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New Universe Environmental Group Limited

新宇環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 436)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS FOR THE YEAR 2018

- Group revenue up 29.2% to HK\$493,932,000.
- Profit attributable to owners of the Company down 11.0% to HK\$74,386,000.
- EBITDA of the Company down 4.5% to HK\$181,116,000.
- Equity attributable to owners of the Company was HK\$906,377,000 at 31 December 2018.
- Cash and cash equivalents of the Group amounted to HK\$282,239,000 at 31 December 2018.
- Total earnings per share attributable to owners of the Company down 11.9% to HK cents 2.45.
- The Board resolved to declare a final dividend of HK cents 0.68 per share for the year ended 31 December 2018.

ANNUAL RESULTS 2018

The board of directors (the “Board”) of New Universe Environmental Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2018, together with the comparative figures for 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	5	493,932	382,423
Cost of sales		<u>(311,859)</u>	<u>(214,778)</u>
Gross profit		182,073	167,645
Other revenue	6	4,266	3,520
Other net income	7	18,512	28,539
Distribution and selling expenses		(9,987)	(4,682)
Administrative expenses		(55,624)	(50,553)
Other operating expenses		(21,752)	(20,622)
Gain on bargain purchase		–	7,200
Operating profit		117,488	131,047
Finance income	8	5,152	(184)
Finance costs	8	(14,302)	(9,129)
Finance costs – net	8	(9,150)	(9,313)
Share of results of associates		2,510	11,716
Share of results of a joint venture		(820)	–
Profit before taxation	9	110,028	133,450
Income tax	10	(23,602)	(20,916)
Profit for the year		86,426	112,534
Attributable to:			
Owners of the Company		74,386	83,577
Non-controlling interests		12,040	28,957
		86,426	112,534
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted earnings per share	11	2.45	2.78

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

For the year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year	86,426	112,534
Other comprehensive income:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences		
– on translation of financial statements of overseas subsidiaries	(42,527)	57,335
– on translation of financial statements of overseas associates	(8,698)	13,122
– on translation of financial statements of an overseas joint venture	(519)	–
Fair value changes on equity investments	–	16,400
Deferred tax effect relating to changes in fair value of equity investments	–	(1,640)
<i>Items that are not subsequently reclassified to profit or loss:</i>		
Fair value changes on equity investments	12,200	–
Deferred tax effect relating to changes in fair value of equity investments	(1,801)	–
Other comprehensive income for the year, net of income tax	(41,345)	85,217
Total comprehensive income for the year	45,081	197,751
Attributable to:		
Owners of the Company	38,671	161,567
Non-controlling interests	6,410	36,184
Total comprehensive income for the year	45,081	197,751

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		762,574	754,897
Prepaid lease payments for land use rights		132,402	139,670
Goodwill		33,000	33,000
Interests in associates		170,802	183,520
Interest in a joint venture		25,181	–
Equity investments at fair value through other comprehensive income		92,200	80,000
		1,216,159	1,191,087
Current assets			
Inventories		3,573	2,460
Trade and bills receivables	13	37,726	69,175
Prepayments, deposits and other receivables		16,942	34,500
Contract assets		1,469	–
Prepaid lease payments for land use rights		3,657	3,811
Financial assets at fair value through profit or loss	7(iii)	6,210	–
Cash and cash equivalents		282,239	237,884
		351,816	347,830
Current liabilities			
Bank borrowings	14	168,809	137,677
Other borrowing		25,000	–
Trade payables	15	10,254	6,226
Accrued liabilities and other payables		159,391	196,967
Deposits received from customers		–	5,117
Contract liabilities		14,033	–
Considerations payable for acquisition of subsidiaries		49,600	35,200
Deferred government grants		949	504
Income tax payable		3,428	6,074
		431,464	387,765
Net current liabilities		(79,648)	(39,935)
Total assets		1,567,975	1,538,917

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Total assets less current liabilities		1,136,511	1,151,152
Non-current liabilities			
Bank borrowings	14	85,680	45,000
Other borrowing		–	25,000
Considerations payable for acquisition of subsidiaries		–	49,600
Deferred government grants		6,592	3,637
Deferred tax liabilities		33,710	30,348
		125,982	153,585
Net assets		1,010,529	997,567
Capital and reserves			
Share capital	16	30,357	30,357
Reserves	17	876,020	857,081
Equity attributable to owners of the Company		906,377	887,438
Non-controlling interests		104,152	110,129
Total equity		1,010,529	997,567

NOTES TO FINANCIAL STATEMENTS

1 GENERAL INFORMATION

- (a) New Universe Environmental Group Limited was incorporated on 12 November 1999 in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's issued shares have been initially listed on the 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 was transferred from the GEM to the Main Board of the Stock Exchange.
- (b) The consolidated financial statements are presented in Hong Kong dollars ("HK\$") that is also the functional currency of the Company while the functional currency of the subsidiaries in the mainland of The People's Republic of China ("Mainland China" or the "PRC") is Renminbi ("RMB"). As the Company's shares are listed in Hong Kong where most of its investors are located, the directors of the Company (the "Directors") consider that it is more appropriate to present the consolidated financial statements in HK\$.
- (c) The principal activity of the Company is investment holding and provides corporate management services to the Group members. The principal activities of its subsidiaries are as follows:
 - (i) provision of environmental treatment and disposal services for industrial and medical wastes;
 - (ii) provision of 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 business.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

At 31 December 2018, the Group's current liabilities exceeded current assets by approximately HK\$79,648,000 (2017: HK\$39,935,000) which was mainly attributable to the non-current portions of long-term bank borrowings of approximately HK\$82,311,000 (2017: HK\$59,968,000) as disclosed in note 14 that contained a standard demand clause for immediate repayment at the discretion of the financial institutions under the underlying banking facilities granted. During the year ended 31 December 2018 and up to the date of approval for the consolidated financial statements, there had not been any breach of covenants of the relevant banking facilities. Notwithstanding the demand clause for immediate repayment in the banking facilities, the Company considered that the financial institutions will not exercise their discretionary rights to demand immediate repayment of these non-current portions of these long-term bank borrowings in the next twelve months from the date of approval of the consolidated financial statements and before their maturities.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future, after taking into consideration of (a) cash and bank balances of approximately HK\$282,239,000 as at 31 December 2018, (b) unused and available credit facilities of approximately HK\$82,870,000 at 31 December 2018, and (c) potential new credit facilities which are currently in advanced stage of discussions between the Company and certain existing bankers of the Group.

Management of the Company has prepared a cash flow forecast of the Group for a period covering not less than twelve months from date of approval for the consolidated financial statements. Based on the cash flow forecast and after having taken into account of the Group's available credit facilities and the above measures taken to date, management of the Group is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources, existing and new credit facilities and the future capital expenditure requirements. Accordingly, the Company has prepared the consolidated financial statements for the year ended 31 December 2018 on a going concern basis.

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries and the Group's interest in associates and a joint venture.

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty.

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and the following amendments to HKFRSs that are first effective on 1 January 2018. Of these, the following developments are relevant to the Group's financial statements.

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

HKFRS 9 Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement, it sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items.

The Group has applied HKFRS 9 to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has concluded that there is no material impact for the initial application of the new impairment requirements, therefore, no adjustment is made to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table and the accompanying notes explain the original measurement categories for each class of the Group's financial assets under HKAS 39 and new measurement categories under HKFRS 9. There is no remeasurement for the adoption of HKFRS 9.

	<i>Note</i>	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount at 31 December 2017 under HKAS 39 HK\$'000	Carrying amount at 1 January 2018 under HKFRS 9 HK\$'000
Financial assets					
Trade and bills receivables	(i)	Loans and receivables	Amortised cost	69,175	69,175
Refundable deposits and other receivables	(i)	Loans and receivables	Amortised cost	24,263	23,979
Cash at bank and in hand	(i)	Loans and receivables	Amortised cost	130,520	130,520
Deposits with banks	(ii)	Held to maturity investments	Amortised cost	107,364	107,364
Equity investments at FVOCI	(iii)	FVOCI (recycling)	FVOCI (non-recycling)	80,000	80,000
Total financial assets				<u>411,322</u>	<u>411,038</u>

Notes:

- (i) Trade and bills receivables, refundable deposits and other receivables, and deposits with banks that were previously classified as loans and receivables are now classified as financial assets measured at amortised cost. The Group intends to hold the financial assets to maturity to collect contractual cash flows.

Contract assets with carrying amount of HK\$284,000 at 31 December 2017 previously classified as financial assets under HKAS 39 were no longer classified as financial assets under HKFRS 9 after the adoption of HKFRS 15 as discussed below.

- (ii) Deposits with banks that were previously classified as held-to-maturity investments are now classified as financial assets measured at amortised cost. The Group intends to hold the assets to maturity to collect the contractual cash flows by payment of principal and interest on the principal amount outstanding.
- (iii) Unlisted equity investments that were previously classified as available-for-sale financial assets are now classified as financial assets measured at FVOCI. The Group holds these investments for long term strategic purposes. At 1 January 2018, the Group designated these investments as measured at FVOCI with only dividend income will be recognised in profit or loss. Gains or losses on these investments will be recognised in other comprehensive income without recycling through profit or loss.

Except for the deposits received from customers as further discussed below, the measurement categories and carrying amounts for all other financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or re-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognised ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied except as described as below:

Information relating to comparative periods has not been restated. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Adoption of HKFRS 15 had no material impact on the Group’s financial position and financial results. No restatement of the opening balance of comparative period retained profits was made due to the adoption of HKFRS 15.

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	<i>Note</i>	Carrying amount at 31 December 2017 and 1 January 2018 under HKAS 39 HK\$'000	Reclassification HK\$'000	Carrying amount at 1 January 2018 under HKFRS 15 HK\$'000
Financial assets carried at amortised cost				
Other receivables	(i)	284	(284)	–
Contract assets		<u>–</u>	<u>284</u>	<u>284</u>
		<u>284</u>	<u>–</u>	<u>284</u>
Financial liabilities carried at amortised cost				
Deposits received from customers	(ii)	5,117	(5,117)	–
Contract liabilities		<u>–</u>	<u>5,117</u>	<u>5,117</u>
		<u>5,117</u>	<u>–</u>	<u>5,117</u>

Notes:

- (i) As at 1 January 2018, HK\$284,000 of amounts due from customers previously included in other receivables, were reclassified to contract assets.
- (ii) As at 1 January 2018, deposits received from customers of HK\$5,117,000 were reclassified to contract liabilities.

HK(IFRIC) 22 Foreign currency transactions and advance consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial results of the Group.

3 POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2018, and which have not been adopted in these financial statements. The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKAS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

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

² Effective for annual periods beginning on or after 1 January 2021.

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

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

HKFRS 16 Leases

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

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease terms.

HKFRS 16 will primarily affect the Group's properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2018. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity on 1 January 2019 and will not restate the comparative information. At 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to HK\$650,000 for properties, all of which are payable within 1 year after the reporting date.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial recognition of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

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

4 SEGMENT INFORMATION

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

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

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment assets include all current and non-current assets with the exception of corporate assets. Segment liabilities include all current and non-current liabilities with the exception of corporate liabilities attributable to head office in Hong Kong.
- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.
- The measure used for reporting segment profit is “reportable segment results”. To arrive at “reportable segment results”, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs. Taxation charge is not allocated to reportable segments.
- In addition to receiving segment information concerning “reportable segment results”, management is provided with segment information including revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below:

For the year ended 31 December 2018

	Operating segments				Unallocated head office and corporate HK\$'000	Total HK\$'000
	Environmental waste treatment and disposal services HK\$'000	Environmental sewage treatment and facility services HK\$'000	Plastic dyeing investments HK\$'000	Segment sub-total HK\$'000		
Revenue from external customers	392,770	101,162	-	493,932	-	493,932
Other revenue	-	-	4,266	4,266	-	4,266
Reportable segment revenue	392,770	101,162	4,266	498,198	-	498,198
Reportable segment results	125,633	3,789	3,599	133,021	-	133,021
Other net income	17,980	532	-	18,512	-	18,512
Finance income	5,358	706	(406)	5,658	(506)	5,152
Finance costs	(9,241)	(1,000)	-	(10,241)	(4,061)	(14,302)
Depreciation and amortisation	43,653	17,720	-	61,373	565	61,938
Reportable segment assets	1,089,641	346,446	92,637	1,528,724	39,251	1,567,975
Additions to non-current segment assets	89,121	14,973	-	104,094	17	104,111
Reportable segment liabilities	475,859	57,793	3,501	537,153	20,293	557,446

For the year ended 31 December 2017

	Operating segments			Segment sub-total HK\$'000	Unallocated head office and corporate HK\$'000	Total HK\$'000
	Environmental waste treatment and disposal services HK\$'000	Environmental sewage treatment and facility services HK\$'000	Plastic dyeing investments HK\$'000			
Revenue from external customers	278,672	103,751	–	382,423	–	382,423
Other revenue	–	–	3,520	3,520	–	3,520
Reportable segment revenue	278,672	103,751	3,520	385,943	–	385,943
Reportable segment results	135,127	16,962	3,268	155,357	–	155,357
Other net income	27,038	1,499	–	28,537	2	28,539
Gain on bargain purchase	7,200	–	–	7,200	–	7,200
Finance income	(413)	(17)	141	(289)	105	(184)
Finance costs	(5,914)	(1,000)	–	(6,914)	(2,215)	(9,129)
Depreciation and amortisation	(29,348)	(16,847)	–	(46,195)	(618)	(46,813)
Reportable segment assets	1,025,655	370,709	80,418	1,476,782	62,135	1,538,917
Additions to non-current segment assets	211,132	5,374	–	216,506	42	216,548
Reportable segment liabilities	459,734	62,405	1,700	523,839	17,511	541,350

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Consolidated revenue	493,932	382,423
Elimination of inter-segment revenue	–	–
Other revenue	4,266	3,520
	<u>498,198</u>	<u>385,943</u>
Reportable segment revenue	<u><u>498,198</u></u>	<u><u>385,943</u></u>
Profit or loss		
Reportable segment profit	133,021	155,357
Unallocated head office and corporate expenses, net	(22,993)	(21,907)
	<u>110,028</u>	<u>133,450</u>
Consolidated profit before taxation	<u><u>110,028</u></u>	<u><u>133,450</u></u>
Assets		
Reportable segment assets	1,528,724	1,476,782
Unallocated head office and corporate assets	39,251	62,135
	<u>1,567,975</u>	<u>1,538,917</u>
Consolidated total assets	<u><u>1,567,975</u></u>	<u><u>1,538,917</u></u>
Liabilities		
Reportable segment liabilities	537,153	523,839
Unallocated head office and corporate liabilities	20,293	17,511
	<u>557,446</u>	<u>541,350</u>
Consolidated total liabilities	<u><u>557,446</u></u>	<u><u>541,350</u></u>

(c) **Geographic information**

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

(d) **Major customers**

For the years ended 31 December 2018 and 2017, there was no major customer accounted for more than 10% of the total revenue of the Group.

5 REVENUE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Industrial and medical waste treatment and disposal services	392,770	278,672
Industrial sewage treatment services, provision of utilities and management services	82,250	84,346
	<hr/>	<hr/>
	475,020	363,018
Leasing income from provision of factory facilities	18,912	19,405
	<hr/>	<hr/>
	493,932	382,423
	<hr/> <hr/>	<hr/> <hr/>

6 OTHER REVENUE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Dividend income from equity investments at FVOCI	4,266	3,520
	<hr/> <hr/>	<hr/> <hr/>

7 OTHER NET INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Refunds of VAT (<i>note (i)</i>)	5,653	15,461
Government subsidies (<i>note (ii)</i>)	4,470	10,647
Release of deferred government grants	1,195	489
Fair value gain on compensation receivable from profit guarantee (<i>note (iii)</i>)	6,210	–
Sundry income	984	1,942
	<hr/>	<hr/>
	18,512	28,539
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) Pursuant to the tax rules and regulations in the PRC with effect from 2015, entities that engage in the environmental operations, comply with the requirements in the PRC and pay Value-Added Tax (“VAT”) are entitled to a refund to the extent of 70% of the VAT paid.
- (ii) Government subsidiaries received by the Group from the PRC Government did not bear any unfulfilled conditions or contingencies for the relevant subsidies.
- (iii) Pursuant to the sale and purchase agreement dated 31 March 2017 and completed on 21 April 2017 (“SPA”), the vendor has irrevocably warranted and guaranteed to the Company that the after-tax audited net profit of 南京化學工業園天宇固體廢物處置有限公司 (“NCIP”, Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd.) in accordance with the Hong Kong Financial Reporting Standards for the two years ended 31 December 2018 (the “Actual Profit”) shall not be less than RMB44,334,000 (the “Guaranteed Profit”). In case NCIP could not achieve the Guaranteed Profit, the Vendor shall pay to the Company an amount representing 30% of the amount of the difference between the Guaranteed Profit that and the Actual Profit (“Shortfall”) by way of deducting the Shortfall from the amount payable under the fifth instalment pursuant to the SPA (and subsequent instalments, if necessary). With reference to the Actual Profit of NCIP for the two years ended 31 December 2018 prepared in accordance with the Hong Kong Financial Reporting Standards in the amount of RMB26,206,783, the Directors determined that the fair value of the compensation receivable thereunder the profit guarantee clause of the SPA should be approximately RMB5,438,000 which was equivalent to approximately HK\$6,210,000 as at 31 December 2018. The fair value of compensation receivable from profit guarantee of approximately HK\$6,210,000 has been recognised and credited to the consolidated statement of profit or loss of the Company for the year ended 31 December 2018.

8 FINANCE INCOME AND COSTS

	2018	2017
	HK\$'000	HK\$'000
Interest expenses on:		
Bank borrowings wholly repayable within five years	9,818	4,672
Other borrowings wholly repayable within five years	4,484	4,457
Total finance costs	14,302	9,129
Finance income from:		
Interest income on short-term bank deposits	2,410	1,244
Net foreign exchange gain/(loss)	2,742	(1,428)
Total finance income	5,152	(184)
Net finance costs	9,150	9,313

9 PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Amortisation of land lease prepayments	<u>3,554</u>	<u>3,414</u>
Depreciation for property, plant and equipment	<u>58,384</u>	<u>43,399</u>
Operating lease charges: minimum lease payments		
– land and buildings in Hong Kong	1,062	846
– land and buildings in PRC	312	709
– landfill in PRC	<u>117</u>	<u>116</u>
	<u>1,491</u>	<u>1,671</u>
Net loss on disposal of property, plant and equipment	<u>953</u>	<u>600</u>
Auditor's remuneration:		
– audit service	1,230	1,130
– non-audit services	<u>170</u>	<u>170</u>
	<u>1,400</u>	<u>1,300</u>
Staff costs:		
– Directors' emoluments	4,383	4,469
– salaries, wages and other benefits of employees other than Directors	76,329	60,056
– contributions to retirement benefits schemes	<u>10,073</u>	<u>7,167</u>
Total staff costs	<u>90,785</u>	<u>71,692</u>
Cost of sales (<i>note</i>)	<u><u>311,859</u></u>	<u><u>214,778</u></u>

Note:

Included in cost of sales were raw materials consumed of HK\$56,792,000 (2017: HK\$44,795,000), water and electricity consumed of HK\$42,791,000 (2017: HK\$32,873,000), staff costs of HK\$39,005,000 (2017: HK\$26,295,000), amortisation of HK\$3,554,000 (2017: HK\$3,414,000) and depreciation of HK\$52,186,000 (2017: HK\$40,165,000), and of which staff costs, amortisation and depreciation have already been included in the respective total amounts disclosed above.

10 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	–	–
PRC Corporate Income Tax	14,682	14,777
Under-provision in respect of prior years	7,359	3,504
	<u>22,041</u>	<u>18,281</u>
Deferred tax	1,561	2,635
	<u>23,602</u>	<u>20,916</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgins Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgins Islands.
- (ii) Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the years. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2018 and 2017.
- (iii) The Company's subsidiaries in PRC are subject to a statutory Corporate Income Tax ("CIT") at the rate of 25% (2017: 25%), except for the subsidiaries which are qualified as the High and New Technology Enterprise in PRC that would be entitled to enjoy a preferential CIT at the rate of 15% (2017: 15%).

11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the profit attributable to owners of the Company of HK\$74,386,000 (2017: HK\$83,577,000) and the weighted average number of 3,035,697,018 (2017: 3,011,587,429) ordinary shares of the Company in issue during the year.

(a) Profit attributable to owners of the Company

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u>74,386</u>	<u>83,577</u>

(b) **Weighted average number of ordinary shares**

	2018	2017
Ordinary shares in issue at 1 January	3,035,697,018	2,955,697,018
Effect of new shares issued	<u>–</u>	<u>55,890,411</u>
Weighted average number of ordinary shares at 31 December	<u>3,035,697,018</u>	<u>3,011,587,429</u>

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

12 DIVIDENDS

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend proposed after the end of the reporting period of HK\$0.0068 (2017: HK\$0.0065) per share	<u>20,643</u>	<u>19,732</u>

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

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.0065 (2017: HK\$0.0060) per share	<u>19,732</u>	<u>18,214</u>

13 TRADE AND BILLS RECEIVABLES

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	30,330	54,253
Bills receivable	<u>7,396</u>	<u>14,922</u>
	37,726	69,175
Less: allowance for impairment of trade receivables	<u>–</u>	<u>–</u>
	<u>37,726</u>	<u>69,175</u>

Ageing analysis

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	23,121	47,461
31 days to 60 days	5,862	11,562
61 days to 90 days	3,489	4,281
91 days to 180 days	2,048	5,191
181 days to 360 days	3,206	680
	<u>37,726</u>	<u>69,175</u>

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

Trade receivables mainly represent revenue from the provision of waste and sewage treatment services. There was no recent history of default in respect of the Group's trade receivables. Since most of the debtors are local hospitals and reputable companies in the PRC and based on past payment history and forward looking information available, management based on HKFRS 9 expected credit loss approach, believes that no impairment allowance is necessary as at 31 December 2018 and 2017 as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

14 BANK BORROWINGS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current liabilities		
Current portion of bank borrowings due for repayment within one year	86,498	77,709
Non-current portion of bank borrowings subject to immediate demand repayment clause	82,311	59,968
	<u>168,809</u>	<u>137,677</u>
Non-current liabilities		
Between 1 year and 2 years	32,408	5,000
Between 2 years and 5 years	53,272	40,000
	<u>85,680</u>	<u>45,000</u>
Total interest-bearing bank borrowings	<u>254,489</u>	<u>182,677</u>
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
– Unsecured	183,685	154,237
– Secured	70,804	28,440
	<u>254,489</u>	<u>182,677</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	86,498	77,709
After one but within two years	74,394	32,969
After two but within five years	93,597	71,999
	<u>254,489</u>	<u>182,677</u>

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollar	140,799	116,263
Renminbi	113,690	66,414
	254,489	182,677

Notes:

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

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

As at 31 December 2018, none of covenants relating to the drawn down facilities had been breached (2017: Nil). All of the bank borrowings, including amounts repayable on demand, are carried at amortised cost. None of the portion of bank borrowings due for repayment after one year which contains a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

- (b) As at 31 December 2018, total unsecured bank loans of approximately HK\$140,799,000 (2017: HK\$116,263,000) payable by the Company in Hong Kong bore interest at variable rates ranging from 2.23% to 5.09% per annum in current year (2017: 2.60% to 4.01% per annum).
- (c) As at 31 December 2018, total unsecured bank loans of approximately HK\$42,886,000 (2017: HK\$37,974,000) owed by the subsidiaries in PRC, Yancheng NUHF Environmental Technology Limited* ("Yancheng NUHF") and Xiangshui New Universe Environmental Technology Limited, bore interest at the fixed rate of 5.4% per annum in current year.
- (d) As at 31 December 2018, total secured bank loans of approximately HK\$70,804,000 (2017: HK\$28,440,000) owed by the subsidiaries in PRC, Yancheng NUHF and Suqian New Universe Environmental Solid Waste Disposal Limited* were secured by pledge of land use rights and certain property, plant and equipment with an aggregate carrying amount of approximately HK\$28,842,000 (2017: HK\$6,351,000) and HK\$216,829,000 (2017: HK\$26,310,000) respectively. The bank loans bore interest at various fixed rates ranging from 4.8% to 6.9% per annum in current year (2017: 4.8% to 6.9% per annum).

* For identification purpose only

- (e) As at 31 December 2018, unsecured bank loan of HK\$45,000,000 payable by the Company under a banking facility letter granted by a bank on 12 December 2017 which had 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.

As at 31 December 2018, Mr. XI Yu, through his direct beneficial interests in 83.66% of the issued share capital of New Universe Enterprises Limited, indirectly owns approximately 35.31% of the total issued share capital of the Company.

- (f) As at 31 December 2018, there were available but undrawn loan facilities totally amounted to HK\$45,000,000, pursuant to which, the facility letters contain certain covenants, amongst others, the Company undertakes (i) to ensure that Mr. XI Yu shall have the single largest shareholding interests (directly or indirectly) in the Company; and (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) is entitled to exercise management control over the Company. The respective banks reserve their respective overriding rights at any time with immediate effect to cancel or vary the terms of the respective facility letters, demand immediate repayment of all outstanding amounts and require provision of immediate cash cover (in the amount notified by the banks) for any future or contingent liabilities upon the occurrence of any events of default.

Mr. XI Yu confirmed that he owns the direct beneficial interests in 83.66% of the issued share capital of New Universe Enterprises Limited, as such, he is deemed indirectly interested in the 1,071,823,656 shares of the Company beneficially held by New Universe Enterprises Limited, representing approximately 35.31% of the total issued share capital of the Company as at 31 December 2018 which remains unchanged up to the date of this announcement.

15 TRADE PAYABLES

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	10,254	6,226

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

	2018	2017
	HK\$'000	HK\$'000
0 to 30 days	6,606	5,223
31 days to 60 days	447	213
61 days to 90 days	242	372
Over 91 days	2,959	418
	10,254	6,226

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

16 SHARE CAPITAL

	Number of shares		Share capital	
	2018	2017	2018	2017
<i>Note</i>	'000	'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised				
At 1 January and 31 December	100,000,000	100,000,000	1,000,000	1,000,000
Issued and fully paid				
At 1 January	3,035,697	2,955,697	30,357	29,557
Issue of new shares as part of the consideration	(a) –	80,000	–	800
At 31 December	3,035,697	3,035,697	30,357	30,357

Notes:

- (a) Issue of new shares as part of consideration:
On 21 April 2017, the Company allotted and issued 80,000,000 new ordinary shares of HK\$0.01 each of the Company to the vendor, upon the completion of a business combination, as part of the total consideration payable by the Company pursuant to the SPA dated 31 March 2017. The aggregate nominal value of the 80,000,000 consideration shares at a par value of HK\$0.01 per share was HK\$800,000. The 80,000,000 consideration shares were stipulated in the SPA with the price at HK\$0.80 per share and at an aggregate price of HK\$64,000,000. The fair value of these 80,000,000 consideration shares issued by the Company was HK\$56,800,000 at HK\$0.71 per share which was the closing price of the Company's shares on 21 April 2017.
- (b) As at 31 December 2018, the holders of ordinary shares are entitled to receive dividend to be declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

17 RESERVES

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

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000	
	Share capital HK\$'000 (note 16)	Share premium HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000			Total HK\$'000
At 1 January 2017	29,557	400,465	(35,789)	1,540	5,172	35,480	250,860	687,285	82,204	769,489
Profit for the year	-	-	-	-	-	-	83,577	83,577	28,957	112,534
Other comprehensive income										
Exchange differences										
- on translation of financial statements of overseas subsidiaries	-	-	50,108	-	-	-	-	50,108	7,227	57,335
- on translation of financial statements of an overseas associate	-	-	13,122	-	-	-	-	13,122	-	13,122
Fair value changes on equity investments, net of deferred tax	-	-	-	14,760	-	-	-	14,760	-	14,760
Total comprehensive income for the year	-	-	63,230	14,760	-	-	83,577	161,567	36,184	197,751
Issue of consideration shares (note 16(a))	800	56,000	-	-	-	-	-	56,800	-	56,800
Transfer to statutory reserve	-	-	-	-	-	23,510	(23,510)	-	-	-
Dividend relating to 2016	-	-	-	-	-	-	(18,214)	(18,214)	-	(18,214)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(8,259)	(8,259)
At 31 December 2017 and 1 January 2018	30,357	456,465	27,441	16,300	5,172	58,990	292,713	887,438	110,129	997,567
Profit for the year	-	-	-	-	-	-	74,386	74,386	12,040	86,426
Other comprehensive income										
Exchange differences										
- on translation of financial statements of overseas subsidiaries	-	-	(36,897)	-	-	-	-	(36,897)	(5,630)	(42,527)
- on translation of financial statements of overseas associates	-	-	(8,698)	-	-	-	-	(8,698)	-	(8,698)
- on translation of financial statements of an overseas joint venture	-	-	(519)	-	-	-	-	(519)	-	(519)
Fair value changes on equity investments, net of deferred tax	-	-	-	10,399	-	-	-	10,399	-	10,399
Total comprehensive income for the year	-	-	(46,114)	10,399	-	-	74,386	38,671	6,410	45,081
Transfer to statutory reserve	-	-	-	-	-	7,207	(7,207)	-	-	-
Dividend relating to 2017	-	-	-	-	-	-	(19,732)	(19,732)	-	(19,732)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(12,387)	(12,387)
At 31 December 2018	30,357	456,465	(18,673)	26,699	5,172	66,197	340,160	906,377	104,152	1,010,529

18 EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors of the Company proposed a final dividend as disclosed in (note 12(a)).

19 COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2018 was another challenging year for the Company to further develop its environmental business in a stable pace. During the year, the Company has increased its overall capacity of handling hazardous waste and therefore the revenue of the year, though the increased downtime for repairs and maintenance of incineration facilities of the Group for standard enhancement has moderately affected costs and profitability of the operations.

In 2018, the Group recorded a 29.2% growth on revenue and an 11.0% drop on profitability as compared to the previous year.

For the year ended 31 December 2018, total reportable segment revenue of the Group (inclusive of dividend income from equity investments) was HK\$498,198,000 (2017: HK\$385,943,000) with a year-on-year increase of 29.1% (2017: 19.4%). Total reportable segment revenue from the provision of environmental treatment and disposal services for industrial and medical wastes was HK\$392,770,000 (2017: HK\$278,672,000) with a year-on-year increase of 40.9% (2017: 27.0%). Total reportable segment revenue from the provision of environmental plating sewage treatment services and provision of related facilities and utilities in the eco-plating specialised zone was HK\$101,162,000 (2017: HK\$103,751,000) with a year-on-year decrease of 2.5% (2017: increase of 4.1%). The overall profit margin (pre-tax) of the reportable segment results of the Group's environmental operations in 2018 was approximately 26.2% (2017: 39.8%).

For the year ended 31 December 2018, the profit attributable to owners of the Company was HK\$74,386,000 (2017: HK\$83,577,000), a decrease of 11.0% from 2017. Total earnings per share attributable to the owners of the Company was HK\$0.0245 for the year ended 31 December 2018 (2017: HK\$0.0278), a decrease of 11.9% from 2017.

Equity attributable to owners of the Company as at 31 December 2018 was HK\$906,377,000 (2017: HK\$887,438,000). Cash and cash equivalents of the Group as at 31 December 2018 was HK\$282,239,000 (2017: HK\$237,884,000).

Environmental Treatment and Disposal Services for Industrial and Medical Wastes

For the year ended 31 December 2018, the Group had collected from external customers for treatment and disposal in aggregate of approximately 64,972 metric tons (2017: 52,383 metric tons) of hazardous industrial waste, 7,649 metric tons (2017: 7,234 metric tons) of regulated medical waste, and 7,435 metric tons (2017: 2,358 metric tons) of general industrial waste from various cities in Jiangsu Province, China. For the year ended 31 December 2018, the total segment revenue from the provision of environmental treatment and disposal services for industrial and medical wastes was approximately HK\$392,770,000 (2017: HK\$278,672,000) of which the revenue from treatment of hazardous industrial waste, medical waste and general industrial waste were HK\$351,853,000, HK\$34,473,000 and HK\$6,444,000 (2017: HK\$244,667,000,

HK\$31,780,000 and HK\$2,225,000) respectively and the segment profit margin (pre-tax) was approximately 32.0% (2017: 48.5%).

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

	<i>Note</i>	31 December 2018 Annual capacity metric tons	31 December 2017 Annual capacity metric tons
Licensed hazardous waste incineration facilities	(i)	98,400	111,400
Licensed epidemic medical waste incineration facilities		6,080	6,000
Licensed epidemic medical waste detoxification treatment facilities	(ii)	3,300	5,860
Total licensed treatment and disposal facilities	(iii)	107,780	123,260
Constructed hazardous waste landfill facilities pending issue of operating permission licence		18,000	18,000
Constructed hazardous waste incineration facilities pending issue of operating permission licence	(i)	40,000	–
Total constructed treatment and disposal facilities pending licences		58,000	18,000
New incineration facilities under construction		–	33,000
New facilities under construction or to be constructed		–	33,000

Notes:

- (i) Net decrease in total incineration capacity in 2018 was mainly attributable to the renewal of hazardous waste operating permission licence for the facilities with an annual capacity of 40,000 metric tons located at Suqian, Jiangsu Province has still been under progress after the licence was expired in November 2018.
- (ii) The operating permission licence for the detoxification facilities of handling regulated epidemic medical waste located at Taizhou City with an annual capacity of 2,560 metric tons has not yet been planned for further renewal after the licence was expired in December 2018.
- (iii) The total capacity of the licensed waste treatment and disposal facilities represents the total effective treatment and disposal quantity of hazardous waste allowable to handle under the valid operating permission licences owned by the Group as at the end of the reporting period calculated on annualised basis.

Environmental Plating Sewage Treatment Services in Eco-plating Specialised Zone

For the year ended 31 December 2018, total revenue from the segment of provision of environmental plating sewage treatment services and provision of related facilities and utilities in an eco-plating specialised zone (the “Eco-plating Specialised Zone”) was approximately HK\$101,162,000 (2017: HK\$103,751,000) and the segment profit margin (pre-tax) was approximately 3.7% (2017: 16.3%).

The Eco-plating Specialised Zone has total land area of 181,757 square metres and factory and various facility buildings with a total area of approximately 116,609 square metres. The Group owns 22 factory buildings which are leased by 45 manufacturing clients engaging in plating operations as at 31 December 2018. The Group operates a centralised plating sewage treatment plant, a centralised industrial sludge treatment plant and customised facilities equipped for all clients in the zone.

During 2018, certain factory buildings and the centralized sewage and sledge treatment system have been under renovation and maintenance for upgrading Eco-plating Specialised Zone, which resulted in a decrease in pre-tax profit margin of this operating segment.

As at 31 December 2018, the Group's operations in the Eco-plating Specialised Zone were summarised as follows:

	2018	2017
Total gross floor area of factory buildings and facilities available for leasing (square metres)	103,277	106,605
Average utilisation rate of buildings and facilities	88.1%	86.0%
Plating sewage handled by the centralised sewage treatment plant (metric tons)	527,877	655,357
Average utilisation rate of sewage treatment capacity	32.0%	39.7%

Investments in Plastic Materials Dyeing Business

The Group holds the equity interests in three manufacturing entities that principally engaged in plastic materials dyeing in China as equity investments. For the year ended 31 December 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 3.3%, 1.6% and 3.0% (2017: 2.5%, 1.7% and 3.1%) respectively.

For the year ended 31 December 2018, total dividend received by the Group (before PRC dividend tax) in relation to the results of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei in 2017 was approximately HK\$4,266,000 (2017: HK\$3,520,000 in relation to the results in 2016).

Compensation on Profit Guarantee for the Acquisition of 30% Equity Interest in NCIP

Reference is made to the announcement of the Company dated 31 March 2017 (the "Announcement") in relation to the sale and purchase agreement (the "S&P Agreement") entered into between the wholly-owned subsidiary of the Company, New Universe International Holdings Limited as the purchaser (the "Purchaser") and Sinotech Investments Limited as the vendor (the "Vendor") which constituted a discloseable transaction of the Company under the Main Board Listing Rules of the Stock Exchange. The S&P Agreement was completed on 21 April 2017. Pursuant to the S&P Agreement, the Vendor has irrevocably warranted and guaranteed to the Purchaser that the total audited net profit after tax of Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd. ("NCIP") for the two years ended 31 December 2018 (the "Actual Profit"), prepared in accordance with the Hong Kong Financial Reporting Standards, shall be no less than RMB44,334,000 (the "Guaranteed Profit"). It is further provided in the S&P Agreement that in the event that the Actual Profit fails to meet the Guaranteed Profit, the Vendor shall pay to the Company the Shortfall representing 30% of the amount of the difference between the Guaranteed Profit and the Actual Profit by way of deducting the Shortfall from the amount payable under the fifth instalment pursuant to the S&P Agreement (and subsequent instalments, if necessary) upon receipt of the written notice from the Purchaser.

According to the audited financial statements of NCIP prepared in accordance with the Hong Kong Financial Reporting Standards for the two years ended 31 December 2018, the Actual Profit was RMB26,206,783. The Purchaser is therefore entitled to deduct an amount equivalent to approximately RMB5,438,000 from the fifth instalment payable to Vendor on 30 June 2019, and after being translated into Hong Kong Dollars, the amount deducted of approximately HK\$6,210,000 (based on the exchange rate of RMB1: HK\$1.142 quoted on 31 December 2018 from HSBC in Hong Kong) would be accounted for as other net income of the Company for the year ended 31 December 2018.

The Board is of the view that the failure to meet the Guaranteed Profit would not pose any material adverse impact on the financial position and business operation of the Group as a whole.

BUSINESS OUTLOOK

As at 31 December 2018, the Group owned and operated 6 (2017: 6) plants at different locations and invested in another 2 (2017: 2) plants engaging in the provision of hazardous waste treatment and disposal services in Jiangsu Province, China. The Group also owned and managed an industrial park with an area of 181,757 squares metres. The Eco-plating Specialised Zone is currently occupied by 45 manufacturing clients. The existing clientele of the Group includes hospitals medical organisations, clinics and manufacturing clients in different industrial sectors including chemicals, plastics, automotives, paper-making and plating in China. As at 31 December 2018, the combined licensed capacity of the Group for the collection, storage, detoxification treatment, incineration and disposal of hazardous industrial and medical waste in China was approximately 107,780 metric tons per annum (2017: 123,260 metric tons per annum).

It is expected that the existing facilities together with those to be completed will provide stable returns to the Group in the foreseeable future.

In 2017, the Group has invested in 65% equity interest of the joint venture located at Liuzhou, Guangxi, and it is expected that the integrated hazardous waste treatment facilities will be completed by mid-2020.

In 2018, the Group has also established a wholly subsidiary at Yangzhou, Jiangsu Province to set up another new incineration facilities for hazardous waste treatment and disposal. It is expected that the construction works will start by the end of 2019.

The Group continues its focus on environmental related business and will explore opportunities in a timely manner for business restructuring and industrial upgrade to improve sustainable profitability. Barring any unforeseeable risks from the global and local economies that might affect the Group's environmental operations in China, the Group expects to deliver a stable results this year.

FINANCIAL REVIEW

The summary of annual and interim results for the year ended 31 December 2018 together with corresponding figures for 2017 is presented as follows:

Summary of annual results

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

	Note	Year ended 31 December		Change %
		2018 HK\$'000	2017 HK\$'000	
Revenue from environmental waste treatment and disposal services	1	392,770	278,672	+40.9
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities		101,162	103,751	-2.5
Total Revenue	1	493,932	382,423	+29.2
Average gross profit margin (in percentage)	2	36.9	43.8	-15.8
Other revenue	3	4,266	3,520	+21.2
Other net income	4	18,512	28,539	-35.1
Distribution and selling expenses	5	9,987	4,682	+113.3
Administrative expenses	6	55,624	50,553	+10.0
Other operating expenses	7	21,752	20,622	+5.5
Gain on bargain purchase		-	7,200	-100.0
Finance income	8	5,152	(184)	N/A
Finance costs	9	14,302	9,129	+56.7
Share of results of associates	10	2,510	11,716	-78.6
Share of results of a joint venture	11	(820)	-	N/A
Income tax	12	23,602	20,916	+12.8
Net profit for the year	13	86,426	112,534	-23.2
Profit attributable to owners of the Company	13	74,386	83,577	-11.0
Basic and diluted EPS attributable to owners of the Company (in HK cents)	14	2.45	2.78	-11.9
EBITDA	15	181,116	189,576	-4.5

Summary of interim results

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

	<i>Note</i>	1H 2018 HK\$'000	2H 2018 HK\$'000	Total 2018 HK\$'000
Revenue from environmental treatment of industrial and medical waste	1	197,504	195,266	392,770
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities		51,611	49,551	101,162
Total Revenue	1	249,115	244,817	493,932
Average gross profit margin (in percentage)	2	38.6	35.1	36.9
Other revenue	3	4,266	–	4,266
Other net income	4	9,497	9,015	18,512
Distribution and selling expenses	5	6,284	3,703	9,987
Administrative expenses	6	29,310	26,314	55,624
Other operating expenses	7	7,013	14,739	21,752
Finance income	8	1,392	3,760	5,152
Finance costs	9	6,828	7,474	14,302
Share of results of associates	10	(1,388)	3,898	2,510
Share of results of a joint venture	11	(204)	(616)	(820)
Income tax	12	12,791	10,811	23,602
Net profit for the period	13	47,465	38,961	86,426
Profit attributable to owners of the Company	13	38,350	36,036	74,386
Basic and diluted EPS attributable to owners of the Company (in HK cents)	14	1.26	1.19	2.45
EBITDA	15	95,768	85,348	181,116

Summary of interim results

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

	Note	1H 2017 HK\$'000	2H 2017 HK\$'000	Total 2017 HK\$'000
Revenue from environmental treatment of industrial and medical waste	1	120,561	158,111	278,672
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities		<u>46,989</u>	<u>56,762</u>	<u>103,751</u>
Total Revenue	1	<u>167,550</u>	<u>214,873</u>	<u>382,423</u>
Average gross profit margin (in percentage)	2	44.1	43.6	43.8
Other revenue	3	3,701	(181)	3,520
Other net income	4	11,052	17,487	28,539
Distribution and selling expenses	5	2,705	1,977	4,682
Administrative expenses	6	20,950	29,603	50,553
Other operating expenses	7	9,768	10,854	20,622
Gain on bargain purchase		7,200	–	7,200
Finance income	8	(10)	(174)	(184)
Finance costs	9	3,530	5,599	9,129
Share of results of associates	10	6,256	5,460	11,716
Share of results of a joint venture	11	–	–	–
Income tax	12	6,310	14,606	20,916
Net profit for the period	13	58,907	53,627	112,534
Profit attributable to owners of the Company		46,840	36,737	83,577
Basic and diluted EPS attributable to owners of the Company (in HK cents)	13	1.57	1.21	2.78
EBITDA	15	<u>89,266</u>	<u>100,310</u>	<u>189,576</u>

Notes:

- Net increase in total revenue for the year ended 31 December 2018 was mainly attributable to the net increase in total quantities of industrial hazardous waste collected for innocuity treatment and disposal after the new facilities at Suqian, Jiangsu Province have been put into operation since January 2018.
- Decrease in gross profit margin of the Group for the year ended 31 December 2018 was mainly attributable to increase in direct costs for the newly built incineration facilities.

3. Net increase in other revenue for the year ended 31 December 2018 was mainly attributable to increase in dividends received from the equity investments in 2018.
4. Net decrease in other net income for the year ended 31 December 2018 was mainly attributable to decrease in net refund of VAT paid on the environmental-related operations under tax preferential policy in China entitled by the Group in 2018.
5. Net increase in distribution and selling expenses for the year ended 31 December 2018 was mainly attributable to increase in market development expenses in 2018 for newly built facilities.
6. Net increase in administrative expenses for the year ended 31 December 2018 was mainly attributable to the increase in administrative staff costs for additional headcounts recruited by the Group in 2018.
7. Net increase in other operating expenses for the year ended 31 December 2018 was mainly attributable to increase in research and development costs of the Group in 2018.
8. Net increase in finance income for the year ended 31 December 2018 was mainly attributable to the increase in exchange gain arisen on financing activities during the year.
9. Net increase in finance costs for the year ended 31 December 2018 was mainly attributable to increase in interests on increasing bank borrowings in 2018.
10. Net decrease in profit shared from the associates for the year ended 31 December 2018 was mainly attributable operating loss record by the associate located in Nanjing caused by the increased downtime for repairs and maintenance and upgrading of its phase I incineration facilities and the longer than expected time for testing and carrying out trial-runs of the newly constructed phase II incineration facilities before the new operating license with enlarged capacity for phase I and phase II was granted by the Department of Ecology and Environment of Jiangsu Province in November 2018.
11. Net results of loss shared from the newly established joint venture was attributable to share of its preliminary expenses on setting up the project located at Liuzhou, Guangxi, China.
12. Net increase in income tax for the year ended 31 December 2018 was mainly attributable to the payment of under-provided China Corporate Income Tax for prior years.
13. For the year ended 31 December 2018, net decrease in profit and decrease in profit attributable to owners of the Company were mainly attributable to:
 - (i) decrease in gross profits owing to increase in direct costs on operating all incineration facilities in China;
 - (ii) decrease in net refund of VAT paid under tax preferential policy in China; and
 - (iii) increase in under-provision of China Corporate Income Tax paid for prior years.
14. Decrease in earnings per shares (“EPS”) was directly attributable to the decrease in net profit in 2018.
15. The Company uses the profit for the reporting period before deduction of interest, taxation, depreciation and amortisation (“EBITDA”) to measure the operating results of the Group. Decrease in EBITDA for the year ended 31 December 2018 was mainly attributable to the decrease in net profit of the Group in 2018.

Seasonality of operations

For the year ended 31 December 2018 and 2017, the operation of providing environment hazardous waste treatment and disposal services has encountered a relatively high demand for treatment services in the third and fourth quarters of the year.

For the year ended 31 December 2018, the environmental waste treatment services recorded a revenue of HK\$392,770,000 (2017: HK\$278,672,000) and pre-tax profit of HK\$125,633,000 (2017: HK\$135,127,000) with revenue of approximately 50.3% (2017: 43.3%) being accumulated in the first half of the year and approximately 49.7% (2017: 56.7%) being accumulated in the second half of the year. In 2018, certain newly built environmental hazardous waste treatment facilities of the Group were put into operation in first quarter and hence drove up the revenue of the Group in the first half of the year.

Capital expenditure

For the year ended 31 December 2018, the Group incurred capital expenditure to increase property, plant and equipment and to acquire land use rights (i) for the operating segment of environmental waste treatment and disposal services amounted approximately to HK\$89,121,000 (2017: HK\$211,132,000), (ii) for the operating segment of industrial sewage and sludge treatment and facility provision services in the Eco-plating Specialised Zone amounted approximately to HK\$14,973,000 (2017: HK\$5,374,000), and (iii) for corporate use at the head office in Hong Kong amounted approximately to HK\$17,000 (2017: HK\$42,000).

Commitments

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

	31 December 2018 HK\$'000	31 December 2017 HK\$'000
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	64,005	80,330
– Capital contribution to a joint venture	25,980	54,600
– Capital contribution to an equity investment	15,976	–
	<u>105,961</u>	<u>134,930</u>

Liquidity, financial resources and gearing

For the year ended 31 December 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\$906,377,000 as at 31 December 2018 (31 December 2017: HK\$887,438,000) and total assets amounted to HK\$1,567,975,000 as at 31 December 2018 (31 December 2017: HK\$1,538,917,000).

The Company has not undertaken any equity fund raising activity within the past twelve months immediately prior to the date of this announcement (2017: issuance of 80,000,000 new shares as part of consideration for the purpose of business acquisition).

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

	31 December 2018 HK\$'000	31 December 2017 HK\$'000
(i) Cash and bank balances	282,239	237,884
(ii) Available unused unsecured banking facilities	82,870	82,726

Key Performance indicators

The Group monitors its financial performance and earning potential through EBITDA. EBITDA of the Group was HK\$181,116,000 for the year ended 31 December 2018 (2017: HK\$189,576,000).

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 157% for the year ended 31 December 2018 (2017: 166%).

The Group monitors its liquidity through current ratio. The current ratio of the Group representing the ratio of the consolidated current assets to the consolidated current liabilities was 0.8 time as at 31 December 2018 (31 December 2017: 0.9 time). The current ratio being less than 1 as at 31 December 2018 was mainly attributable to the bank loans payable in or after 2020 amounted approximately to HK\$82,311,000 (31 December 2017: bank loans payable in or after 2019 amounted approximately to HK\$59,968,000) have been classified as current liabilities because those banking facilities bore standard terms and conditions that the banker reserves its overriding right at any time to cancel or vary the facilities and demand immediate repayment of all outstanding amount.

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

	31 December 2018 HK\$'000	31 December 2017 HK\$'000
Bank borrowings	254,489	182,677
Other borrowing	25,000	25,000
Considerations payable for acquisition of subsidiaries	49,600	84,800
Trade and other payables and accruals	169,645	203,193
	<hr/>	<hr/>
Total debt	498,734	495,670
Less: cash and cash equivalents	282,239	237,884
	<hr/>	<hr/>
Net debt	216,495	257,786
	<hr/>	<hr/>
Total equity (inclusive of non-controlling interests)	1,010,529	997,567
	<hr/>	<hr/>
Total capital	1,227,024	1,255,353
	<hr/>	<hr/>
Gearing ratio	17.6%	20.5%
	<hr/> <hr/>	<hr/> <hr/>

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 as at 31 December 2018 compared to that as at 31 December 2017.

Material acquisitions and disposals of subsidiaries and affiliated companies

Further to the investment agreement dated 30 August 2018 entered into by the Group with揚州市江都區郭村鎮人民政府 (The People's Government of Yangzhou City, Jiangdu District, Guocun Town*), the Company has established a wholly owned subsidiary, 揚州揚宇固廢處置有限公司 (Yangzhou Yangyu Solid Waste Disposal Company Limited*) on 26 October 2018 with a registered capital of US\$15,000,000 for the phase I construction of hazardous waste treatment and disposal facilities of an annual capacity of 40,000 metric tons located at Yangzhou, Jiangsu Province, China.

* For identification purpose only

Save as disclosed therein, there were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the year ended 31 December 2018.

Significant investments held and their performance

According to the valuation report prepared by an independent professional valuer, CBRE Limited (“CBRE”) (2017: DTZ Cushman & Wakefield Limited (“DTZ”)), the fair value attributable to the Group’s interests in the equity investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei as at 31 December 2018 were HK\$38,600,000, HK\$14,900,000 and HK\$38,700,000 (31 December 2017: HK\$29,900,000, HK\$11,540,000 and HK\$38,560,000) respectively. The changes in fair value of the equity investments for the year end 31 December 2018 were recognised as other comprehensive income and accounted for in investment revaluation reserve of the Group.

Impairment testing on goodwill

Goodwill was related to 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, which were acquired in 2007 as a cash-generating unit. As at 31 December 2018, the assessment on the recoverable amount of this cash-generating unit principally engaged in environmental waste treatment services in China was determined with reference to the valuation report prepared by the independent professional valuer, CBRE (2017: DTZ), based on reasonable assumptions, including but not limited to the cash flows projection covering a five-year period with an annual growth rate at 2% (2017: 2%) of that cash-generating unit of the Group, and the pre-tax discount rate of 16.66% (2017: 18.48%) which reflects the risks for the industries. No impairment loss to the goodwill was considered necessary for the year end 31 December 2018 and 2017.

Impairment testing on interest in an associate, NCIP

As at 31 December 2018, the assessment on the recoverable amount of the Group’s interest in NCIP, which is principally engaged in environmental waste treatment services in China, was conducted with reference to the valuation report prepared by the independent professional valuer, CBRE (2017: DTZ), based on reasonable assumptions, including but not limited to the cash flows projection of NCIP covering a five-year period with an annual growth rate at 2% (2017: 3%) of NCIP, and the pre-tax discount rate of 16.41% (2017: 19.28%) which reflects the risks for the industries. No impairment loss to the Group’s interest in NCIP was considered necessary for the year end 31 December 2018 and 2017.

Impairment testing on interest in a subsidiary, Yancheng NUHF

During the year ended 31 December 2018, Yancheng NUHF incurred a loss of approximately HK\$26,040,000 (2017: profit of approximately HK\$39,657,000) in accordance with the Hong Kong Financial Reporting Standards, which was mainly attributable to certain non-recurring factors, including temporary down time of its operation before its operating licence was renewed by the relevant authorities in November 2018 and charge for under-provision of VAT and CIT for previous years. Yancheng NUHF's EBITDA for the year ended 31 December 2018 was approximately HK\$10.9 million (2017: HK\$59.8 million).

As at 31 December 2018, the assessment on the recoverable amount of the Group's interest in Yancheng NUHF, which is principally engaged in environmental industrial and medical waste treatment services in China, was conducted with reference to the valuation report prepared by the independent professional valuer, CBRE, based on reasonable assumptions, including but not limited to the cash flows projection of Yancheng NUHF covering a five-year period with an annual growth rate at 2%, and the pre-tax discount rate of 15.83% which reflects the risks for the industries. No impairment loss to the Group's interest in Yancheng NUHF was considered necessary for the year end 31 December 2018.

Charges on assets

The Group pledged certain property, plant and equipment and the land use rights with carrying amounts of HK\$239,390,000 and HK\$38,022,000 respectively (2017: HK\$51,762,000 and HK\$15,839,000 respectively) to secure banking facilities totally amounted approximately to HK\$70,804,000 as at 31 December 2018 (2017: HK\$28,440,000) which to the extent of HK\$70,804,000 were utilised as secured bank borrowings as at 31 December 2018 (2017: HK\$28,440,000) granted to the Group.

Contingent liabilities

There were no significant contingent liabilities of the Group as at 31 December 2018 (2017: Nil).

Employee information

As at 31 December 2018, the Group had 647 (2017: 569) full-time employees, of which 21 (2017: 20) were based in Hong Kong, and 626 (2017: 549) in the Mainland China. For the year ended 31 December 2018, staff costs, including Directors' remuneration and amount capitalised as inventories was HK\$90,785,000 (2017: HK\$71,692,000). Employees and Directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, and continued development and training.

Exposure to fluctuations in exchange rates

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

The results of the Group's subsidiaries in China are translated from RMB into HK\$ at the exchange rates approximating the rates ruling at the dates of the transactions. Statement of financial position items of the Group's subsidiaries in China are translated from RMB into HK\$ at the closing rate ruling at the end of the reporting period. For the year ended 31 December 2018, RMB depreciated on average relatively to the HK\$ resulted in an overall downside exchange difference on translation from RMB to HK\$ for the financial statements of the subsidiaries in China amounted approximately to HK\$42,527,000 (2017: upside exchange difference of HK\$57,335,000), which were recognised as other comprehensive income and accumulated separately in equity in the translation reserve of the Company and did not have any effect to the profit and loss of the Company in current year. The accumulated exchange differences in the translation reserve will be reclassified to profit or loss as when the interests in the relevant subsidiaries in China being entirely or partially disposed of by the Group.

Principal risks and uncertainties

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

1. The Group is dependent of the continuous renewal of hazardous waste operating permission licences to be granted by the China Government. The environmental business of the Group involving in collection, storage, incineration, landfill, treatment and final disposal of hazardous waste in China requires operating permission licences for handling hazardous waste and the operating permission licences for handling epidemic medical waste issued by the Environmental Protection Bureau of Jiangsu Province and local environmental authorities. There is a risk that the hazardous waste operating permission licence(s) of the Group may be suspended temporarily or withdrawn or the renewal of which may be deferred and subject to the compliance with the China Governmental directions for renovation and reconstruction.

The Group has to ensure the continuous renewal of all necessary licences for its operations and to ensure all subsidiary entities engaging in environmental operations maintain and continuously uphold their operating standards and waste management standards and technically renovate the facilities in order to comply with the environmental policies, standards, and legislations as promulgated by the China Government from time to time.

2. The Group faces competition in the market of hazardous waste collection for treatment and disposal services from other operators in the environmental hazardous waste treatment industry.

The Group has to continuously upkeep its facilities and provide continuing staff development, and to strengthen its waste management standard and financial stability in order to compete with the increasing number of competitors in treatment of hazardous waste sector with more financial resources to develop larger scaled waste disposal and recycling facilities, better standards to the compliance with all national and international environmental regulations, and better technical know-how than we have.

3. The Group engages in hazardous waste incineration to reduce quantity of hazardous waste and to decompose hazardous waste through high temperature incineration process, to landfill the hazardous waste and post incineration residue, and handling industrial sewage discharging by clients in an industrial zone that faces environmental and social responsibility risks, which might be caused by incidental breach of environmental emission limits, incidental safety issues, contamination to land, and incidental adverse waste discharging conditions caused by clients, and which could have negatively impact to the environmental waste treatment operations of the Group.

The Group has sought for high quality plant construction design, and implemented stringent controls over the construction of new projects. The Group has to continuously upgrade the efficiency of the existing plant and equipment and to enhance the project management standards from time to time. The Group will appoint independent professionals to report on environmental emissions periodically and to monitor all possible environmental impact to the society.

4. The scale of the Group's operations has increased moderately which, at the same time, increases the significance of internal control risks arising from the uncertainties of effectiveness and achievement of the objective of internal control system, or ineffectiveness of the internal control due to any defective critical point subsisted in the internal control system or any improper internal control measure.

The Group has to continuously monitor the effectiveness of the risk management and internal control systems of the Group by appointing independent professional consultants to carrying out internal control review on all key operations of the Group periodically. The Group has assigned designated staffs to monitor each key operation of the Group who would strengthen the liaison between the Group's headquarter and the project companies, and from time to time, keep the headquarter informed of the status of the projects and ensure the management's policies are being implemented in a timely and effective manner.

5. The impact of economic conditions on local industries in China would affect the quantities of hazardous waste discharged and the treatment service pricing for the specific market offered by specific client base of the Group for environmental waste treatment and disposal services.

The Group has to continue its business strategy to strengthen penetration of different geographical markets and thereby to reduce its dependency on the specific markets.

6. Loss of key personnel and lack of appropriately experienced human resources would result in a delay in achieving the Group's strategic goals and development of new projects.

The Company has to review the organizational structure of the Group and responsibilities and duties of all key staff members regularly and to mitigate any possible loss on human capital by regular reviews of recruitment and retention practices, remuneration packages and succession planning within the management team.

CHANGE IN DIRECTORS' INFORMATION

For the year ended 31 December 2018 and up to the date of this announcement, there were changes in Directors' information as follows:

On 16 October 2018, Mr. SONG Yu Qing, an executive Director, resigned as the Chief Executive Officer, and thereafter remains as an executive Director of the Company.

On 16 October 2018, Mr. XI Yu, the Chairman and an executive Director, was appointed as the Chief Executive Officer of the Company. On 26 October 2018, Mr. XI Yu was also appointed as the sole director of wholly owned subsidiary, Yangzhou Yangyu Solid Waste Disposal Company Limited* upon its incorporation.

On 26 February 2019, Ms. ZHANG Ying resigned as the executive Director and member of the Executive Committee of the Company.

On 26 February 2019, Ms. ZHANG Shuo was appointed as an executive Director and a member of Executive Committee of the Company.

Save as disclosed therein, there is no other 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 is no other information to be disclosed pursuant to the requirements of the Rule 13.51(2) of Main Board Listing Rules.

* *For identification purpose only*

CHANGE IN INFORMATION OF MANAGEMENT

For the year ended 31 December 2018 and up to the date of this announcement, there were changes in management team members as follows:

- (a) Ms. LIU Yuan was appointed as a vice-president of the Company on 28 August 2018. During the year ended 31 December 2018, she 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 incorporation on 26 December 2017.
- (b) Mr. HE Ling Yun was appointed as director and general manager of the Sino-foreign joint venture, Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited* with retrospective effect from the date of its incorporation on 26 December 2017.
- (c) 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.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

As at 31 December 2018 and any time during the year, transactions, arrangements, or contracts subsisted, of which certain Directors had interests that were deemed significant to the business of the Group are set out as follows:

Mr. XI Yu and Ms. CHEUNG Siu Ling, the executive Directors of the Company, are also the directors of the landlord, Sun Ngai International Investment Limited (“Sun Ngai”) to the tenancy agreement dated 5 July 2017 entered into by Smartech Services Limited (“Smartech Services”, an indirectly 100% owned subsidiary of the Company) as tenant, pursuant to which, Smartech Services has leased three office units as headquarter of the Company in Hong Kong at Rooms 2109 and 2111, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong (“Office Premises”) at a monthly rental of HK\$80,000 for the term from 1 August 2017 to 31 July 2018. A new tenancy agreement dated 16 July 2018 was entered into between Sun Ngai and Smartech Services to lease the Office Premises for the term from 1 August 2018 to 31 July 2019 at a monthly rental of HK\$80,000. For the year ended 31 December 2018, total rental paid by Smartech Services to Sun Ngai were HK\$960,000.

* For identification purpose only

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

CONNECTED TRANSACTIONS

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

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT

On 17 August 2018, the Company accepted a banking facility letter dated 28 June 2018 (the "Facility Letter A") issued by a bank ("Bank A") in Hong Kong. Pursuant to the Facility Letter A, Bank A granted an unsecured term loan facility of up to HK\$30,000,000 (the "Facility A") to the Company. The final maturity date of Facility A is four years from the first utilization date. In accordance with the Facility Letter A, the proceeds of the Facility A shall be used directly for payment of the capital contribution in respect of the Group's interest in the newly established joint venture, 柳州新宇榮凱固體廢物處置有限公司(Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited*) situated at Liuzhou, Guangxi, China. As at 31 December 2018, the Company has not yet made any drawdown under Facility A. Subsequent to the end of the reporting period, on 2 January 2019 the Company has drawn down loan of HK\$15,000,000 under the Facility A.

* For identification purpose only

On 17 August 2018, the Company accepted a banking facility letter dated 8 August 2018 (the “Facility Letter B”) issued by a bank (“Bank B”) in Hong Kong. Pursuant to the Facility Letter B, Bank B granted an unsecured term loan facility of up to HK\$15,000,000 (the “Facility B”) to the Company. The final maturity date of Facility B is three years from the first utilization date. The Facility B shall be used to finance the capital expenditure in relation to environmental operations of the Group. As at 31 December 2018, the Company has not yet made any drawdown under Facility B. Subsequent to the end of the reporting period, on 10 January 2019 the Company has drawn down loan of HK\$15,000,000 under the Facility B.

On 12 December 2017, the Company accepted a banking facility letter (the “Facility Letter C”) issued by a bank (“Bank C”) in Hong Kong. Pursuant to the Facility Letter C, Bank C granted an unsecured term loan facility of up to HK\$50,000,000 (the “Facility C”) to the Company. The final maturity date of the Facility C is at the end of five years from the date of the first drawdown. In accordance with the Facility Letter C, the proceeds of the Facility C 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. As at 31 December 2018, the outstanding unsecured bank loan under Facility C was HK\$45,000,000 (2017: HK\$50,000,000).

Pursuant to each of the Facility Letters A, B, and C, 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 Banks reserve their respective overriding rights at any time with immediate effect to cancel or vary the terms of the Facility Letters, demand immediate repayment of all outstanding amounts and require provision of immediate cash cover (in the amount notified by the Banks) for any future or contingent liabilities upon the occurrence of any events of default.

As for the Facility A, unless there is a default under the terms and conditions for the Facility A, Bank A will not demand repayment of any amounts due under the Facility A within 2 years from the date of the Facility Letter A. As for the Facility C, unless there is a default under the terms and conditions for the Facility C, Bank C committed not to demand repayment of any amounts due under the Facility C for the first 2 years from the date of the first drawdown.

As at 31 December 2018, Mr. XI Yu, through his beneficial interest in 83.66% of the issued share capital of NUEL, is deemed interested in 1,071,823,656 shares of the Company, representing 35.31% of the total issued share capital of the Company beneficially owned by NUEL.

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

PUBLIC FLOAT

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

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

Neither the Company, nor any of its subsidiaries has purchased, sold, or redeemed any of the Company's listed securities during the year ended 31 December 2018.

CORPORATE GOVERNANCE

During the year ended 31 December 2018, the Company has applied the principles of and complied with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 ("CG Code") to the Main Board Listing Rules, but save for the code provision A.2.1, the Directors confirmed that they were not aware of any other deviation from the CG Code for the year then ended.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As a result of the resignation of Mr. SONG Yu Qing ("Mr. SONG") as chief executive officer of the Company ("CEO") with effect 16 October 2018, Mr. XI Yu ("Mr. XI", chairman of the Board ("Chairman")) has assumed the role of both Chairman and CEO since then. As such, from 16 October 2018, the assumption of the dual role of both Chairman and CEO by Mr. XI constitutes a deviation from code provision A.2.1 of the CG Code.

After evaluation of the current situation of the Group and taking into account of the experience and past performance of Mr. XI, the Board is of the opinion that it is appropriate and in the best interest of the Company at the present stage to vest the roles of the Chairman and the CEO of the Company on the same person as it helps to facilitates the execution of the Group's business strategies and maximizes the effectiveness of its operation.

In addition, the Board also considers that: (i) the Company has sufficient internal controls to provide checks and balances on the functions of the Chairman and CEO; (ii) Mr. XI as the Chairman and CEO is fully accountable to the shareholders of the Company and contributes to the Board and the Group on all top level and strategic decisions and is responsible for ensuring that all Directors act in the best interests of the Shareholders; and (iii) this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board believes that vesting the role of both Chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and will enable the Company to make and implement decisions promptly and effectively. However, the Board will continue to review and consider splitting the role of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in The Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Main Board Listing Rules. With specific enquiries having been made of all the Directors, all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2018.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company, Prof. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has reviewed with the management the consolidated financial statements of the Company for the year ended 31 December 2018.

INDEPENDENT REVIEW

This preliminary announcement of the Company's consolidated results for the year ended 31 December 2018 has been agreed with and reviewed by the Company's independent auditor, Crowe (HK) CPA Limited.

PROPOSED FINAL DIVIDEND

The Board of the Company recommends the payment of a final dividend of HK\$0.0068 per share at a payout ratio of approximately 27.8% of the profit attributable to the owners of the Company for the year ended 31 December 2018, which is subject to the approval of the shareholders at the forthcoming annual general meeting. Upon shareholders' approval, the final dividend is expected to be payable on or about 31 July 2019 to shareholders whose names appear on the register of members on 28 June 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will not be closed for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the forthcoming Annual General Meeting to be held on Friday, 24 May 2019. However, in order to qualify for attending and voting at the forthcoming Annual General Meeting, all transfers documents accompanied by the relevant share certificates must be deposited with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 May 2019.

The register of members of the Company will be closed for the purpose of ascertaining the entitlement of shareholders of the Company to the proposed final dividend at the Annual General Meeting from Tuesday, 25 June 2019 to Friday, 28 June 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend (subject to the approval of shareholders of the Company at the Annual General Meeting), all transfers documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 June 2019.

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

This announcement is published on the website of the Company (www.nuigl.com) and the Stock Exchange (www.hkexnews.hk). The Company's annual report 2018, containing all the information required by Appendix 16 of the Main Board Listing Rules, will be dispatched to shareholders and made available on the above websites in due course.

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

Hong Kong, 22 March 2019

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

Mr. XI Yu	<i>(Chairman, Chief Executive Officer and Executive Director)</i>
Mr. SONG Yu Qing	<i>(Executive Director)</i>
Ms. CHEUNG Siu Ling	<i>(Executive Director)</i>
Ms. ZHANG Shuo	<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>