengthen the liaison between the Group's headquarter and the project companies, and from time to time, keep the headquarter informed of the status of the projects and ensure the management's policies are being implemented in a timely and effective manner.
5. The impact of economic conditions on local industries in China would affect the quantities of hazardous waste discharged and the treatment service pricing for the specific market offered by specific client base of the Group for environmental waste treatment and disposal services. The Group's existing business strategy has been confined to certain specific markets that new strategies would be developed by the Group to strengthen penetration of different geographical markets and thereby to reduce its dependency on the specific markets.
6. Lack of appropriately skilled and experienced human resources could result in a delay in achieving the Group's strategic goals and development of new projects. The Company has reviewed organizational structure of the Group and responsibilities and duties of all key staff members regularly. The risk of the loss of key personnel is mitigated by regular reviews of recruitment and retention practices, remuneration packages and succession planning within the management team.

DIRECTORS' AND CHIEF EXECUTIVE'S 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 31 December 2017, the interests and short positions of the Directors and chief executive 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 (“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 are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (“Model Code”) of the Main Board 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			Number of shares held	% of total shares in issue
	Personal/beneficial interest	Interests of children or spouse	Interests of controlled corporation		
Mr. XI Yu (<i>note</i>)	–	–	1,071,823,656	1,071,823,656	35.31
Ms. LIU Yu Jie	202,400,000	–	–	202,400,000	6.67

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 (<i>note</i>)	16,732	–	–	16,732	83.66
Ms. CHEUNG Siu Ling (<i>note</i>)	1,214	1,214	–	2,428	12.14

Note: New Universe Enterprises Limited (“NUEL”) is beneficially interested in 1,071,823,656 shares of the Company, representing approximately 35.31% of the issued share capital of the Company as at 31 December 2017. Mr. XI Yu and Ms. CHEUNG Siu Ling are both directors and shareholders of NUEL.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were entered in the register referred to therein as required pursuant to section 352 of the SFO or required, to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries, its holding company or its other associated corporations a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses or children under the age of 18) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertaking or other associated corporations.

INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, the interests or short positions of those persons, other than a director or the chief executive of the Company whose interests has been disclosed therein above, in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholder	Number of ordinary shares of HK\$0.01 each of the Company			Number of shares held	% of total shares in issue
	Beneficial owner	Family interest	Interest of controlled corporation		
NUEL ⁽ⁱ⁾	1,071,823,656	–	–	1,071,823,656	35.31
CM International Capital Limited ("CMIC Cayman") ⁽ⁱⁱ⁾	800,000,000	–	–	800,000,000	26.35
CM International Capital Limited 中國國際資本有限公司 ("CMIC Hong Kong") ⁽ⁱⁱⁱ⁾	–	–	800,000,000	800,000,000	26.35
China Minsheng Investment Corp. Limited 中國民生投資股份有限公司 ⁽ⁱⁱ⁾	–	–	800,000,000	800,000,000	26.35
Ms. LIU Yu Jie ⁽ⁱⁱⁱ⁾	202,400,000	–	–	202,400,000	6.67

Notes:

- (i) NUEL is the beneficial owner of the 1,071,823,656 shares of the Company. NUEL is beneficially owned as to 83.66% by Mr. XI Yu.
- (ii) CMIC Cayman is the beneficial owner of the 800,000,000 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 as a shareholder is the same interest disclosed by her as Director of the Company.

Save as disclosed above, as at 31 December 2017, so far as is known to the Directors, the Company has not been notified of any other interests or short positions in the shares and underlying shares which had been recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under “Directors’ and Chief Executive’s Interests and/or Short Positions in Shares and Underlying Shares, and Debenture of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporation”, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company’s subsidiary or holding company of a subsidiary of the Company’s holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company has adopted a share option scheme with terms duly passed by the Company’s shareholders at the general meeting held on 5 May 2015 (“Share Option Scheme”). The terms of the Share Option Scheme are in accordance with the provisions set out in Chapter 17 of the Main Board Listing Rules.

The purpose of the 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 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of the Company’s shares in issue as at the date of approval of the Share Option Scheme by the shareholders at the annual general meeting on 5 May 2015 (“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 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 2,955,697,018 shares of the Company as at 5 May 2015, the Scheme Mandate Limit was 295,569,701 shares of the Company.

As at 31 December 2017, no option was granted or was outstanding under the Share Option Scheme.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

As at 31 December 2017 and any time during the year, transactions, arrangements, or contracts subsisted, of which certain Directors had interests that were deemed significant to the business of the Group are set out as follows:

Mr. XI Yu and Ms. CHEUNG Siu Ling, the executive Directors of the Company, are also the directors of the landlord, Sun Ngai International Investment Limited ("Sun Ngai") to the tenancy agreement dated 20 July 2016 entered into by Smartech Services Limited ("Smartech Services", an indirectly 100% owned subsidiary of the Company) as tenant, pursuant to which, Smartech Services has leased two office units as headquarter of the Company in Hong Kong at Rooms 2109 and 2110, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong at a monthly rental of HK\$50,000 for the term from 1 August 2016 to 31 July 2017. A new tenancy agreement dated 5 July 2017 was entered into between Sun Ngai and Smartech Services to lease three office units at Rooms 2109 to 2111, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong for the term from 1 August 2017 to 31 July 2018 at a monthly rental of HK\$80,000. For the year ended 31 December 2017, total rental paid by Smartech Services to Sun Ngai were HK\$750,000.

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 transaction, arrangement or contract of significance to which the Company, any of its holding company, subsidiaries, or fellow subsidiaries 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 the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Ms. LIU Yu Jie was appointed executive Director of the Company with effect from 9 June 2015, who has investments in four companies engaging in the operation of hazardous waste projects in four cities in China, of which she has a controlling stake in one of the four said companies. As the permission licence to operate hazardous wastes in each of the four said cities is exclusive, and the Group does not have any such operations in those cities, the Board considers that the said investments of Ms. LIU Yu Jie do not compete with the interests of the Group.

Save as disclosed therein, during the year and up to the date of this announcement, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Main Board Listing Rules) of the Company and their respective associates that had competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

CONNECTED TRANSACTIONS

There was no significant connected transactions of the Group (defined under the Main Board Listing Rules) which were discloseable in the reporting period or any time during the year.

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT

On 12 December 2017, the Company accepted a banking facility letter (the “Facility Letter”) issued by a bank (the “Bank”) in Hong Kong. Pursuant to the Facility Letter, the Bank agreed to offer an unsecured term loan facility of up to HK\$50,000,000 (the “Facility”) to the Company. The final maturity date of the Facility is at the end of five years from the date of the first drawdown. In accordance with the Facility Letter, the proceeds of the Facility shall be used to finance the capital expenditure of the Group in relation to environmental industrial treatment, medical waste treatment and/or environmental sewage treatment project.

Pursuant to the Facility Letter, if Mr. XI Yu (being defined as the “Controlling Shareholder” in the Facility Letter) (i) ceases to be directly or indirectly the single largest shareholder of the Company; (ii) ceases to own directly or indirectly at least 30% of the issued shares with voting rights of the Company; or (iii) ceases to have the management control over the Company, the Bank may cancel all or any part of the Facility and declare all or any part of the outstanding Facility, together with accrued interest, and all other amounts accrued under the Facility Letter immediately due and payable, whereupon all or part of the Facility shall be immediately cancelled and all such outstanding amounts shall become immediately due and payable.

As at 31 December 2017, the Controlling Shareholder, through his beneficial interest in 83.66% of the issued share capital of NUEL, indirectly owns approximately 35.31% of the total issued share capital of the Company.

The Company has drawn down the entire amount of the Facility on 15 December 2017 and the unsecured bank loan concerned was HK\$50,000,000 as at 31 December 2017.

In accordance with the requirements under Rule 13.21 of the Listing Rules, disclosure will be included in the annual and interim reports of the Company for so long as circumstances giving rise to the obligation continue to exist.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors of the Company during the year and up to the date of this announcement, there is sufficient public float of not less than 25% of the Company’s issued shares as required under the Main Board Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold, or redeemed any of the Company's listed securities during the year ended 31 December 2017.

CORPORATE GOVERNANCE

During the year ended 31 December 2017, the Company has applied the principles of and complied with all the code provisions set out from time to time in the Corporate Governance Code entered in Appendix 14 to the Main Board Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in The Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Main Board Listing Rules. With specific enquiries having been made of all the Directors, all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2017.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing an annual confirmation of his independence pursuant to Rule 3.13 of the Main Board Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has reviewed with the management the consolidated financial statements of the Company for the year ended 31 December 2017.

INDEPENDENT REVIEW

This preliminary announcement of the Company's consolidated results for the year ended 31 December 2017 has been agreed with and reviewed by the Company's independent auditor, Crowe Horwath (HK) CPA Limited.

PROPOSED FINAL DIVIDEND

The board (the “Board”) of directors (the “Directors”) of the Company recommends the payment of a final dividend of HK\$0.0065 per share at a payout ratio of approximately 23.6% of the profit attributable to the owners of the Company for the year ended 31 December 2017, which is subject to the approval of the shareholders at the forthcoming annual general meeting. Upon shareholders’ approval, the final dividend is expected to be payable on or about 31 July 2018 to shareholders whose names appear on the register of members on 29 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will not be closed for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the forthcoming Annual General Meeting to be held on Friday, 18 May 2018. However, in order to qualify for attending and voting at the forthcoming Annual General Meeting, all transfers documents accompanied by the relevant share certificates must be deposited with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 14 May 2018.

The register of members of the Company will be closed for the purpose of ascertaining the entitlement of shareholders of the Company to the proposed final dividend at the Annual General Meeting from Tuesday, 26 June 2018 to Friday, 29 June 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend (subject to the approval of shareholders of the Company at the Annual General Meeting), all transfers documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 June 2018.

PUBLICATION OF DETAILED FINANCIAL AND RELATED INFORMATION ON THE WEBSITE OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the website of the Company (www.nuigl.com) and the Stock Exchange (www.hkexnews.hk). The Company’s annual report 2017, containing all the information required by Appendix 16 of the Main Board Listing Rules, will be dispatched to shareholders and made available on the above websites in due course.

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

Hong Kong, 23 March 2018

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

Mr. XI Yu	<i>(Chairman and Executive Director)</i>
Mr. SONG Yu Qing	<i>(Chief Executive Officer and Executive Director)</i>
Ms. CHEUNG Siu Ling	<i>(Executive Director)</i>
Ms. ZHANG Ying	<i>(Executive Director)</i>
Ms. LIU Yu Jie	<i>(Executive Director)</i>
Mr. HON Wa Fai	<i>(Executive Director)</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>