



# NEW UNIVERSE ENVIRONMENTAL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)  
Stock Code : 436

## INTERIM REPORT 2018





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# CORPORATE INFORMATION



## PLACE OF INCORPORATION

Cayman Islands

## BOARD OF DIRECTORS

Executive Directors

Mr. XI Yu (*Chairman*)<sup>1</sup>

Mr. SONG Yu Qing (*CEO*)<sup>1</sup>

Ms. CHEUNG Siu Ling<sup>1</sup>

Ms. ZHANG Ying<sup>1</sup>

Ms. LIU Yu Jie<sup>1</sup>

Mr. HON Wa Fai<sup>1</sup>

Independent Non-Executive Directors

Prof. CHAN Yan Cheong<sup>2,3,4,5</sup>

Mr. YUEN Kim Hung, Michael<sup>2,3,4,6</sup>

Mr. HO Yau Hong, Alfred<sup>2,3,4,7</sup>

<sup>1</sup> Member of Executive Committee

<sup>2</sup> Member of Audit Committee

<sup>3</sup> Member of Nomination Committee

<sup>4</sup> Member of Remuneration Committee

<sup>5</sup> Chairman of Audit Committee

<sup>6</sup> Chairman of Nomination Committee

<sup>7</sup> Chairman of Remuneration Committee

## AUTHORISED REPRESENTATIVES

Ms. CHEUNG Siu Ling

Mr. HON Wa Fai

## COMPLIANCE OFFICER

Ms. CHEUNG Siu Ling

## COMPANY SECRETARY

Mr. HON Wa Fai

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 2110-2112

Telford House

16 Wang Hoi Road

Kowloon Bay

Kowloon

Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICES

Principal

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Hong Kong Branch

Tricor Tengis Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

## LEGAL ADVISERS

As to Cayman Islands Laws

Conyers Dill & Pearman (Cayman) Limited

As to Hong Kong Laws

Shirley Lau & Co., LLP

(In association with CMS Hashe Sigle,  
Hong Kong LLP)

As to PRC Laws

Beijing Sinobridge PRC Lawyers

## FINANCIAL ADVISER

OCTAL Capital Limited

## INDEPENDENT AUDITOR

Crowe (HK) CPA Limited

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited

Bank of China (Hong Kong) Limited

Bank of Communications (Hong Kong) Limited

Cathay Bank, Hong Kong Branch

Standard Chartered Bank (Hong Kong) Limited

## LISTING INFORMATION

Shares

The issued shares of the Company are listed and  
traded on the Main Board of The Stock  
Exchange of Hong Kong Limited

Stock Code

00436

Board Lot

20,000 shares

## WEBSITE

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2018 increased by 48.7% to HK\$249,115,000 compared to HK\$167,550,000 for the corresponding period in 2017.
- Net profit for the six months ended 30 June 2018 decreased by 19.4% to HK\$47,465,000 compared to HK\$58,907,000 for the corresponding period in 2017.
- Profit attributable to owners of the Company for the six months ended 30 June 2018 decreased by 18.1% to HK\$38,350,000 compared to HK\$46,840,000 for the corresponding period in 2017.
- Total earnings per share attributable to owners of the Company for the six months ended 30 June 2018 were HK cents 1.26 compared to HK cents 1.57 for the corresponding period in 2017.
- Equity attributable to owners of the Company was approximately HK\$902,727,000 at 30 June 2018 compared to HK\$887,438,000 at 31 December 2017.
- Cash and cash equivalents of the Group was approximately HK\$277,892,000 at 30 June 2018 compared to HK\$237,884,000 at 31 December 2017.
- The Board resolved not to declare a dividend for the six months ended 30 June 2018.

## BUSINESS REVIEW

### **Industrial and Medical Waste Integrated Treatment and Disposal Services**

For the six months ended 30 June 2018, the Group collected from external customers for treatment and disposal in aggregate of approximately 32,878 metric tons (2017: 20,906 metric tons) of hazardous industrial waste, 3,275 metric tons (2017: 3,470 metric tons) of regulated medical waste, and 3,663 metric tons (2017: 856 metric tons) of general industrial waste from various cities in the Jiangsu Province, China. For the six months ended 30 June 2018, the total revenue of the Group's operations of providing environmental treatment and disposal of industrial and medical waste services was approximately HK\$197,504,000 (2017: HK\$120,561,000), of which the revenue from treatment and disposal of hazardous industrial waste, medical waste and general industrial waste were HK\$178,896,000 (2017: HK\$105,069,000), HK\$15,338,000 (2017: HK\$14,706,000) and HK\$3,270,000 (2017: HK\$786,000), respectively.

The Group holds interests in two associates, with 30% equity interest in Zhenjiang New District Solid Waste Disposal Limited ("Zhenjiang New District") and 30% equity interest in Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Limited ("NCIP"), that are principally engaged in the provision of environmental treatment and disposal of hazardous industrial waste services in China. The attributable results of Zhenjiang New District and NCIP were accounted for using the equity method and classified under the operating segment of the Company in industrial and medical waste integrated treatment and disposal services. For the six months ended 30 June 2018, the Group shared a net profit of HK\$3,314,000 from Zhenjiang New District (2017: HK\$2,666,000) and a net loss of HK\$4,702,000 (2017: net profit shared of HK\$3,590,000) from NCIP.



The Group also holds 65% equity interest in a Sino-foreign joint venture, Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited\* (“Xinyu Rongkai”), which is established to build new facilities for the provision of environmental treatment and disposal of hazardous industrial waste services in Guangxi, China. The attributable results of Xinyu Rongkai were accounted for using the equity method and classified under the operating segment of the Company in industrial and medical waste integrated treatment and disposal services. For the six months ended 30 June 2018, the Group shared a net loss of HK\$204,000 (2017: Nil) arisen from the preliminary administrative expenses of Xinyu Rongkai.

For the six months ended 30 June 2018, the profit margin (pre-tax) of the Group’s environmental treatment of industrial and medical waste services was approximately 33.2% (2017: 49.8%).

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:

	Note	Annualised capacity	
		30 June 2018 metric tons	31 December 2017 metric tons
Licensed hazardous waste incineration facilities	(i)	105,400	111,400
Licensed epidemic medical waste incineration facilities		6,000	6,000
Licensed epidemic medical waste detoxification treatment facilities	(ii)	3,300	5,860
<b>Total licensed treatment and disposal facilities</b>	<b>(iv)</b>	<b>114,700</b>	<b>123,260</b>
Constructed incineration facilities pending operating permission licence	(iii)	33,000	–
Constructed hazardous waste landfill facilities pending operating permission licence		18,000	18,000
Constructed epidemic medical waste detoxification treatment facilities pending operating permission licence	(ii)	2,560	–
<b>Total constructed treatment and disposal facilities pending licences</b>		<b>53,560</b>	<b>18,000</b>
New incineration facilities under construction or to be constructed		–	33,000

\* For identification purpose only



# MANAGEMENT DISCUSSION AND ANALYSIS

## Notes:

- (i) The operating permission licence for the old incineration facilities with annual capacity of 6,000 metric tons of the Group located at Xiangshui, Jiangsu Province has lapsed in April 2018, and the related facilities have ceased operation since then.
- (ii) The operating permission licence for treatment of regulated epidemic medical waste in Taizhou City, Jiangsu Province has lapsed in May 2018, and the related detoxification facilities have been under further optimisation.
- (iii) After the end of the reporting period, on 27 July 2018, the newly built incineration facilities of the Group at Xiangshui, Jiangsu Province were granted a new hazardous waste operating permission licence for an annual incineration capacity of 33,000 metric tons.
- (iv) The total licensed capacity of the treatment and disposal facilities represents the total effective quantity of hazardous waste allowable for the collection, storage, treatment and disposal under the valid operating permission licences held by the subsidiaries of the Company as of the end of the reporting period calculated on an annualised basis.

## Industrial Sewage Treatment Services in Eco-plating Specialised Zone

For the six months ended 30 June 2018, the total revenue of the Group's operations of providing treatment and disposal services of industrial sewage and sludge and providing facilities to the manufacturers in the eco-plating specialised industrial zone (the "Eco-plating Specialised Zone") was approximately HK\$51,611,000 (2017: HK\$46,989,000). During the period under review, owing to the increased costs on sewage treatment and upkeeping the sewage treatment system in the zone, the profit margin (pre-tax) decreased to approximately 5.0% (2017: 13.1%).

As at 30 June 2018, the Group's operations in the Eco-plating Specialised Zone were summarised as follows:

	For the six months ended 30 June	
	2018	2017
Total gross floor area of factory buildings and facilities built (square metres)	<b>106,605</b>	106,605
Average utilisation rate of factory buildings and facilities	<b>85.3%</b>	84.9%
Plating sewage handled by the centralised sewage treatment plant during the reporting period (metric tons)	<b>277,615</b>	309,312
Average utilisation rate of sewage treatment capacity (with maximum capacity of 825,000 metric tons per annum)	<b>33.7%</b>	37.5%



## Investments in Plastic Materials Dyeing Operations

The Group has held the equity interests in three Sino-foreign joint equity enterprises, that are principally engaged in the business of plastic materials dyeing in China, as long term investments since October 2007. For the six months ended 30 June 2018, 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% (2017: 3.0%), 1.7% (2017: 2.3%) and 3.8% (2017: 3.3%) respectively. The Group accounts for the results of the three Sino-foreign joint equity enterprises based on the actual dividend declared and receivable from the investments.

## Outlook

As at 30 June 2018, the aggregate licensed capacity of the Group for hazardous waste treatment and disposal in China was approximately 105,400 metric tons per annum (31 December 2017: 111,400 metric tons per annum), and other newly built incineration facilities are expected to be put into operation later in this year.

During the period under review, owing to the newly built incineration capacity has been gradually put into operations, the quantity of hazardous waste collected and disposed increased by 57.3% and the revenue increased by 48.7% comparing to the last corresponding period. Operating profit maintained a steady growth as compared to the last corresponding period. The decline in net profit in current period was mainly attributable to the sharp increase in raw materials costs on waste processing, the decrease in non-recurring income and the increase in non-recurring expenses, as well as the effect of exchange rate fluctuations. Along with the increasingly strict national environmental protection supervision, the continuous release of the Group’s well-built waste processing capacity, and the construction and establishment of the new projects, the Group’s earnings in the second half of this year and in the future are expected to achieve considerable growth.

Notwithstanding the facts that certain plants of the Group have to temporarily suspend incineration for repair and maintenance to comply with the stern environmental compliance standards during the period under review, the licensed capacity of the Group for hazardous waste treatment and disposal remains the key driver in bringing stable return to the Group. The Group will continue to focus on environmental related business and to enhance its facilities and uphold higher standard of waste management. The Directors would seek for the right opportunity for business restructuring and industrial upgrading to ensure the sustainable development and profitability of the Group. Barring any unforeseeable risks from the global and local economies and from the strengthening national standards on environmental compliance that might affect the Group’s environmental operations in China, the Group expects to report a stable profit for the current year.





# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The changes in unaudited consolidated financial information of the Group's for the six months ended 30 June 2018 as comparing to the unaudited figures for the corresponding period in 2017 are summarised as follows:

(Expressed in HK\$'000 unless indicated otherwise)	Note	For the six months ended 30 June		Change %
		2018	2017	
Revenue from environmental treatment of industrial and medical waste	(a)(i)	<b>197,504</b>	120,561	+63.8
Revenue from environmental industrial sewage treatment and facility services	(a)(ii)	<b>51,611</b>	46,989	+9.8
<b>Total Revenue</b>	(a)	<b>249,115</b>	167,550	+48.7
Average gross profit margin (in percentage)	(b)	<b>38.6</b>	44.1	-12.5
Other revenue	(c)	<b>4,266</b>	3,701	+15.3
Other net income	(d)	<b>9,497</b>	11,052	-14.1
Distribution and selling expenses	(e)	<b>6,284</b>	2,705	+132.3
Administrative expenses	(f)	<b>29,310</b>	20,950	+39.9
Other operating expenses	(g)	<b>7,013</b>	9,768	-28.2
Finance income	(h)	<b>1,392</b>	(10)	N/A
Finance costs	(i)	<b>6,828</b>	3,530	+93.4
Share of results of associates	(j)	<b>(1,388)</b>	6,256	N/A
Share of results of a joint venture	(k)	<b>204</b>	–	N/A
Income tax	(l)	<b>12,791</b>	6,310	+102.7
Net profit for the period	(m)	<b>47,465</b>	58,907	-19.4
Profit attributable to owners of the Company	(m)	<b>38,350</b>	46,840	-18.1
Basic and diluted EPS (HK cents)	(m)	<b>1.26</b>	1.57	-19.7
EBITDA	(n)	<b>95,768</b>	89,266	+7.3





## Notes:

- (a) Net increase in total revenue for the six months ended 30 June 2018 was mainly attributable to:
  - (i) net increase in revenue from the treatment and disposal services for hazardous industrial and medical waste was mainly attributable to the new incineration facilities in Suqian, at northern Jiangsu Province has been put into operation from January 2018 which contributed a revenue of approximately HK\$53,111,000 to the Group in current period; and
  - (ii) normal price adjustments on the services provided in the Eco-plating Specialised Zone during the current period.
- (b) Decrease in gross profit margin of the Group for the six months ended 30 June 2018 was mainly attributable to the increasing costs on disposal of the post-incineration waste residues of the Group.
- (c) Net increase in other revenue for the six months ended 30 June 2018 was mainly attributable to the increase in dividends declared by the long-term equity investments during the current period.
- (d) Net decrease in other net income for the six months ended 30 June 2018 was mainly attributable to the net decrease in refunds claimed on Value-Added Tax paid under tax preferential policy in favour of the environmental related operations in China.
- (e) Net increase in distribution and selling expenses for the six months ended 30 June 2018 was mainly attributable to increase in marketing incentive expenses in the current period.
- (f) Net increase in administrative expenses for the six months ended 30 June 2018 was mainly attributable to increase in staff cost for the new plant in Suqian being put into operation in current period.
- (g) Net decrease in other operating expenses for the six months ended 30 June 2018 was mainly attributable to decrease in legal and professional fees in current period.
- (h) Net increase in finance income for the six months ended 30 June 2018 was mainly attributable to increase in cash balances stand-by in the current period to meet increasing current liabilities.
- (i) Net increase in finance costs for the six months ended 30 June 2018 was mainly attributable to increase in bank borrowings of the Group in the current period.
- (j) Net loss shared from the associates for the six months ended 30 June 2018 was mainly attributable to temporarily suspended operation of one of the associates, NCIP for over 3 months during the review period to fix and enhance its incineration facilities in order to comply with the requirements for the renewal of its hazardous waste operating permission licence effective for three years to January 2021.
- (k) Net loss shared from Xinyu Rongkai for the six months ended 30 June 2018 was mainly attributable to the preliminary expenses incurred by the entity which has not yet been in operation.



# MANAGEMENT DISCUSSION AND ANALYSIS

- (l) Net increase in income tax for the six months ended 30 June 2018 was mainly attributable to increase in under-provision of Enterprise Income Tax for prior years in relation to the operations in China.
- (m) For the six months ended 30 June 2018, net decrease in profit and decrease in profit attributable to owners of the Company and decrease in EPS were mainly attributable to:
  - (i) increased costs on ensuring second pollution abatement which caused higher operating costs to both operating segments of the hazardous waste treatment and disposal services and the operations in the Eco-plating Specialised Zone;
  - (ii) the non-recurring gain on bargain purchase on business combination recorded in last corresponding period; and
  - (iii) net loss shared from NCIP, as a result of its temporary suspension for over 3 months during the review period to fix and enhance its incineration facilities in order to comply with the requirement for the renewal of its hazardous waste operating permission licence effective for three years to January 2021.
- (n) The Company uses earnings before interest, tax, depreciation and amortisation (“EBITDA”) to measure the operation result of the Group, which represents the consolidated profit before taxation plus adding back net finance costs, depreciation and amortisation charges over the reporting period. Increase in EBITDA for the six months ended 30 June 2018 was mainly attributable to the increase in operating profit of the Group by 7.7% to HK\$67,284,000 as comparing to HK\$62,501,000 for the corresponding period in 2017.

## Seasonality of operations

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

For the 12 months ended 30 June 2018, the hazardous waste treatment and disposal services reported a revenue of HK\$355,615,000 (12 months ended 30 June 2017: HK\$230,237,000) and pre-tax profit of HK\$140,566,000 (12 months ended 30 June 2017: HK\$98,707,000).

## Capital expenditure

For the six months ended 30 June 2018, the Group incurred capital expenditure to increase property, plant and equipment (i) for the operating segment of hazardous waste treatment and disposal services amounted to HK\$55,150,000 (2017: HK\$75,561,000), (ii) for the operating segment of industrial sewage and sludge treatment and facility provision services in the Eco-plating Specialised Zone amounted to HK\$4,458,000 (2017: HK\$1,877,000), and (iii) for corporate use at the head office in Hong Kong amounted to HK\$5,000 (2017: HK\$36,000).



## Commitments

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

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Contracted for but not provided for:		
– Capital expenditure in respect of property, plant and equipment	<b>53,580</b>	80,330
– Capital contribution payable to a newly established joint venture	<b>42,400</b>	54,600

## Liquidity and financial resources

For the six months ended 30 June 2018, the Group financed its operations with internally generated cash flows, banking facilities and other borrowings. The Group remained stable in its financial position with equity attributable to owners of the Company amounted to HK\$902,727,000 (31 December 2017: HK\$887,438,000) and consolidated total assets amounted to HK\$1,594,516,000 (31 December 2017: HK\$1,538,917,000) respectively as at 30 June 2018.

The Company did not have any equity fund raising activity within the past 12 months immediately prior to the date of this report.

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

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
(i) Cash and cash equivalents	<b>277,892</b>	237,884
(ii) Available unused unsecured banking facilities	<b>36,615</b>	82,726

## Key performance indicators

The Group monitors its financial performance and earning potential through EBITDA. EBITDA of the Group was HK\$95,768,000 for the six months ended 30 June 2018 (2017: HK\$89,266,000) and was HK\$196,078,000 for twelve months ended 30 June 2018 (2017: HK\$143,265,000).

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 104.6% for the six months ended 30 June 2018 (2017: 66.6%).

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 approximately 1.0 time as at 30 June 2018 (31 December 2017: 0.9 time). The current ratio being slightly less than 1 as at 30 June 2018 was mainly attributable to the bank loans payable over one year in or after 30 June 2019 amounted to HK\$56,630,000 (31 December 2017: HK\$59,968,000) have been classified as current liabilities because those banking facilities bore standard terms and conditions that the bankers reserve the overriding right at any time to cancel or vary the facilities and demand immediate repayment of all outstanding amounts.



## MANAGEMENT DISCUSSION AND ANALYSIS

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:

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Bank borrowings	<b>250,230</b>	182,677
Other borrowing	<b>25,000</b>	25,000
Consideration payable for acquisition of subsidiaries	<b>70,605</b>	84,800
Trade, bills payables, other payables, accruals and customers' deposits received	<b>183,432</b>	208,310
<b>Total debt</b>	<b>529,267</b>	500,787
<b>Less: cash and cash equivalents</b>	<b>277,892</b>	237,884
<b>Net debt</b>	<b>251,375</b>	262,903
<b>Total equity</b>	<b>1,020,629</b>	997,567
<b>Total capital</b>	<b>1,272,004</b>	1,260,470
<b>Gearing ratio</b>	<b>19.8%</b>	20.9%

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

### Capital structure

There was no significant change to the capital structure of the Company at 30 June 2018 as compared to that at 31 December 2017.

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

There were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the six months ended 30 June 2018.



## Significant investments held and their performance

According to the valuation report dated 17 August 2018 prepared by an independent firm of professional valuers, Cushman & Wakefield Limited (“C&W”) (2017: DTZ Cushman & Wakefield Limited (“DTZ”)), 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 30 June 2018 were HK\$23,200,000, HK\$9,270,000 and HK\$36,870,000 (31 December 2017: HK\$29,900,000, HK\$11,540,000 and HK\$38,560,000) respectively.

As at 30 June 2018, the fair value of the unlisted equity investments was determined by reference to the valuation carried out by C&W (2017: DTZ), using a market approach model based on the multiple of the enterprise value (“EV”) to the earnings before interest and tax (“EBIT”) of comparable listed companies in the same industry (“EV/EBIT”), after having taken into account of the discount for lack of marketability of 14% (31 December 2017: 16%) for these unlisted investments.

For the six months ended 30 June 2018, total dividend declared by Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei which was accounted for by the Group as dividend income was approximately HK\$4,266,000 (before tax) (2017: HK\$3,520,000) and expected to be distributed in cash to the Group in the fourth quarter of the current year.

## Impairment testing on goodwill

As at 30 June 2018, the assessment on the recoverable amount of a cash generating unit of the Group that principally engaged in the provision of hazardous industrial and medical waste treatment and disposal services in China was determined by referring to the valuation report dated 17 August 2018 prepared by C&W (31 December 2017: DTZ), after their review of the cash flows projection covering a five-year period with an annual growth rate at 2% (31 December 2017: 2%) of the environmental entities of the Group comprised of 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 and using a pre-tax discount rate of 17.83% (31 December 2017: 18.48%) and having taken into account of the risks for the hazardous waste treatment and disposal industries, no impairment loss to the goodwill was considered necessary for the six months end 30 June 2018 (31 December 2017: Nil).





# MANAGEMENT DISCUSSION AND ANALYSIS

## Charges on assets

As at 30 June 2018, the following assets of the Group were pledged as collaterals for banking facilities granted by certain banks.

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Property, plant and equipment	<b>244,892</b>	51,762
Prepaid lease payments for land use rights	<b>39,619</b>	15,839
	<b>284,511</b>	67,601
Total amount of banking facilities granted thereon	<b>59,300</b>	28,440
Secured bank borrowings outstanding under the banking facilities	<b>59,300</b>	28,440

## Contingent liabilities

For the six months ended 30 June 2018, the Group's subsidiaries have provided regulated medical waste treatment and disposal services to hospitals and medical clinics, and provided hazardous industrial waste treatment services and industrial sewage treatment and disposal services in Jiangsu Province. The related operations require valid operating permission licences for specific categories of hazardous waste and/or regulated medical waste and industrial sewage treatment services issued by the Environmental Protection Bureau or Department of the Jiangsu Province, China. To the best knowledge of the Directors, each of the Group's subsidiaries which carries out treatment operations for hazardous industrial waste treatment and/or regulated medical waste and industrial sewage treatment services has complied with the relevant regulations to ensure continuous renewal of the licences concerned with best efforts, or otherwise, the relevant subsidiary would cease its operations temporarily until the relevant licence(s) is being issued.

For the six months ended 30 June 2018 and up to the date of this report, the Group's subsidiaries in the China have not incurred significant expenditures for environmental remediation and have not currently involved in any significant environmental remediation. In addition, the Company and the Group's subsidiaries in the China have not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, the management believes that there are no probable liabilities that will have a material adverse effect to the financial position or operating results of the Group.

Save as disclosed therein, there were no other significant contingent liabilities of the Group as at 30 June 2018 (31 December 2017: Nil).

## Employee information

As at 30 June 2018, the Group had 621 (2017: 508) full-time employees, of which 19 (2017: 20) were based in Hong Kong, and 602 (2017: 488) in China. For the six months ended 30 June 2018, staff costs, including the Directors' remuneration and amount capitalised as inventories was HK\$46,179,000 (2017: HK\$31,387,000). Employees and Directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, continuing development and trainings.



## **Exposure to exchange rate fluctuations**

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 subsidiaries, associates and joint venture of the Group 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 subsidiaries, associates and joint venture of the Group in China are translated from RMB into HK\$ at the closing rate ruling at the end of the reporting period. For the six months ended 30 June 2018, RMB depreciated on average relatively to the HK\$ that resulted in an overall downside exchange difference on the translation from RMB to HK\$ for the financial statements of the subsidiaries, associates and joint venture of the Group in China amounted to HK\$12,125,000 (2017: upside exchange difference of HK\$29,655,000), which were recognised in other comprehensive income and accumulated separately in equity under the translation reserve of the Company and did not have any effect to the profit and loss of the Company in current period. The accumulated exchange differences in the translation reserve will be reclassified to profit or loss as when the interests in the relevant subsidiaries in China being entirely or partially disposed of by the Group.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018.





# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CHANGE IN DIRECTORS' INFORMATION

For the six months ended 30 June 2018, there was no significant change in details of the Directors' information since the date of last annual report of the Company for the year ended 31 December 2017.

Save as disclosed therein, there are no other information is to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

## INFORMATION ON MANAGEMENT

For the six months ended 30 June 2018 and up to the date of this report, there were changes in management team members as follow:

- (a) Mr. LI Qi resigned as the director of the two subsidiaries, Yancheng NUHF Environmental Technology Limited\* and Xiangshui New Universe Environmental Technology Limited with effect from 1 April 2018. He also resigned as the general manager of Yancheng NUHF Environmental Technology Limited\* with effect from 1 May 2018.
- (b) Ms. LIU Yuan was appointed as the director of the subsidiaries, Yancheng NUHF Environmental Technology Limited\* and Xiangshui New Universe Environmental Technology Limited with effect from 1 April 2018, and she was also appointed the chairman of the board and legal representative of the Sino-foreign joint venture, Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited\* with retrospective effect from the date of its establishment on 26 December 2017.
- (c) Mr. HE Ling Yun was appointed the general manager of the Sino-foreign joint venture, Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited\* with retrospective effect from the date of its establishment on 26 December 2017.

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

Neither the Company, nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

## CORPORATE GOVERNANCE PRACTICES

The Directors of the Company and the management of the Group are committed to upholding good corporate governance practices and procedures. The Company believes that maintenance of high standard of business ethics and good corporate governance is essential for effective management, healthy business growth and fostering a contemporary corporate culture, which drives the Group to growing sustainably and safeguarding the interests of shareholders of the Company.

## CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions set out in the Corporate Governance Code (the "CG Code") entered in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2018, and the Directors confirmed that they were not aware of any deviation from the CG Code during the period then ended.

\* For identification purpose only





## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its code of conduct regarding Director’s securities transactions in the securities of the Company. Having made specific enquiry of all Directors of the Company, the Directors confirmed that they have complied with or they were not aware of any non-compliance with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2018.

## 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 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 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 (the “Scheme Mandate Limit”) unless the Company obtains an approval by its shareholders at its general meeting to refresh the Scheme Mandate Limit. Further, the maximum number of shares of the Company which might be issued upon exercise of all outstanding options granted and yet to be exercised under the 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 30 June 2018, no option was granted or was outstanding under the Share Option Scheme.

## DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 30 June 2018, 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 (Chapter 571 of the Law of Hong Kong, “SFO”) which were required to be notified to the Company and The Hong Kong Stock Exchange Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### The Company

Long positions in ordinary shares of the Company

Name of Director	Number of ordinary shares of HK\$0.01 each				% of total shares in issue
	Personal/beneficial interest	Interests of children or spouse	Interests of controlled corporation	Number of shares held	
Mr. XI Yu*	–	–	1,071,823,656	1,071,823,656	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				% of total shares in issue
	Personal/beneficial interest	Interests of children or spouse	Interests of controlled corporation	Number of shares held	
Mr. XI Yu*	16,732	–	–	16,732	83.66
Ms. CHEUNG Siu Ling**	1,214	1,214	–	2,428	12.14

Note:

\* Mr. XI Yu is a director and a shareholder interested in 16,732 shares of US\$1.00 each of New Universe Enterprises Limited (“NUEL”), representing 83.66% of the issued share capital of NUEL, which in turn beneficially interested in 1,071,823,656 shares of the Company, representing approximately 35.31% of the issued share capital of the Company.

\*\* Ms. CHEUNG Siu Ling is also a director of NUEL.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 therein, at no time during the period 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 interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specific undertaking any other associated corporations.



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

As at 30 June 2018, so far as is known to any Director or chief executive of the Company, the interests or short positions of any person, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

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

Notes:

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

Save as disclosed above, as at 30 June 2018, the Directors of the Company were not aware of any other person who had an interest or short position in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under "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", at no time during the six month ended 30 June 2018 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.

### CONNECTED TRANSACTIONS

There was no significant connected transaction of the Group (defined under the Listing Rules) which were discloseable in the reporting period or any time during the six months ended 30 June 2018.

### 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 30 June 2018, 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.

As at 30 June 2018, the outstanding unsecured bank loan payable by the Company under the Facility was HK\$50,000,000.



On 17 August 2018, the Company accepted another two banking facility letters issued by two licensed banks respectively in Hong Kong, of which (i) one of the banks agreed to offer a term loan facility of up to HK\$30 million to finance the Company for the capital contribution to the joint venture of the Group established in Guangxi, China, with a final maturity date of four years from the first utilisation date, and (ii) another bank agreed to offer a term loan facility of up to HK\$15 million to the Company with a final maturity date of three years from the first utilisation date. The two newly accepted banking facility letters both contain certain covenants, amongst others, that the Company undertakes (i) to ensure that Mr. XI Yu shall have the single largest shareholding interests (directly or indirectly) in the Company; (ii) to ensure that Mr. XI Yu shall beneficially own in aggregate (directly or indirectly) at least 30% of the issued shares (with voting rights) of the Company, and (iii) to ensure that Mr. XI Yu is entitled to exercise management control over the Company.

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.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors has service contract with Company that is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at 30 June 2018 and any time during the six months then ended to the date of this report, 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:

- (a) 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 5 July 2017 entered into by Smartech Services Limited ("Smartech Services", an indirectly 100% owned subsidiary of the Company) as tenant to lease three office units at Rooms 2109 and 2111, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong ("Office Premises") for the term from 1 August 2017 to 31 July 2018 at a monthly rental of HK\$80,000. For the six months ended 30 June 2018, total rentals paid by Smartech Services to Sun Ngai were HK\$480,000.
- (b) A renewed tenancy agreement dated 16 July 2018 entered into between Sun Ngai as landlord and Smartech Services as tenant for leasing the Office Premises for the term from 1 August 2018 to 31 July 2019 at a monthly rental of HK\$80,000.

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 and contract of significance to which the Company, any of its holding companies, 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 that period.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIRECTORS' INTERESTS IN COMPETING INTERESTS

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 operating 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 six months ended 30 June 2018 and up to the date of this report, the Directors were not aware of any business or interest of the Directors or any substantial shareholder 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.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company during the six months ended 30 June 2018 and up to the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group pays high regards to legal and regulatory requirements in formulating its policies and practices. The Company has engaged with financial advisers to advice on the compliance with the Listing Rules. Legal and other professional advisers would be engaged to ensure the Group operates in accordance with applicable laws and regulations for major corporate events of the Company.

During the six months ended 30 June 2018, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

## REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors, Prof. CHAN Yan Cheong, who chairs the Audit Committee, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has reviewed with the management the unaudited consolidated financial results and financial information of the Company for the six months ended 30 June 2018.



## INDEPENDENT REVIEW OF INTERIM FINANCIAL RESULTS

The condensed consolidated financial statements for the six months ended 30 June 2018 of the Company (“Interim Financial Report”) were unaudited, but which have been reviewed in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by the Company’s independent auditor, Crowe (HK) CPA Limited (formerly known as Crowe Horwath (HK) CPA Limited), whose report on review of the Interim Financial Report is set out on page 23 of this report and nothing has come to their attention that causes them to believe that the Interim Financial Report is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

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

Hong Kong, 17 August 2018

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>
Prof. 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>





國富浩華（香港）會計師事務所有限公司  
**Crowe (HK) CPA Limited**  
香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

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

## INTRODUCTION

We have reviewed the interim financial report set out on pages 24 to 50 which comprises the condensed consolidated statement of financial position of New Universe Environmental Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2018 and the related condensed consolidated statement of profit and loss, condensed statement of profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34. Our responsibility is to form a conclusion based on our review on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**Crowe (HK) CPA Limited**  
*Certified Public Accountants*

**LEUNG Chun Wa**  
Practising Certificate Number: P04963

Hong Kong, 17 August 2018



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS



	Note	Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Revenue</b>	5	<b>249,115</b>	167,550
Cost of sales		<b>(152,987)</b>	(93,579)
<b>Gross profit</b>		<b>96,128</b>	73,971
Other revenue	6	<b>4,266</b>	3,701
Other net income	7	<b>9,497</b>	11,052
Distribution and selling expenses		<b>(6,284)</b>	(2,705)
Administrative expenses		<b>(29,310)</b>	(20,950)
Other operating expenses		<b>(7,013)</b>	(9,768)
Gain on bargain purchase		<b>–</b>	7,200
<b>Operating profit</b>		<b>67,284</b>	62,501
Finance income	8	<b>1,392</b>	(10)
Finance costs	8	<b>(6,828)</b>	(3,530)
Finance costs, net	8	<b>(5,436)</b>	(3,540)
Share of results of associates		<b>(1,388)</b>	6,256
Share of results of a joint venture		<b>(204)</b>	–
<b>Profit before taxation</b>	9	<b>60,256</b>	65,217
Income tax	10	<b>(12,791)</b>	(6,310)
<b>Profit for the period</b>		<b>47,465</b>	58,907
<b>Attributable to:</b>			
Owners of the Company		<b>38,350</b>	46,840
Non-controlling interests		<b>9,115</b>	12,067
		<b>47,465</b>	58,907

	Note	Six months ended 30 June	
		2018 (Unaudited) HK cents	2017 (Unaudited) HK cents
<b>Earnings per share</b>			
Basic and diluted earnings per share	11	<b>1.26</b>	1.57

The notes on pages 30 to 50 are an integral part of these financial statements.



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>47,465</b>	58,907
<b>Other comprehensive income:</b>		
<i>Items that may be subsequently reclassified to profit and loss</i>		
Exchange differences		
– on translation of financial statements of overseas subsidiaries	<b>(10,030)</b>	23,943
– on translation of financial statements of overseas associates	<b>(1,960)</b>	5,712
– on translation of financial statements of overseas joint venture	<b>(135)</b>	–
Fair value changes on long-term equity investments	<b>(10,660)</b>	1,290
Tax effect relating to changes in fair value of long-term equity investments	<b>(1,618)</b>	(129)
Other comprehensive income for the period, net of income tax	<b>(24,403)</b>	30,816
<b>Total comprehensive income for the period</b>	<b>23,062</b>	89,723
<b>Attributable to:</b>		
Owners of the Company	<b>15,289</b>	74,683
Non-controlling interests	<b>7,773</b>	15,040
<b>Total comprehensive income for the period</b>	<b>23,062</b>	89,723

The notes on pages 30 to 50 are an integral part of these financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



	Note	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	777,285	754,897
Prepaid lease payments for land use rights	14	136,974	139,670
Goodwill		33,000	33,000
Interest in associates	15	176,306	183,520
Interest in a joint venture	16	11,361	–
Long-term equity investments	17	69,340	80,000
		<b>1,204,266</b>	<b>1,191,087</b>
<b>Current assets</b>			
Inventories		3,095	2,460
Trade and bills receivables	18	69,739	69,175
Prepayments, deposits and other receivables	19	27,371	34,500
Dividend receivables from equity investments		3,929	–
Prepaid lease payments for land use rights	14	3,774	3,811
Fixed bank deposits	20	4,450	–
Cash and cash equivalents	20	277,892	237,884
		<b>390,250</b>	<b>347,830</b>
<b>Current liabilities</b>			
Bank borrowings	21	160,162	137,677
Trade and bills payables	22	11,153	6,226
Accrued liabilities and other payables	23	166,417	196,967
Deposits received from customers		5,862	5,117
Consideration payable for acquisition of subsidiaries		45,805	35,200
Deferred government grants		972	504
Income tax payable		4,807	6,074
		<b>395,178</b>	<b>387,765</b>
<b>Net current liabilities</b>		<b>(4,928)</b>	<b>(39,935)</b>
<b>Total assets</b>		<b>1,594,516</b>	<b>1,538,917</b>
<b>Total assets less current liabilities</b>		<b>1,199,338</b>	<b>1,151,152</b>

The notes on pages 30 to 50 are an integral part of these financial statements.



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Bank borrowings	21	90,068	45,000
Other borrowing	24	25,000	25,000
Consideration payable for acquisition of subsidiaries		24,800	49,600
Deferred government grants		7,141	3,637
Deferred tax liabilities		31,700	30,348
		<b>178,709</b>	153,585
<b>Net assets</b>			
		<b>1,020,629</b>	997,567
<b>Capital and reserves</b>			
Share capital	25	30,357	30,357
Reserves		872,370	857,081
Equity attributable to owners of the Company		<b>902,727</b>	887,438
Non-controlling interests		<b>117,902</b>	110,129
<b>Total equity</b>		<b>1,020,629</b>	997,567

The notes on pages 30 to 50 are an integral part of these financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Investment revaluation reserve	Capital reserve	Statutory reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2017 (Audited)</b>	29,557	400,465	(35,789)	1,540	5,172	35,480	250,860	687,285	82,204	769,489
Change in equity for the 6 months ended 30 June 2017										
Profit for the period	-	-	-	-	-	-	46,840	46,840	12,067	58,907
Other comprehensive income	-	-	26,682	1,161	-	-	-	27,843	2,973	30,816
Total comprehensive income	-	-	26,682	1,161	-	-	46,840	74,683	15,040	89,723
Issue of consideration shares	800	56,000	-	-	-	-	-	56,800	-	56,800
<b>At 30 June 2017 (Unaudited)</b>	30,357	456,465	(9,107)	2,701	5,172	35,480	297,700	818,768	97,244	916,012
Change in equity for the 6 months ended 31 December 2017										
Profit for the period	-	-	-	-	-	-	36,737	36,737	16,890	53,627
Other comprehensive income	-	-	36,548	13,599	-	-	-	50,147	4,254	54,401
Total comprehensive income	-	-	36,548	13,599	-	-	36,737	86,884	21,144	108,028
Transfer of statutory reserve	-	-	-	-	-	23,510	(23,510)	-	-	-
Dividend relating 2016	-	-	-	-	-	-	(18,214)	(18,214)	-	(18,214)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(8,259)	(8,259)
<b>At 31 December 2017 and 1 January 2018 (Audited)</b>	30,357	456,465	27,441	16,300	5,172	58,990	292,713	887,438	110,129	997,567
Change in equity for the 6 months ended 30 June 2018										
Profit for the period	-	-	-	-	-	-	38,350	38,350	9,115	47,465
Other comprehensive income	-	-	(10,783)	(12,278)	-	-	-	(23,061)	(1,342)	(24,403)
Total comprehensive income	-	-	(10,783)	(12,278)	-	-	38,350	15,289	7,773	23,062
<b>At 30 June 2018 (Unaudited)</b>	30,357	456,465	16,658	4,022	5,172	58,990	331,063	902,727	117,902	1,020,629

The notes on pages 30 to 50 are an integral part of these financial statements.





# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Operating activities</b>		
Net cash generated from operating activities	<b>70,355</b>	41,607
<b>Investing activities</b>		
– Cash outflow arising from acquisition of subsidiaries, net of cash acquired	–	(1,385)
– Payment of consideration by instalments arising from acquisition of subsidiaries	<b>(24,800)</b>	–
– Payments for purchases of property, plant and equipment	<b>(59,613)</b>	(77,474)
– Proceeds from disposal of property, plant and equipment	<b>34</b>	12
– Dividend received from an associate	<b>3,866</b>	3,676
– Capital contribution to a joint venture	<b>(11,700)</b>	–
– Refund of deposit paid for proposed establishment of a joint venture	<b>1,200</b>	–
– Receipt of government grants	<b>4,772</b>	284
– Placement of fixed bank deposits	<b>(4,450)</b>	–
Net cash used in investing activities	<b>(90,691)</b>	(74,887)
<b>Financing activities</b>		
– Proceeds from bank borrowings	<b>118,714</b>	64,270
– Repayment of bank borrowings	<b>(50,386)</b>	(35,021)
– Interest paid	<b>(6,828)</b>	(3,530)
– Withdrawal of pledge on bank deposits	–	9,606
– Placement of pledged bank deposits for bank borrowings	–	(4,677)
Net cash generated from financing activities	<b>61,500</b>	30,648
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>41,164</b>	(2,632)
<b>Cash and cash equivalents at 1 January</b>	<b>237,884</b>	171,589
Effect of foreign exchange rate changes	<b>(1,156)</b>	4,433
<b>Cash and cash equivalents at 30 June</b>	<b>277,892</b>	173,390

The notes on pages 30 to 50 are an integral part of these financial statements.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018



## 1. GENERAL INFORMATION

- (a) The Company, 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 GEM ("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.
- (b) These unaudited consolidated financial statements are presented in Hong Kong dollars ("HK\$") that is also the functional currency of the Company while the functional currency of the subsidiaries in the mainland of The People's Republic of China ("China" or "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 consider that it is more appropriate to present the 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. BASIS OF PREPARATION

The interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial statements of the Company for the six months ended 30 June 2018 were approved and authorised for issue by the board of Directors on 17 August 2018.

The preparation of the interim financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial statements contain consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements.

## 2. BASIS OF PREPARATION (continued)

The unaudited consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial statements as comparative information does not constitute the Group’s financial statements for that financial year but is derived from those annual financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the unaudited consolidated interim financial statements are consistent with those set out in the consolidated financial statements of the Company for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of the below new HKFRSs and amendments to HKFRSs that are first effective for the financial year ending 31 December 2018.

### (a) New HKFRSs and amendments to HKFRSs adopted by the Group

#### (i) *HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers*

The Group has performed an assessment on the impact of the adoption of HKFRS 9 and HKFRS 15 respectively and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised.

#### (ii) The following amendments to standards and interpretations are effective for accounting periods beginning on or after 1 January 2018. The adoption of which does not have a material impact on the Group.

Annual Improvements Project	Annual improvements 2014-2016 cycle
HKFRS 1 and HKAS 28	
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9 (Amendments)	Financial instruments
HKAS 40 (Amendments)	Transfers of investment property
HK (IFRIC) 22	Foreign currency transactions and advance consideration



# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018



## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- (b) New standards, amendments to standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2018 and not early adopted by the Group

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 9	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 17	Insurance contracts	1 January 2021

- (c) Impact of standards issued but not yet applied by the Group  
HKFRS 16 “Leases” (“HKFRS 16”)

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the statement of financial position. Instead, all long-term leases must be recognised in the statement of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In the statement of profit or loss, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019. HKFRS 16 will primarily affect the accounting for the Group’s operating leases. At 30 June 2018, the Group had non-cancellable commitments of minimum operating lease payments of HK\$104,000. Upon adoption of HKFRS 16, the fair value of outstanding minimum operating lease payments will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

Management is in the process of making an assessment on the impact of other new standards, amendments to standards and interpretations and considered on a preliminary basis that their application will have no significant impact on the financial performance and the financial position of the Group.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 4. SEGMENT INFORMATION

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

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

	Operating segments													
	Environmental waste treatment and disposal services						Industrial waste treatment and facility rental services			Plastics dyeing investments			Unallocated head office and corporate	Total
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Segment Sub-total		Six months ended 30 June		Six months ended 30 June			
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000		
Revenue from external customers	197,504	120,561	51,611	46,989	-	-	249,115	167,550	-	-	249,115	167,550		
Other revenue	-	181	-	-	4,266	3,520	4,266	3,701	-	-	4,266	3,701		
<b>Reportable segment revenue</b>	<b>197,504</b>	<b>120,742</b>	<b>51,611</b>	<b>46,989</b>	<b>4,266</b>	<b>3,520</b>	<b>253,381</b>	<b>171,251</b>	<b>-</b>	<b>-</b>	<b>253,381</b>	<b>171,251</b>		
<b>Reportable segment results</b>	<b>65,603</b>	<b>60,164</b>	<b>2,570</b>	<b>6,179</b>	<b>3,910</b>	<b>3,219</b>	<b>72,083</b>	<b>69,562</b>	<b>(11,827)</b>	<b>(4,345)</b>	<b>60,256</b>	<b>65,217</b>		
Other net income	9,246	10,794	251	256	-	-	9,497	11,050	-	2	9,497	11,052		
Finance income	1,551	(199)	172	140	-	-	1,723	(59)	(331)	49	1,392	(10)		
Finance costs	4,554	2,118	496	496	-	-	5,050	2,614	1,778	916	6,828	3,530		
Depreciation	19,977	11,318	8,003	7,238	-	-	27,980	18,556	302	308	28,282	18,864		
Amortisation	827	689	967	956	-	-	1,794	1,645	-	-	1,794	1,645		
Gain on bargain purchase	-	-	-	-	-	-	-	-	-	7,200	-	7,200		
<b>Reportable segment assets</b>	<b>1,054,483</b>	<b>1,025,655</b>	<b>369,949</b>	<b>370,709</b>	<b>73,578</b>	<b>80,418</b>	<b>1,498,010</b>	<b>1,476,782</b>	<b>96,506</b>	<b>62,135</b>	<b>1,594,516</b>	<b>1,538,917</b>		
Additions to non-current segment assets	55,150	211,132	4,458	5,374	-	-	59,608	216,506	5	42	59,613	216,548		
<b>Reportable segment liabilities</b>	<b>484,873</b>	<b>459,734</b>	<b>58,243</b>	<b>62,405</b>	<b>3,318</b>	<b>1,700</b>	<b>546,434</b>	<b>523,839</b>	<b>27,453</b>	<b>17,511</b>	<b>573,887</b>	<b>541,350</b>		

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018



## 4. SEGMENT INFORMATION (continued)

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Consolidated Revenue	<b>249,115</b>	167,550
Elimination of inter-segment revenue	–	–
Other revenue	<b>4,266</b>	3,701
<b>Reportable segment revenue</b>	<b>253,381</b>	171,251
<b>Profit</b>		
Reportable segment profit	<b>72,083</b>	69,562
Unallocated head office and corporate expenses, net	<b>(11,827)</b>	(4,345)
<b>Consolidated profit before taxation</b>	<b>60,256</b>	65,217
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
<b>Assets</b>		
Reportable segment assets	<b>1,498,010</b>	1,476,782
Unallocated head office and corporate assets	<b>96,506</b>	62,135
<b>Consolidated total assets</b>	<b>1,594,516</b>	1,538,917
<b>Liabilities</b>		
Reportable segment liabilities	<b>546,434</b>	523,839
Unallocated head office and corporate liabilities	<b>27,453</b>	17,511
<b>Consolidated total liabilities</b>	<b>573,887</b>	541,350

### (c) Geographical information

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

### (d) Major customers

For the six months ended 30 June 2018 and 2017, there was no major customer accounted for 10% or more of the total revenue of the Group.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 5. REVENUE

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Revenue from provision of:		
Industrial and medical waste treatment and disposal services	<b>197,504</b>	120,561
Industrial sewage and sludge treatment services, related facilities and utilities	<b>51,611</b>	46,989
	<b>249,115</b>	167,550

## 6. OTHER REVENUE

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Dividend income from long-term equity investments	<b>4,266</b>	3,520
Scrap sales	–	181
	<b>4,266</b>	3,701

## 7. OTHER NET INCOME

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Refunds of PRC Value-Added Tax	<b>7,958</b>	7,380
Government subsidies	<b>266</b>	3,394
Release of deferred governmental grants	<b>728</b>	230
Sundry	<b>545</b>	48
	<b>9,497</b>	11,052

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018



## 8. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest expenses on:		
Bank borrowings wholly repayable within 5 years	4,370	2,069
Other borrowings wholly repayable within 5 years	496	496
Consideration for completed acquisitions wholly repayable within 5 years	1,962	965
<b>Total finance costs</b>	<b>6,828</b>	3,530
Finance income from:		
Interest on short-term bank deposits	1,201	599
Net foreign exchange gain/(loss)	191	(609)
<b>Total finance income</b>	<b>1,392</b>	(10)
<b>Net finance costs</b>	<b>5,436</b>	3,540

## 9. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Cost of sales (note)	152,987	93,579
Depreciation of property, plant and equipment	28,282	18,864
Amortisation of land lease prepayments	1,794	1,645
Operating lease charges for minimum lease payments		
– land and buildings in Hong Kong	528	348
– land and buildings in the PRC	247	360
– landfill in the PRC	60	57

Note:

Included in cost of sales were mainly raw materials consumed of HK\$27,655,000 (2017: HK\$17,567,000), water and electricity consumed of HK\$19,948,000 (2017: HK\$15,560,000), staff costs of HK\$18,804,000 (2017: HK\$12,651,000), amortisation of HK\$1,794,000 (2017: HK\$1,645,000) and depreciation of HK\$24,900,000 (2017: HK\$16,801,000), and of which amortisation and depreciation were included in the respective amounts disclosed above.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 10. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	<b>Six months ended 30 June</b>	
	<b>2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2017 (Unaudited) HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	<b>8,629</b>	5,899
Under-provision in respect of prior years	<b>4,428</b>	668
	<b>13,057</b>	6,567
<b>Deferred tax</b>	<b>(266)</b>	(257)
	<b>12,791</b>	6,310

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made, as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2018 and 2017.
- (iii) The Company's subsidiaries in the PRC are subject to a statutory Enterprise Income Tax at the rate of 25% (2017: 25%), except for the subsidiaries which are qualified as the High and New Technology Enterprise in the PRC that would be entitled to enjoy a preferential Enterprise Income Tax at the rate of 15% (2017: 15%).

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018



## 10. INCOME TAX (continued)

(b) Reconciliation between tax expense and accounting profit at the applicable rates:

	<b>Six months ended 30 June</b>	
	<b>2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2017 (Unaudited) HK\$'000
<b>Profit before taxation</b>	<b>60,256</b>	65,217
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	<b>16,630</b>	16,420
Tax effect of expenses not deductible for tax purpose	<b>1,879</b>	543
Tax effect of income not taxable for tax purpose	<b>(1,174)</b>	(2,896)
Tax effect of tax losses not recognised	<b>2,567</b>	2,267
Tax effect of temporary differences recognised	<b>(266)</b>	(257)
Under-provision in respect of prior years	<b>4,428</b>	668
Effect of income tax preferential policy in PRC	<b>(11,273)</b>	(10,435)
<b>Tax expense for the period</b>	<b>12,791</b>	6,310

## 11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the profit attributable to owners of the Company of HK\$38,350,000 for the six months ended 30 June 2018 (2017: HK\$46,840,000) and the weighted average number of 3,035,697,018 (2017: 2,987,078,233) ordinary shares of the Company in issue during the period.

(a) Profit attributable to owners of the Company:

	<b>Six months ended 30 June</b>	
	<b>2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2017 (Unaudited) HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<b>38,350</b>	46,840



# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 11. EARNINGS PER SHARE (continued)

(b) Weighted average number of ordinary shares:

	Six months ended 30 June	
	2018	2017
Ordinary shares in issue at the beginning of the period	3,035,697,018	2,955,697,018
Effect of consideration shares issued	–	31,381,215
Weighted average number of ordinary shares in issue during the period	3,035,697,018	2,987,078,233

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

## 12. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

## 13. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the current period are analysed as follows:

	(Unaudited) HK\$'000
<b>Carrying amount at 1 January 2018</b>	<b>754,897</b>
Additions	59,613
Disposals	(854)
Depreciation	
– charge for the period	(28,282)
– eliminated on disposals	755
Exchange adjustments	(8,844)
<b>Carrying amount at 30 June 2018</b>	<b>777,285</b>

As at 30 June 2018, certain property, plant and equipment of the Group with an aggregate carrying amount of approximately HK\$244,892,000 (31 December 2017: HK\$51,762,000) were pledged to secure banking facilities granted to the Group.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 14. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS

Movements in prepaid lease payments during the current period are analysed as follows:

	<b>(Unaudited) HK\$'000</b>
<b>Carrying amount at 1 January 2018</b>	<b>143,481</b>
Additions	–
Acquisition of subsidiaries	–
Amortisation	<b>(1,794)</b>
Exchange adjustments	<b>(939)</b>
<b>Carrying amount at 30 June 2018</b>	<b>140,748</b>

Analysed for reporting purpose as:

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Current assets	<b>3,774</b>	3,811
Non-current assets	<b>136,974</b>	139,670
	<b>140,748</b>	143,481

At the end of the reporting period, the Group's interests in land use rights held in the Jiangsu Province, PRC, and the carrying amount is analysed as follows:

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Remaining lease periods of over 50 years	–	–
Remaining lease periods between 10 to 50 years	<b>140,748</b>	143,481
	<b>140,748</b>	143,481

As at 30 June 2018, certain land use rights with an aggregate carrying amount of approximately HK\$39,619,000 (31 December 2017: HK\$15,839,000) were pledged to secure banking facilities granted to the Group.

At the end of the reporting period, there were no impairment recognised on the Group's prepaid lease payments.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 15. INTEREST IN ASSOCIATES

Movements of interest in associates during the current period are analysed as follows:

	(Unaudited) HK\$'000
<b>Share of net assets</b>	
<b>At 1 January 2018</b>	183,520
Share of results for the period	(1,388)
Share of other comprehensive income for the period	(1,960)
Dividend received	(3,866)
	<hr/>
<b>At 30 June 2018</b>	<b>176,306</b>

## 16. INTEREST IN A JOINT VENTURE

Movements of interest in a joint venture during the current period are analysed as follows:

	(Unaudited) HK\$'000
<b>Share of net assets</b>	
<b>At 1 January 2018</b>	–
Capital contribution	11,700
Share of results for the period	(204)
Share of other comprehensive income for the period	(135)
	<hr/>
<b>At 30 June 2018</b>	<b>11,361</b>

## 17. LONG-TERM EQUITY INVESTMENTS

Movement in long-term equity investments during the period is analysed as follows:

	(Unaudited) HK\$'000
<b>Unlisted equity investments at fair value</b>	
<b>At 1 January 2018</b>	80,000
Net fair value change transferred to equity through statement of other comprehensive income	(10,660)
	<hr/>
<b>At 30 June 2018</b>	<b>69,340</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018



## 18. TRADE AND BILLS RECEIVABLES

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Trade receivables	<b>56,028</b>	54,253
Bills receivable	<b>13,711</b>	14,922
	<b>69,739</b>	69,175

### (a) Aging analysis

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

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
0 to 30 days	<b>35,930</b>	47,461
31 to 60 days	<b>10,651</b>	11,562
61 to 90 days	<b>7,740</b>	4,281
91 to 180 days	<b>10,808</b>	5,191
181 to 360 days	<b>4,610</b>	680
Over 360 days	–	–
	<b>69,739</b>	69,175

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 industrial waste, sewage and sludge treatment and disposal services, and an extended average credit period of 180 days to the customers of regulated medical treatment services which are hospitals and medical clinics.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 18. TRADE AND BILLS RECEIVABLES (continued)

### (b) 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:

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Neither past due nor impaired	<b>46,581</b>	59,023
Less than 30 days past due	<b>7,740</b>	4,281
More than 30 days but less than 90 days past due	<b>10,808</b>	5,191
More than 90 days but less than 180 days past due	<b>4,610</b>	680
More than 180 days but less than 360 days past due	–	–
	<b>69,739</b>	69,175

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 are related to a number of independent customers that have a good track record 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.

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Prepayments	<b>8,559</b>	6,522
Deposits paid for acquisition of property, plant and equipment	<b>1,399</b>	3,715
Refundable deposit paid for proposed establishment of a joint venture	–	1,200
Loan to an associate	–	3,800
Other receivables	<b>17,413</b>	19,263
	<b>27,371</b>	34,500

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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## 20. CASH AND CASH EQUIVALENTS AND FIXED BANK DEPOSITS

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Cash and bank balances	175,452	130,520
Time deposits	106,890	107,364
	<b>282,342</b>	237,884
Less: Fixed bank deposits held by banks	<b>4,450</b>	–
Cash and cash equivalents in the consolidated statement of cash flows	<b>277,892</b>	237,884

The bank balances and time deposits carried interest at market rates within the range from 0.01% to 2.10% (31 December 2017: 0.01% to 1.35%) per annum during the reporting period. Cash at banks earns interest at floating rates on daily deposit rates. Short-term time deposits are placed for varying periods within 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are placed with creditworthy banks with no recent history of default.

## 21. BANK BORROWINGS

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

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
<b>Current liabilities</b>		
Current portion of bank borrowings due for repayment within one year	103,532	77,709
Non-current portion of bank borrowings subject to immediate demand repayment clause	56,630	59,968
	<b>160,162</b>	137,677
<b>Non-current liabilities</b>		
Between 1 year and 2 years	26,348	5,000
Between 2 years and 5 years	63,720	40,000
Over 5 years	–	–
	<b>90,068</b>	45,000
<b>Total interest-bearing bank borrowings</b>	<b>250,230</b>	182,677

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 21. BANK BORROWINGS (continued)

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Unsecured	<b>140,930</b>	104,237
Unsecured, but bearing specific performance covenants (note)	<b>50,000</b>	50,000
Secured	<b>59,300</b>	28,440
	<b>250,230</b>	182,677

Note: As at 30 June 2018, unsecured bank loan of HK\$50,000,000 payable by the Company under a banking facility letter granted by a bank in Hong Kong on 12 December 2017 which carried specific performance covenants, pursuant to which, if Mr. XI Yu as the controlling shareholder of Company (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 banking 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.

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

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Within one year	<b>103,532</b>	77,709
After one year but within two years	<b>58,615</b>	32,969
After two years but within five years	<b>88,083</b>	71,999
Over five years	–	–
	<b>250,230</b>	182,677

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018



## 21. BANK BORROWINGS (continued)

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

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Hong Kong Dollar	<b>133,981</b>	116,263
Renminbi	<b>116,249</b>	66,414
	<b>250,230</b>	182,677

## 22. TRADE AND BILLS PAYABLES

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Trade payables	<b>11,153</b>	6,226
Bills payable	–	–
	<b>11,153</b>	6,226

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

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
0 to 30 days	<b>6,622</b>	5,223
31 to 60 days	<b>1,902</b>	213
61 to 90 days	<b>958</b>	372
Over 90 days	<b>1,671</b>	418
	<b>11,153</b>	6,226



# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 23. ACCRUED LIABILITIES AND OTHER PAYABLES

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Salaries and bonuses payable	<b>16,514</b>	21,540
Accounts payable for acquisition of property, plant and equipment	<b>72,556</b>	97,743
Other payables and accruals	<b>77,347</b>	77,684
	<b>166,417</b>	196,967

## 24. OTHER BORROWING

As at 30 June 2018, other borrowing of HK\$25,000,000 from an independent third party is unsecured, bearing interest at a fixed rate of 4.0% (31 December 2017: 4.0%) per annum and repayable on 31 December 2019.

## 25. SHARE CAPITAL

	<b>Numbers of shares</b>		<b>Share capital</b>	
	<b>30 June 2018 '000</b>	31 December 2017 '000	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>				
<b>Authorised</b>				
At 1 January and at the end of the reporting period	<b>100,000,000</b>	100,000,000	<b>1,000,000</b>	1,000,000
<b>Issued and fully paid</b>				
At 1 January	<b>3,035,697</b>	2,955,697	<b>30,357</b>	29,557
Issue of Consideration Shares	–	80,000	–	800
<b>At the end of the reporting period</b>	<b>3,035,697</b>	3,035,697	<b>30,357</b>	30,357



# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018



## 26. CAPITAL COMMITMENTS

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

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	<b>53,580</b>	80,330
– Capital contribution payable to a joint venture	<b>42,400</b>	54,600

## 27. OPERATING LEASE COMMITMENTS

### The Group as lessee

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

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Office premises	<b>104</b>	632
Plant premises	–	–
Landfill	–	–
	<b>104</b>	632

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

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Within 1 year	<b>104</b>	632
After 1 year but within 5 years	–	–
After 5 years	–	–
	<b>104</b>	632



## 27. OPERATING LEASE COMMITMENTS (continued)

### The Group as lessor

Apart from the provision of plating sewage treatment services to the customers in the eco-plating specialised zone, the Group also provides building and facilities to the customers carrying out their plating operations therein, in accordance with the arrangement as a whole under the master agreements entered into between the Group and the customers. The fee receivable from the provision of such building and facilities are charged on the basis of specified floor area occupied by the customers in the eco-plating specialised zone multiplied by the specific fixed fee rate per square meter of floor space under the respective master agreements.

At the end of the reporting period, the Group as lessor had non-cancellable future minimum lease payments receivable under the contracts entered into with customers for the provision of building and facilities as follows:

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Within one year	<b>41,266</b>	42,701
After one year but within five years	<b>145,330</b>	155,831
After five years	<b>90,614</b>	110,080
	<b>277,210</b>	308,612

## 28. PLEDGE OF ASSETS AND AVAILABLE UNUSED CREDIT FACILITIES

### (a) Pledge of assets

At the end of the reporting period, the following assets were pledged as collaterals for banking facilities granted to the Group by certain banks:

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Property, plant and equipment	<b>244,892</b>	51,762
Prepaid lease payments for land use rights	<b>39,619</b>	15,839
	<b>284,511</b>	67,601

### (b) Unused credit facilities

As at 30 June 2018, the total banking facilities of the Group amounted to HK\$286,845,000 (31 December 2017: HK\$265,403,000), which were utilised to the extent of unsecured bank loans of HK\$190,930,000 (31 December 2017: HK\$154,237,000) and secured bank loans of HK\$59,300,000 (31 December 2017: HK\$28,440,000) and the available unutilised banking facilities amounted to HK\$36,615,000 (31 December 2017: HK\$82,726,000).

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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## 29. RELATED PARTY TRANSACTIONS

### (a) List of related parties:

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

Name of related party	Relationship
New Universe Enterprises Limited ("NUEL")	A shareholder interested in 35.31% (2017: 35.31%) of the issued share capital of the Company, and the Company's Directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are also the directors of NUEL.
Sun Ngai International Investment Limited ("Sun Ngai")	100% owned subsidiary of New Universe Holdings Limited ("NUHL"), and the Company's Directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are the directors of Sun Ngai and NUHL.
Zhenjiang New District Solid Waste Disposal Limited* (鎮江新區固廢處置股份有限公司) ("Zhenjiang New District")	An associate of the Group, of which the Group holds 30% equity interest.

### (b) Transactions with related parties:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Recurring transactions:</b>		
Rental paid to Sun Ngai	480	300
Charges on hazardous waste landfill disposal paid to Zhenjiang New District	8,827	6,261

### (c) Key management personnel remuneration:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Salaries and other benefits	4,980	4,653
Discretionary bonuses	–	–
Retirement scheme contributions	44	52
	<b>5,024</b>	<b>4,705</b>

\* For identification purpose only