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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)

## ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

### UNAUDITED CONSOLIDATED RESULTS 2019

For the reasons explained below under “Review of Unaudited Annual Results”, the audit process for the final results of New Universe Environmental Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2019 has not been completed. The board of directors (the “Board”) of the Company hereby announces the unaudited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for 2018.

### UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	<i>Note</i>	<b>2019 (Unaudited) HK\$'000</b>	<b>2018 (Audited) HK\$'000</b>
<b>Revenue</b>	4(a)	<b>595,706</b>	493,932
Cost of sales		<b>(393,979)</b>	(311,859)
<b>Gross profit</b>		<b>201,727</b>	182,073
Other revenue	5	<b>4,152</b>	4,266
Other net income	6	<b>11,198</b>	18,512
Distribution and selling expenses		<b>(9,554)</b>	(9,987)
Administrative expenses		<b>(54,172)</b>	(55,624)
Other operating expenses		<b>(53,898)</b>	(21,752)
Impairment loss on trade receivables		<b>(4,469)</b>	–
<b>Operating profit</b>		<b>94,984</b>	117,488
Finance costs		<b>(13,909)</b>	(14,302)
Finance income		<b>2,517</b>	5,152
Finance costs – net	7	<b>(11,392)</b>	(9,150)
Share of results of associates		<b>6,826</b>	2,510
Share of results of a joint venture		<b>(1,545)</b>	(820)
<b>Profit before taxation</b>	8	<b>88,873</b>	110,028
Income tax	9	<b>(17,744)</b>	(23,602)
<b>Profit for the year</b>		<b>71,129</b>	86,426

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

*For the year ended 31 December 2019*

	<i>Note</i>	<b>2019 (Unaudited) HK\$'000</b>	2018 (Audited) HK\$'000
<b>Profit for the year</b>		<u><b>71,129</b></u>	<u>86,426</u>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences			
– on translation of financial statements of overseas subsidiaries		(17,654)	(42,527)
– on translation of financial statements of overseas associates		(3,610)	(8,698)
– on translation of financial statements of an overseas joint venture		(513)	(519)
– release of translation reserve upon de-registration of an overseas subsidiary		(16)	–
<i>Items that are not reclassified subsequently to profit or loss:</i>			
Fair value changes on equity investments		5,100	12,200
Deferred tax effect relating to changes in fair value of equity investments		<u>(620)</u>	<u>(1,801)</u>
Other comprehensive income for the year, net of income tax		<u>(17,313)</u>	<u>(41,345)</u>
<b>Total comprehensive income for the year</b>		<u><b>53,816</b></u>	<u>45,081</u>
<b>Profit attributable to:</b>			
Owners of the Company		40,625	74,386
Non-controlling interests		<u>30,504</u>	<u>12,040</u>
		<u><b>71,129</b></u>	<u>86,426</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		25,794	38,671
Non-controlling interests		<u>28,022</u>	<u>6,410</u>
		<u><b>53,816</b></u>	<u>45,081</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share attributable to owners of the Company</b>			
Basic and diluted earnings per share	10	<u><b>1.34</b></u>	<u>2.45</u>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

		2019 (Unaudited) <i>HK\$'000</i>	2018 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		776,848	762,574
Prepaid lease payments for land use rights		–	132,402
Right-of-use assets		131,559	–
Goodwill		33,000	33,000
Interests in associates		169,137	170,802
Interest in a joint venture		23,123	25,181
Equity investments at fair value through other comprehensive income		97,300	92,200
		<b>1,230,967</b>	1,216,159
<b>Current assets</b>			
Inventories		4,283	3,573
Trade and bills receivables	12	89,021	37,726
Prepayments, deposits and other receivables		25,858	16,942
Contract assets		894	1,469
Prepaid lease payments for land use rights		–	3,657
Financial assets at fair value through profit or loss		–	6,210
Pledged bank deposits		154	–
Cash and cash equivalents		267,393	282,239
		<b>387,603</b>	351,816
<b>Current liabilities</b>			
Bank borrowings	13	174,782	168,809
Other borrowing		–	25,000
Trade and bills payables	14	32,732	10,254
Accrued liabilities and other payables		196,733	159,391
Lease liabilities		451	–
Contract liabilities		25,103	14,033
Considerations payable for acquisition of subsidiaries		24,800	49,600
Deferred government grants		1,048	949
Income tax payable		4,112	3,428
		<b>459,761</b>	431,464
<b>Net current liabilities</b>		<b>(72,158)</b>	(79,648)
<b>Total assets</b>		<b>1,618,570</b>	1,567,975
<b>Total assets less current liabilities</b>		<b>1,158,809</b>	1,136,511

	<i>Note</i>	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Bank borrowings	13	<b>65,627</b>	85,680
Other borrowing		<b>25,000</b>	–
Lease liabilities		<b>139</b>	–
Deferred government grants		<b>6,095</b>	6,592
Deferred tax liabilities		<b>33,632</b>	33,710
		<u><b>130,493</b></u>	<u>125,982</u>
<b>Total liabilities</b>		<u><b>590,254</b></u>	<u>557,446</u>
<b>Net assets</b>		<u><b>1,028,316</b></u>	<u>1,010,529</u>
<b>Capital and reserves</b>			
Share capital		<b>30,357</b>	30,357
Reserves		<b>881,171</b>	876,020
Equity attributable to owners of the Company		<b>911,528</b>	906,377
Non-controlling interests		<b>116,788</b>	104,152
<b>Total equity</b>		<u><b>1,028,316</b></u>	<u>1,010,529</u>

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2018 (Audited)	30,357	456,465	27,441	16,300	5,172	58,990	292,713	887,438	110,129	997,567
<b>Profit for the year</b>	-	-	-	-	-	-	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
<b>Total comprehensive income for the year</b>	-	-	(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)
<b>At 31 December 2018 and 1 January 2019 (Audited)</b>	<b>30,357</b>	<b>456,465</b>	<b>(18,673)</b>	<b>26,699</b>	<b>5,172</b>	<b>66,197</b>	<b>340,160</b>	<b>906,377</b>	<b>104,152</b>	<b>1,010,529</b>
<b>Profit for the year</b>	-	-	-	-	-	-	<b>40,625</b>	<b>40,625</b>	<b>30,504</b>	<b>71,129</b>
Other comprehensive income										
Exchange differences										
- on translation of financial statements of overseas subsidiaries	-	-	(15,172)	-	-	-	-	(15,172)	(2,482)	(17,654)
- on translation of financial statements of overseas associates	-	-	(3,610)	-	-	-	-	(3,610)	-	(3,610)
- on translation of financial statements of an overseas joint venture	-	-	(513)	-	-	-	-	(513)	-	(513)
- release of translation reserve upon de-registration of an overseas subsidiary	-	-	(16)	-	-	-	-	(16)	-	(16)
Fair value changes on equity investments, net of deferred tax	-	-	-	4,480	-	-	-	4,480	-	4,480
<b>Total comprehensive income for the year</b>	-	-	<b>(19,311)</b>	<b>4,480</b>	-	-	<b>40,625</b>	<b>25,794</b>	<b>28,022</b>	<b>53,816</b>
Transfer to statutory reserve	-	-	-	-	-	11,596	(11,596)	-	-	-
Dividend relating to 2018	-	-	-	-	-	-	(20,643)	(20,643)	-	(20,643)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(15,386)	(15,386)
<b>At 31 December 2019 (Unaudited)</b>	<b>30,357</b>	<b>456,465</b>	<b>(37,984)</b>	<b>31,179</b>	<b>5,172</b>	<b>77,793</b>	<b>348,546</b>	<b>911,528</b>	<b>116,788</b>	<b>1,028,316</b>

## 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.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Rooms 2110-2112, 21/F, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. 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.
- (c) 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\$.
- (d) 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 requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 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 2019, the Group's current liabilities exceeded current assets by approximately HK\$72,158,000 (unaudited) (2018 audited: HK\$79,648,000) which was mainly attributable to the non-current portions of long-term bank borrowings of approximately HK\$75,325,000 (unaudited) (2018 audited: HK\$82,311,000). As disclosed in note 13, the loan agreements contained a standard clause enabling the financial institutions to demand for immediate repayment at their discretion. During the year ended 31 December 2019 and up to the date of approval for the consolidated financial statements, there had not been any breach of covenants of the relevant loan agreements. Notwithstanding the clause for demanding for immediate repayment in the loan agreements, 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\$267,393,000 (unaudited) as at 31 December 2019, (b) available banking facilities, 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 2019 on a going concern basis.

The consolidated financial statements for the year ended 31 December 2019 comprise the Company, its subsidiaries and the Group's interests in associates and a joint venture.

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

### **3 CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### **HKFRS 16, Leases**

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.



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

*a. New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

*b. Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rate at 1 January 2019. The weighted average of the incremental borrowing rate used for determination of the present value of the remaining lease payments was 5.4%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16 which the Group elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends on or before 31 December 2019.

Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments for land-use-rights of the Group amounts to HK\$3,657,000 and HK\$132,402,000, respectively were reclassified to right-of-use assets.

There is no impact on the opening balance of the Group's equity as at 1 January 2019 on the initial application of HKFRS 16.

The following table reconciles the operating lease commitments disclosed as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

	<b>1 January 2019</b> <i>HK\$'000</i>
Operating lease commitments at 31 December 2018	650
Less: commitments relating to leases exempt from capitalisation	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(650)
	<hr/>
Total lease liabilities recognised at 1 January 2019	<hr/> <hr/> –

*c. Lessor accounting*

The Group leases out a number of items of properties and facilities as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

#### **4 REVENUE AND SEGMENT REPORTING**

**(a) Revenue**

The principal activities that composed of the Group's revenue are:

- (i) the provision of environmental treatment and disposal services for industrial and medical wastes (including hazardous waste incineration and landfill projects, and incineration engineering and maintenance services); and
- (ii) the provision of environmental plating sewage treatment services and provision of related facilities and utilities in an eco-plating specialised zone (including industrial sewage treatment services, providing related utilities and management services, and leasing out factory facilities).

*Disaggregation of revenue*

Revenue represents the revenue from hazardous waste incineration and landfill projects, incineration engineering and maintenance services, industrial sewage treatment services and providing related utilities and management services, and leasing income from providing factory facilities.

Disaggregation of revenue from contracts with customers by service lines is as follows:

	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contracts with customers within the scope by HKFRS 15</b>		
Disaggregation by service lines		
– Revenue from hazardous waste incineration and landfill projects	<b>457,450</b>	392,770
– Revenue from incineration engineering and maintenance services	<b>31,792</b>	–
– Revenue from industrial sewage treatment services and providing related utilities and management services	<b>85,708</b>	82,250
– Revenue from providing factory facilities	<b>20,756</b>	18,912
	<u><b>595,706</b></u>	<u>493,932</u>
Timing of revenue recognition		
– Services transferred at a point in time	<b>509,998</b>	411,682
– Services transferred over time	<b>85,708</b>	82,250
	<u><b>595,706</b></u>	<u>493,932</u>

**(b) Segment reporting**

The Group manages its business by segments, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Company's executive Directors, being the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. 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 facilities and utilities in an eco-plating specialised zone; and
- (iii) investments in plastic materials dyeing business.

**(c) 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 tangible assets, goodwill, interests in associates and a joint venture, and current assets with the exception of intercompany receivables and other corporate assets. Segment liabilities include current taxation, deferred tax liabilities, creditors, lease liabilities, other payables and accrued expenses attributable to the activities of the individual segments and borrowings managed directly by the segments, with the exception of intercompany payables and other corporate liabilities.
- Revenue and expenses are allocated to the reportable segments with reference to revenue 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.

Revenue from contracts with customers by timing of revenue recognition, as well as 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 2019 and 2018 is set out below:

*For the year ended 31 December 2019 (Unaudited)*

	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 contracts with external customers by timing of revenue recognition	489,242	106,464	-	595,706	-	595,706
Other revenue	-	-	4,152	4,152	-	4,152
<b>Reportable segment revenue</b>	<b>489,242</b>	<b>106,464</b>	<b>4,152</b>	<b>599,858</b>	<b>-</b>	<b>599,858</b>
<b>Reportable segment results</b>	<b>103,516</b>	<b>3,426</b>	<b>3,537</b>	<b>110,479</b>	<b>-</b>	<b>110,479</b>
Other net income	10,610	588	-	11,198	-	11,198
Finance income	1,603	528	(244)	1,887	630	2,517
Finance costs	(6,759)	(1,076)	-	(7,835)	(6,074)	(13,909)
Depreciation and amortisation	(52,533)	(17,229)	-	(69,762)	(513)	(70,275)
Impairment loss on trade receivables	(735)	(3,734)	-	(4,469)	-	(4,469)
<b>Reportable segment assets</b>	<b>1,131,369</b>	<b>293,839</b>	<b>97,834</b>	<b>1,523,042</b>	<b>95,528</b>	<b>1,618,570</b>
Additions to non-current segment assets	85,831	13,693	-	99,524	-	99,524
<b>Reportable segment liabilities</b>	<b>493,348</b>	<b>69,780</b>	<b>4,121</b>	<b>567,249</b>	<b>23,005</b>	<b>590,254</b>

*For the year ended 31 December 2018 (Audited)*

	Operating segments			Segment sub-total <i>HK\$'000</i>	Unallocated head office and corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Environmental waste treatment and disposal services <i>HK\$'000</i>	Environmental sewage treatment and facility services <i>HK\$'000</i>	Plastic dyeing investments <i>HK\$'000</i>			
Revenue from contracts with customers by timing of revenue recognition	392,770	101,162	–	493,932	–	493,932
Other revenue	–	–	4,266	4,266	–	4,266
Reportable segment revenue	<u>392,770</u>	<u>101,162</u>	<u>4,266</u>	<u>498,198</u>	<u>–</u>	<u>498,198</u>
Reportable segment results	<u>125,633</u>	<u>3,789</u>	<u>3,599</u>	<u>133,021</u>	<u>–</u>	<u>133,021</u>
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	<u>475,859</u>	<u>57,793</u>	<u>3,501</u>	<u>537,153</u>	<u>20,293</u>	<u>557,446</u>

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

	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Consolidated revenue	<b>595,706</b>	493,932
Elimination of inter-segment revenue	–	–
Other revenue	<b>4,152</b>	4,266
	<u>                    </u>	<u>                    </u>
Reportable segment revenue	<b>599,858</b>	498,198
	<u>                    </u>	<u>                    </u>
<b>Profit or loss</b>		
Reportable segment profit	<b>110,479</b>	133,021
Unallocated head office and corporate expenses, net	<b>(21,606)</b>	(22,993)
	<u>                    </u>	<u>                    </u>
Consolidated profit before taxation	<b>88,873</b>	110,028
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Reportable segment assets	<b>1,523,042</b>	1,528,724
Unallocated head office and corporate assets	<b>95,528</b>	39,251
	<u>                    </u>	<u>                    </u>
Consolidated total assets	<b>1,618,570</b>	1,567,975
	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>		
Reportable segment liabilities	<b>567,249</b>	537,153
Unallocated head office and corporate liabilities	<b>23,005</b>	20,293
	<u>                    </u>	<u>                    </u>
Consolidated total liabilities	<b>590,254</b>	557,446
	<u>                    </u>	<u>                    </u>

(e) **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.

(f) **Major customers**

For the years ended 31 December 2019 and 2018, there was no major customer accounted for more than 10% of the total revenue of the Group.

**5 OTHER REVENUE**

	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Audited) HK\$'000
Dividend income from equity investments at fair value through other comprehensive income	<u><b>4,152</b></u>	<u>4,266</u>

**6 OTHER NET INCOME**

	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Audited) HK\$'000
Refunds of Value-added tax ( <i>note (i)</i> )	<b>8,299</b>	5,653
Government subsidies ( <i>note (ii)</i> )	<b>1,257</b>	4,470
Release of deferred government grants	<b>1,019</b>	1,195
Fair value gain on compensation receivable from profit guarantee	–	6,210
Sundry income	<u><b>623</b></u>	<u>984</u>
	<u><b>11,198</b></u>	<u>18,512</u>

*Notes:*

- (i) Pursuant to the tax rules and regulations in the PRC with effect from 2015, subsidiaries of the Group that engage in the environmental operations, comply with the requirements in the PRC and pay Value-added tax (“VAT”) are entitled to a refund up to 70% of the VAT paid. There were no unfulfilled conditions and other contingencies attached to such tax refunds. There is no assurance that the Group will continue to receive such tax refunds in the future.
- (ii) Government subsidies received during the year ended 31 December 2019 was to subsidise certain hazardous and solid waste treatment projects of the Group in the PRC. There were no unfulfilled conditions and other contingencies attached to the receipts of those subsidies. There is no assurance that the Group will continue to receive such subsidies in the future.



**7 FINANCE COSTS, NET**

	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 <b>(Audited)</b> <b>HK\$'000</b>
Interest expenses on:		
Bank borrowings wholly repayable within five years	<b>11,531</b>	9,818
Other borrowings wholly repayable within five years	<b>2,892</b>	4,484
Lease liabilities	<b>40</b>	–
Less: interest expense capitalised into construction in progress*	<b>(554)</b>	–
	<hr/>	<hr/>
<b>Total finance costs</b>	<b>13,909</b>	14,302
	<hr/>	<hr/>
Finance income from:		
Interest income on short-term bank deposits	<b>3,683</b>	2,410
Net foreign exchange (loss)/gain	<b>(1,166)</b>	2,742
	<hr/>	<hr/>
<b>Total finance income</b>	<b>2,517</b>	5,152
	<hr/>	<hr/>
<b>Net finance costs</b>	<b>11,392</b>	9,150
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

- \* The borrowing costs have been capitalised at a rate of 5.225% per annum (2018: Nil) for the bank borrowings specifically financing the construction of the hazardous waste landfill in the PRC.

## 8 PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Audited) HK\$'000
Amortisation of land lease prepayments	–	3,554
Depreciation of right-of-use assets	<b>3,905</b>	–
Depreciation of property, plant and equipment	<b>66,370</b>	58,384
Operating lease charges: minimum lease payments		
– land and buildings in Hong Kong	<b>1,080</b>	1,062
– land and buildings in the PRC	–	312
– landfill in the PRC	<b>113</b>	117
	<b>1,193</b>	1,491
Net loss on disposal of property, plant and equipment	<b>1,433</b>	953
Impairment loss on trade receivables	<b>4,469</b>	–
Impairment loss on other receivables	<b>235</b>	–
Loss on disposal of a subsidiary	<b>236</b>	–
Costs on litigation settlements and non-compliance incidents	<b>13,978</b>	–
Costs on land restoration and soil remediation of obsolete plant	<b>3,249</b>	–
Costs arising from temporary suspension of plants for repairs and maintenance	<b>16,835</b>	–
Research and development costs	<b>7,310</b>	7,360
Auditor's remuneration:		
– audit service	<b>1,230</b>	1,230
– non-audit services	<b>170</b>	170
	<b>1,400</b>	1,400
Staff costs:		
– Directors' emoluments	<b>4,085</b>	4,383
– salaries, wages and other benefits of employees other than Directors	<b>72,989</b>	76,329
– contributions to retirement benefits schemes	<b>10,374</b>	10,073
Total staff costs	<b>87,448</b>	90,785
Cost of sales ( <i>note</i> )	<b>393,979</b>	311,859

*Note:*

Included in cost of sales were raw materials in the amount of HK\$62,369,000 (unaudited) (2018 audited: HK\$56,792,000), water and electricity in the amount of HK\$33,393,000 (unaudited) (2018 audited: HK\$42,791,000), staff costs of HK\$35,074,000 (unaudited) (2018 audited: HK\$39,005,000), amortisation of Nil (unaudited) (2018 audited: HK\$3,554,000) and depreciation of HK\$57,346,000 (unaudited) (2018 audited: HK\$52,186,000), and of which staff costs, amortisation and depreciation have already been included in the respective total amounts disclosed above.

## 9 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	<b>2019</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2018 <b>(Audited)</b> <i>HK\$'000</i>
<b>Current tax</b>		
Hong Kong Profits Tax	–	–
PRC Corporate Income Tax	<u>17,744</u>	<u>23,602</u>
	<u><b>17,744</b></u>	<u><b>23,602</b></u>

## 10 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the profit attributable to owners of the Company of HK\$40,625,000 (unaudited) (2018 audited: HK\$74,386,000) and the weighted average number of 3,035,697,018 (2018: 3,035,697,018) ordinary shares of the Company in issue during the year.

### (a) Profit attributable to owners of the Company

	<b>2019</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2018 <b>(Audited)</b> <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u><b>40,625</b></u>	<u>74,386</u>

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

	<b>2019</b>	2018
Ordinary shares in issue at 1 January and 31 December	<u><b>3,035,697,018</b></u>	<u>3,035,697,018</u>
Weighted average number of ordinary shares at 31 December	<u><b>3,035,697,018</b></u>	<u>3,035,697,018</u>

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

## 11 DIVIDENDS

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Final dividend proposed after the end of the reporting period of HK\$0.0070 (2018: HK\$0.0068) per share	<u>21,250</u>	<u>20,643</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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.0068 (2018: HK\$0.0065) per share	<u>20,643</u>	<u>19,732</u>

## 12 TRADE AND BILLS RECEIVABLES

	2019 (Unaudited) <i>HK\$'000</i>	2018 (Audited) <i>HK\$'000</i>
Trade receivables	85,156	30,330
Bills receivable	<u>8,334</u>	<u>7,396</u>
	93,490	37,726
Less: allowance for expected credit losses of trade receivables	<u>4,469</u>	–
	<u>89,021</u>	<u>37,726</u>

(a) **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:

	<b>2019</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2018 <b>(Audited)</b> <i>HK\$'000</i>
0 to 30 days	<b>56,049</b>	23,121
31 days to 60 days	<b>22,719</b>	5,862
61 days to 90 days	<b>5,079</b>	3,489
91 days to 180 days	<b>4,205</b>	2,048
181 days to 360 days	<b>969</b>	3,206
	<b>89,021</b>	37,726

**13 BANK BORROWINGS**

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

	<b>2019</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2018 <b>(Audited)</b> <i>HK\$'000</i>
<b>Current liabilities</b>		
Current portion of bank borrowings due for repayment within one year	<b>99,457</b>	86,498
Non-current portion of bank borrowings subject to immediate demand repayment clause	<b>75,325</b>	82,311
	<b>174,782</b>	168,809
<b>Non-current liabilities</b>		
Between 1 year and 2 years	<b>40,714</b>	32,408
Between 2 years and 5 years	<b>24,913</b>	53,272
	<b>65,627</b>	85,680
Total interest-bearing bank borrowings	<b>240,409</b>	254,489
	<b>2019</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2018 <b>(Audited)</b> <i>HK\$'000</i>
– Unsecured	<b>176,683</b>	183,685
– Secured	<b>63,726</b>	70,804
	<b>240,409</b>	254,489

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

	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Audited) HK\$'000
Within one year	<b>99,457</b>	86,498
After one but within two years	<b>73,339</b>	74,394
After two but within five years	<b>67,613</b>	93,597
	<b>240,409</b>	254,489

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

	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Audited) HK\$'000
Hong Kong dollar	<b>156,725</b>	140,799
Renminbi	<b>83,684</b>	113,690
	<b>240,409</b>	254,489

*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 2019, none of covenants relating to the drawn down facilities had been breached (2018: 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 2019, total unsecured bank loans of approximately HK\$156,725,000 (unaudited) (2018 audited: HK\$140,799,000) payable by the Company in Hong Kong bore interest at variable rates ranging from 2.52% to 5.41% per annum in current year (2018: 2.23% to 5.09% per annum).

- (c) As at 31 December 2019, total unsecured bank loans of approximately HK\$19,958,000 (unaudited) (2018 audited: HK\$42,886,000) owed by the subsidiaries in the PRC, Yancheng NUHF Environmental Technology Limited\* and Xiangshui New Universe Environmental Technology Limited, bore interests at fixed rates ranging from 5.4% to 5.9% per annum in current year (2018: 5.0% to 5.9% per annum). The outstanding bank loans have been fully repaid subsequent to the year ended 31 December 2019.
- (d) As at 31 December 2019, total secured bank loans of approximately HK\$63,726,000 (unaudited) (2018 audited: HK\$70,804,000) owed by the subsidiaries in the PRC, Yancheng NUHF Environmental Technology Limited\* 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\$27,630,000 (unaudited) (2018 audited: HK\$28,842,000) and HK\$202,520,000 (unaudited) (2018 audited: HK\$216,829,000) respectively. The bank loans bore interest at fixed rate at 5.2% per annum in current year (2018: 5.0% to 5.2% per annum).
- (e) As at 31 December 2019, unsecured bank loans of HK\$82,000,000 (unaudited) (2018 audited: HK\$45,000,000) owed by the Company under banking facility letters granted by different banks contained 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 2019, Mr. XI Yu, through his direct beneficial interests in 83.66% of the issued share capital of New Universe Enterprises Limited (“NUEL”), indirectly owns approximately 36.54% (2018: 35.31%) of the total issued share capital of the Company.

Mr. XI Yu confirmed that he owns the direct beneficial interests in 83.66% of the issued share capital of NUEL, as such, he is deemed indirectly interested in the 1,109,303,201 shares (2018: 1,071,823,656 shares) of the Company beneficially held by NUEL, representing approximately 36.54% (2018: 35.31%) of the total issued share capital of the Company as at 31 December 2019 which remains unchanged up to the date of this results announcement.

\* For identification purpose only

## 14 TRADE AND BILLS PAYABLES

	<b>2019</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2018 (Audited) <i>HK\$'000</i>
Trade payables	<b>32,721</b>	10,254
Bills payable	<b>11</b>	–
	<b>32,732</b>	10,254

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

	<b>2019</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2018 (Audited) <i>HK\$'000</i>
0 to 30 days	<b>21,965</b>	6,606
31 days to 60 days	<b>3,350</b>	447
61 days to 90 days	<b>3,082</b>	242
Over 91 days	<b>4,324</b>	2,959
	<b>32,721</b>	10,254

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

## 15 EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors of the Company recommended a final dividend as disclosed in note 11(a).

## 16 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

## 17 APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited consolidated statement of financial position of the Company and its subsidiaries as of 31 December 2019, the related unaudited consolidated statement of profit or loss, the unaudited consolidated statement of profit or loss and other comprehensive income and the unaudited consolidated statement of changes in equity for the year then ended and the explanatory notes disclosed therein were agreed and approved by the Board on 23 March 2020.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

2019 was an unusual year for the Company and the Group. During the year, extended down-time of the hazardous waste disposal facilities of individual subsidiary has resulted in a drop of the Group's profit performance as compared to the previous years. The Group has input lots of effort to fine tune all hazardous waste handling facilities in current year working in line with the mission of the Chinese government to fight environmental pollution and to clean up the environment. The operations of the Group are mainly situated at Jiangsu Province, Mainland China, and the impact of the explosion accident occurred in March 2019 at a chemical plant in a chemical industry park in Xiangshui County, Yancheng, Jiangsu Province, has driven the Group to further strengthen the governance on environmental protection when running its hazardous waste related operations. In the first half of year, the Group's performance was mainly affected by the down-time for repairs and maintenance of the plant in Suqian, Jiangsu Province, and the subsidiary was finally granted the renewal of its hazardous waste operation license and resumed operation in September 2019. In the second half of year, all operations of the Group have basically resumed to normal.

### **UNAUDITED GROUP RESULTS**

For the year ended 31 December 2019, the Group's revenue increased by 20.6% to HK\$595,706,000 (unaudited), and the net profit dropped 17.7% to HK\$71,129,000 (unaudited) as compared to the previous year owing to increased operating costs.

For the year ended 31 December 2019, the profit attributable to owners of the Company was HK\$40,625,000 (unaudited) (2018 audited: HK\$74,386,000), a decrease of 45.4% from 2018. Total earnings per share attributable to the owners of the Company was HK\$0.0134 (unaudited) for the year ended 31 December 2019 (2018 audited: HK\$0.0245), a decrease of 45.3% from 2018.

Equity attributable to owners of the Company as at 31 December 2019 was HK\$911,528,000 (unaudited) (2018 audited: HK\$906,377,000). Cash and cash equivalents of the Group as at 31 December 2019 was HK\$267,393,000 (unaudited) (2018 audited: HK\$282,239,000).

### **Environmental Treatment and Disposal Services for Industrial and Medical Wastes**

For the year ended 31 December 2019, the Group had collected from external customers for treatment and disposal in aggregate of approximately 73,518 metric tons (2018: 64,972 metric tons) of hazardous industrial waste, 6,726 metric tons (2018: 7,649 metric tons) of regulated medical waste, and 3,929 metric tons (2018: 7,435 metric tons) of general industrial waste from various cities in Jiangsu Province, the PRC. For the year ended 31 December 2019, the total segment revenue from the provision of environmental treatment and disposal services for industrial and medical wastes was approximately HK\$457,450,000 (unaudited) (2018 audited: HK\$392,770,000) of which the revenue from treatment of hazardous industrial waste, medical waste and general industrial waste were HK\$418,664,000, HK\$31,118,000 and HK\$7,668,000 (unaudited) (2018 audited: HK\$351,853,000, HK\$34,473,000 and HK\$6,444,000) respectively. The Group also recorded an income from incineration engineering and maintenance services provided to external customers of HK\$31,792,000 (unaudited) in 2019 (2018 audited: Nil). The segment profit margin (pre-tax) was approximately 21.2% (2018: 32.0%).

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:

		<b>31 December 2019 Annual capacity metric tons</b>	31 December 2018 Annual capacity metric tons
Licensed hazardous waste incineration facilities	(i)	<b>138,400</b>	98,400
Licensed epidemic medical waste incineration facilities		<b>6,080</b>	6,080
Licensed epidemic medical waste detoxification treatment facilities		<b>3,300</b>	3,300
		<hr/>	<hr/>
Total licensed treatment and disposal facilities	(iii)	<b>147,780</b>	107,780
		<hr/> <hr/>	<hr/> <hr/>
Constructed hazardous waste landfill facilities pending issue of operating permission licence	(ii)	<b>18,000</b>	18,000
Constructed hazardous waste incineration facilities pending issue of operating permission licence	(i)	–	40,000
		<hr/>	<hr/>
Total constructed treatment and disposal facilities pending licences		<b>18,000</b>	58,000
		<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (i) Net increase in total incineration and disposal capacity in 2019 was mainly attributable to the renewal of hazardous waste operating permission licence being granted at the end of August 2019 for the facilities with an annual capacity of 40,000 metric tons located at Suqian, Jiangsu Province after the previous licence expired in November 2018.
- (ii) The hazardous waste operating permission licence for the hazardous waste landfill facilities with an annual capacity of 18,000 tons situated at Yancheng, Jiangsu Province, has expired in November 2017, and the renewal of the operation permission licence is subject to the completion of the environmental enhancement facilities which are under construction in progress at the end of the reporting period and is expected to be completed in 2020.
- (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 2019, total revenue from the segment of provision of environmental plating sewage treatment services and provision of related facilities and utilities in the eco-plating specialised zone situated at Zhenjiang, Jiangsu Province (the “Eco-plating Specialised Zone”) was approximately HK\$106,464,000 (unaudited) (2018 audited: HK\$101,162,000) and the segment profit margin (pre-tax) was approximately 3.2% (2018: 3.7%).

The Eco-plating Specialised Zone has a total land area of 181,757 square metres, on which, office building, factory buildings, and centralised filtering plants were built. The office building and various factory buildings were built with a total gross floor area of approximately 116,609 square metres, and portions of building facilities are leased to manufacturing clients which undertake their plating-related operations inside the Eco-plating Specialised Zone. The Group owns 22 factory buildings in the zone which are occupied by 43 manufacturing clients as at 31 December 2019. The Group operates a centralised plating sewage treatment plant, a centralised industrial sludge treatment plant and customised facilities equipped for all clients in the zone.

In 2019, the phase II of hazardous sewage filtering plant has started construction to enhance the centralised sewage and sledge treatment system of Eco-plating Specialised Zone, and it is expected that the phase II upgrading works would be completed in the second quarter of 2020.

As at 31 December 2019, the Group’s operations in the Eco-plating Specialised Zone were summarised as follows:

	<b>2019</b>	2018
Total gross floor area of factory buildings and facilities available for leasing (square metres)	<b>106,807</b>	103,277
Average utilisation rate of buildings and facilities	<b>84.5%</b>	88.1%
Plating sewage handled by the centralised sewage treatment plant (metric tons)	<b>478,396</b>	527,877
Average utilisation rate of sewage treatment capacity	<b>29.0%</b>	32.0%

## **Investments in Plastic Materials Dyeing Business**

The Group holds the equity interests in three manufacturing entities that principally engaged in plastic materials dyeing in Mainland China as equity investments. For the year ended 31 December 2019, 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 3.8%, 1.5% and 3.6% (2018: 3.3%, 1.6% and 3.0%) respectively.

For the year ended 31 December 2019, 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 2018 was approximately HK\$4,152,000 (unaudited) (2018 audited: HK\$4,266,000).

## **BUSINESS OUTLOOK**

During the year ended 31 December 2019, the Group has further optimised and enhanced the existing incineration facilities to ensure strict compliance with the national environmental regulations. The operations of the incineration facilities of the Group situated at Suqian, Jiangsu Province has been suspended between December 2018 to August 2019 to undertake repairs and maintenance in order to have its hazardous waste operating permit licence renewed at the end of August 2019 with an annual incineration capacity of 40,000 metric tons of industrial hazardous waste. In 2019, the Group has incurred certain administrative penalties imposed on incidental non-compliance cases in Mainland China. As a result, the Group decided to close down the old facilities located at Taixing, Jiangsu Province which were unable to meet the current environmental standards. The Group, with its key operations mainly located in Jiangsu Province, has not been significantly affected by the 3.21 Xiangshui explosion accident, but the case alerted the management of the Group to the enhancement of environmental governance of our plants, and the importance of strengthened enforcement and frequent site-inspection by the local environmental authorities to identify the non-compliance incidents. In line with the national direction to control the growth of chemical industry in Jiangsu Province, the Board decided to retreat from further investment in the hazardous waste treatment project situated in Yangzhou, Jiangsu Province. The subsidiary established has been de-registered in December 2019 without any adverse effect to the operations of the Group.

In 2019, the Company has set up a new management control team comprised of experienced senior staff of the Group stationed in Zhenjiang, Jiangsu Province to carrying out industrial site audit and centralised cash pooling management function for all subsidiaries carrying out environmental related operations in Mainland China. The Company and the whole Group are committed to upholding good compliance with the national environmental standards for all hazardous waste treatment plants operating in Mainland China.

As at 31 December 2019, the combined licensed capacity of the six key plants of Group for the collection, storage, detoxification treatment, incineration and disposal of hazardous industrial and medical waste in Mainland China was approximately 147,780 metric tons per annum (31 December 2018: 107,780 metric tons per annum). The existing clienteles of the Group include hospitals, medical organisations, clinics and manufacturing clients in different industrial sectors including chemicals, plastics, automotive, paper-making and plating in Mainland China. For the year ended 31 December 2019, the Group has carried out the phase II construction of the centralised sewage filtering plant for the Eco-plating Specialised Industrial Zone to enhance the capacity of filtering and cleaning up the industrial sewage discharge from the manufacturing clients in the zone. It is expected that after the completion of the phase II construction in the zone which would be deferred to the mid-2020, the utilization and occupancy rate in the zone will be increased.

Since 2017, the Group has invested in the 65% owned joint venture located in Liuzhou, Guangxi Province, for establishing a new integrated hazardous waste treatment facilities which is expected to be completed by the end of 2020 and open a new market to the Group in Guangxi Province, the PRC.

Although the Group has retreated from the investment for setting up new incineration facilities in Yangzhou, Jiangsu Province, the Group continues to focus on environmental related business and will explore opportunities prudently in a timely manner for business restructuring and industrial upgrade and to improve sustainable profitability. Barring any unforeseeable risks from the global and local economies and uncertainties arising from coronavirus outbreak that might affect the Group's environmental operations in Mainland China, the Group expects to deliver a reasonable results in the forthcoming year.

## FINANCIAL REVIEW

The summary of annual results for the year ended 31 December 2019 together with corresponding figures for 2018 is presented as follows:

### Summary of annual results

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

		Year ended 31 December		Change
		2019	2018	
		(Unaudited)	(Audited)	
	Note	HK\$'000	HK\$'000	%
Revenue from environmental waste treatment and disposal services	1	<b>489,242</b>	392,770	+24.6
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities		<b>106,464</b>	101,162	+5.2
Total Revenue	1	<b>595,706</b>	493,932	+20.6
Average gross profit margin (in percentage)	2	<b>33.9</b>	36.9	-8.1
Other revenue	3	<b>4,152</b>	4,266	-2.7
Other net income	4	<b>11,198</b>	18,512	-39.5
Distribution and selling expenses	5	<b>9,554</b>	9,987	-4.3
Administrative expenses	6	<b>54,172</b>	55,624	-2.6
Other operating expenses	7	<b>53,898</b>	21,752	+147.8
Impairment loss on or trade receivables		<b>4,469</b>	–	+100.0
Finance income	8	<b>2,517</b>	5,152	-51.1
Finance costs	9	<b>13,909</b>	14,302	-2.7
Share of results of associates	10	<b>6,826</b>	2,510	+172.0
Share of results of a joint venture	11	<b>(1,545)</b>	(820)	+88.4
Income tax	12	<b>17,744</b>	23,602	-24.8
Net profit for the year	13	<b>71,129</b>	86,426	-17.7
Profit attributable to owners of the Company	13	<b>40,625</b>	74,386	-45.4
Basic and diluted EPS attributable to owners of the Company (in HK cents)	14	<b>1.34</b>	2.45	-45.3
EBITDA	15	<b>173,057</b>	186,268	-7.1

## Summary of annual results

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

		1H 2019 (Unaudited) HK\$'000	2H 2019 (Unaudited) HK\$'000	Total 2019 (Unaudited) HK\$'000
	<i>Note</i>			
Revenue from environmental treatment of industrial and medical waste	1	207,208	282,034	489,242
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities		<u>50,833</u>	<u>55,631</u>	<u>106,464</u>
Total Revenue	1	<u>258,041</u>	<u>337,665</u>	<u>595,706</u>
Average gross profit margin (in percentage)	2	34.1	33.7	33.9
Other revenue	3	4,152	–	4,152
Other net income	4	6,546	4,652	11,198
Distribution and selling expenses	5	8,619	935	9,554
Administrative expenses	6	23,884	30,288	54,172
Other operating expenses	7	40,158	13,740	53,898
Impairment loss on trade receivables		2,347	2,122	4,469
Finance income	8	1,346	1,171	2,517
Finance costs	9	7,146	6,763	13,909
Share of results of associates	10	4,288	2,538	6,826
Share of results of a joint venture	11	(839)	(706)	(1,545)
Income tax	12	6,850	10,894	17,744
Net profit for the period	13	14,399	56,730	71,129
Profit attributable to owners of the Company	13	1,445	39,180	40,625
Basic and diluted EPS attributable to owners of the Company (in HK cents)	14	0.05	1.29	1.34
EBITDA	15	<u>64,390</u>	<u>108,667</u>	<u>173,057</u>

## Summary of annual results

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

	Note	1H 2018 (Audited) HK\$'000	2H 2018 (Audited) HK\$'000	Total 2018 (Audited) 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		<u>51,611</u>	<u>49,551</u>	<u>101,162</u>
Total Revenue	1	<u>249,115</u>	<u>244,817</u>	<u>493,932</u>
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	<u>97,160</u>	<u>89,108</u>	<u>186,268</u>

### Notes:

- Net increase in total revenue for the year ended 31 December 2019 was mainly attributable to the net increase in total quantities of industrial hazardous waste collected for innocuity treatment and disposal and the revenue for the incineration engineering works provided to external clients during the year.
- Decrease in gross profit margin of the Group for the year ended 31 December 2019 was mainly attributable to increase in direct costs for the newly built incineration facilities with clean energy being used.



3. Net decrease in other revenue for the year ended 31 December 2019 was mainly attributable to slightly decrease in dividends received from the equity investments in the current year.
4. Net decrease in other net income for the year ended 31 December 2019 was mainly attributable to no fair value gain being recognised to profit or loss in the current year.
5. Net decrease in distribution and selling expenses for the year ended 31 December 2019 was mainly attributable to decrease in market development expenses in the current year.
6. Net decrease in administrative expenses for the year ended 31 December 2019 was mainly attributable to the decrease in administrative staff costs in the current year.
7. Net increase in other operating expenses for the year ended 31 December 2019 was mainly attributable to increase in costs of litigation settlements on non-compliance incidents occurred in Mainland China, costs of land restoration and soil remediation of a obsolete plant, and costs of upkeeping the facilities and operations of the plant at Suqian, Jiangsu Province pending for the renewal of its hazardous waste operating permission licence in the current year.
8. Net decrease in finance income for the year ended 31 December 2019 was mainly attributable to the net loss on foreign exchange on financing activities of the Group in the current year.
9. Net decrease in finance costs for the year ended 31 December 2019 was mainly attributable to decrease in interests on reduced borrowings in the current year.
10. Net increase in profit shared from the associates for the year ended 31 December 2019 was mainly attributable to improvement of their operational performance in the current year.
11. Net results of loss shared from the newly established joint venture was attributable to share of its preliminary expenses in setting up the project located in Liuzhou, Guangxi, the PRC.
12. Net decrease in income tax for the year ended 31 December 2019 was mainly attributable to decrease in taxable profits generated from the operations of the Group in Mainland China in the current year.
13. For the year ended 31 December 2019, net decrease in net profit and decrease in profit attributable to owners of the Company were mainly attributable to:
  - (i) a net cost of approximately HK\$16.8 million (unaudited) incurred by the indirectly wholly owned subsidiary, Suqian New Universe Environmental Solid Waste Disposal Limited\*, which has suspended its operations for about eight months to undertake repairs and maintenance to upkeep its facilities in order to meet the requirement for renewal of hazardous waste operating permission licence in the current year;
  - (ii) the costs of litigation settlements and administrative penalties on non-compliance incidents in an aggregate amount of approximately HK\$14.0 million (unaudited) were incurred and provided for in the current year; and
  - (iii) the impairment loss on trade receivables of approximately HK\$4.5 million (unaudited) arisen from the closing down of certain customers in the current year.

\* For identification purpose only

14. Decrease in earnings per shares (“EPS”) was directly attributable to the decrease in net profit in 2019.
15. The Company uses the earnings for the reporting period before deduction of gross interest, taxation, depreciation and amortisation (“EBITDA”) to measure the operating results of the Group. Decrease in EBITDA for the year ended 31 December 2019 was mainly attributable to the decrease in net profit of the Group in the current year.

### Seasonality of operations

For the year ended 31 December 2019, the operation of providing environment treatment and disposal services for hazardous waste has encountered a relatively high demand for treatment services in the second half of the year.

For the year ended 31 December 2019, the environmental waste treatment and disposal services recorded a revenue of HK\$457,450,000 (unaudited) (2018 audited: HK\$392,770,000) and pre-tax profit of HK\$100,013,000 (unaudited) (2018 audited: HK\$125,633,000) with revenue of approximately 45.3% (2018: 50.3%) being accumulated in the first half of the year and approximately 54.7% (2018: 49.7%) being accumulated in the second half of the year. In first half of 2019, certain hazardous waste treatment facilities of the Group have extended its down-time for repairs and maintenance to meet the requirement for renewal of hazardous waste operating permission licences.

### Capital expenditure

For the year ended 31 December 2019, 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\$85,831,000 (unaudited) (2018 audited: HK\$89,121,000), (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\$13,693,000 (unaudited) (2018 audited: HK\$14,973,000), and (iii) for corporate use at the head office in Hong Kong being Nil (unaudited) (2018 audited: HK\$17,000).

### Commitments

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

	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Audited) HK\$'000
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	<b>57,188</b>	64,005
– Capital contribution to a joint venture	<b>25,435</b>	25,980
– Capital contribution to an equity investment	<b>15,976</b>	15,976
	<b>108,599</b>	105,961

## Liquidity, financial resources and gearing

For the year ended 31 December 2019, the Group financed its operations and investing activities with internally generated cash flows, banking facilities and other interest-bearing borrowings. The Group remained stable in its financial position with equity attributable to owners of the Company amounted to HK\$911,528,000 (unaudited) as at 31 December 2019 (31 December 2018 audited: HK\$906,377,000) and total assets amounted to HK\$1,618,570,000 (unaudited) as at 31 December 2019 (31 December 2018 audited: HK\$1,567,975,000).

The Company has not undertaken any equity fund raising activity within the past twelve months immediately prior to the date of this announcement (2018: Nil).

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

	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Audited) HK\$'000
(i) Cash and bank balances	<b>267,393</b>	282,239
(ii) Available unused unsecured banking facilities	<b>45,000</b>	82,870

## Key Performance indicators

- (a) The Group monitors its financial performance and earnings potential through EBITDA. EBITDA of the Group was HK\$173,057,000 (unaudited) for the year ended 31 December 2019 (2018 audited: HK\$186,268,000).

Reconciliation of consolidated net profit for the year to EBITDA is set out as follows:

	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Audited) HK\$'000
Profit for the year	<b>71,129</b>	86,426
Add:		
Depreciation on property, plant and equipment	<b>66,370</b>	58,384
Depreciation on right-of-use assets/ amortisation on prepaid lease payments for land use rights	<b>3,905</b>	3,554
Gross interest expenses	<b>13,909</b>	14,302
Income tax	<b>17,744</b>	23,602
EBITDA for the year	<b>173,057</b>	186,268

- (b) 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 approximately 165% for the year ended 31 December 2019 (2018: 157%).
- (c) 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 2019 (31 December 2018: 0.8 time). The current ratio being less than 1 as at 31 December 2019 was mainly attributable to the bank loans payable in or after 2021 amounted approximately to HK\$75,325,000 (unaudited) (31 December 2018 audited: bank loans payable in or after 2020 amounted approximately to HK\$82,311,000) 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 amounts.
- (d) The Group monitors its capital by reference to the gearing ratio. This ratio is calculated as total interest-bearing borrowings (including lease liabilities) divided by total equity. The gearing ratio at the end of the reporting period was as follows:

	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Audited) HK\$'000
Bank borrowings	<b>240,409</b>	254,489
Other borrowing	<b>25,000</b>	25,000
Considerations payable for acquisition of subsidiaries	<b>24,800</b>	49,600
Lease liabilities	<b>590</b>	–
	<hr/>	<hr/>
Total interest-bearing borrowings	<b>290,799</b>	329,089
	<hr/>	<hr/>
Total equity (inclusive of non-controlling interests)	<b>1,028,316</b>	1,010,529
	<hr/>	<hr/>
Gearing ratio	<b>28.3%</b>	32.6%
	<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 2019 compared to that as at 31 December 2018.

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

On 21 August 2019, the Group has entered into a termination of project investment agreement 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\*) to retreat from the investment on the proposed establishment of hazardous waste treatment and disposal facilities located in Yangzhou, Jiangsu Province, the PRC. The 100% indirectly owned subsidiary, 揚州揚宇固廢處置有限公司 (Yangzhou Yangyu Solid Waste Disposal Company Limited\*) ("YZYY") established under the original investment agreement was de-registered on 20 December 2019. Upon the de-registration of YZYY, the loss on disposal of the subsidiary in the amount of approximately HK\$236,000 (unaudited) was recognised in the profit or loss for the year ended 31 December 2019. There is no adverse financial and operational impact to the Group on the retreat of the investment and the disposal of the subsidiary.

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 2019.

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

According to the valuation report issued by an independent professional valuer, CBRE Limited ("CBRE") (2018: CBRE), 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 2019 were HK\$36,100,000, HK\$16,300,000 and HK\$44,900,000 (unaudited) (31 December 2018 audited: HK\$38,600,000, HK\$14,900,000 and HK\$38,700,000) respectively. The changes in fair value of the equity investments for the year end 31 December 2019 were recognised as other comprehensive income and accounted for in the investment revaluation reserve of the Group.

\* For identification purpose only

### Charges on assets

As at 31 December 2019, the following assets of the Group were pledged as collaterals for banking facilities granted by the current bankers and for other suppliers and clients of the Group:

	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Audited) HK\$'000
Carrying amount of collaterals:-		
Property, plant and equipment	<b>202,520</b>	239,390
Land use rights	<b>27,630</b>	38,022
Pledged bank deposits	<b>154</b>	–
	<b>230,304</b>	277,412
	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Audited) HK\$'000
Secured liabilities and guarantee issued:-		
Secured borrowings outstanding under the banking facilities	<b>63,726</b>	70,804
Bills payable to suppliers	<b>11</b>	–
Bank guarantee issued in favour of independent third parties	<b>143</b>	–
	<b>63,880</b>	70,804

### Contingent liabilities

There were no significant contingent liabilities of the Group as at 31 December 2019 (unaudited) (2018 audited: Nil).

## **Employee information**

As at 31 December 2019, the Group had 624 (2018: 647) full-time employees, of which 18 (2018: 21) were based in Hong Kong, and 606 (2018: 626) in Mainland China. For the year ended 31 December 2019, staff costs, including Directors' remuneration and amount capitalised as inventories was HK\$87,448,000 (unaudited) (2018 audited: HK\$90,785,000). 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 Mainland China and most of the Group's transactions, assets and liabilities are denominated in RMB. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK\$. Fluctuation of RMB against HK\$ is expected to be moderate 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 Mainland 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 Mainland 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 2019, 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 Mainland China amounted approximately to HK\$17,670,000 (unaudited) (2018 audited: HK\$42,527,000), 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 Mainland 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 PRC Government. The environmental business of the Group involving in collection, storage, incineration, landfill, treatment and final disposal of hazardous waste in Mainland 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 delayed and subject to the compliance with the PRC 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 PRC 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 has its own project management team and 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 Mainland 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 and to motivate the staff by implementation of the share option scheme of the Company.

## **CHANGE IN DIRECTORS' INFORMATION**

For the year ended 31 December 2019 and up to the date of this announcement, there were changes in Directors' information as follows:

- (a) Ms. ZHANG Ying resigned as the executive Director and a member of the executive committee of the Company with effect from 26 February 2019;
- (b) Ms. ZHANG Shuo was appointed as an executive Director and a member of the executive committee of the Company with effect from 26 February 2019;
- (c) Mr. XI Yu has increased his deemed interests in the issued share capital of the Company on 22 May 2019 from approximately 35.31% to approximately 36.54% through acquisition of 37,479,545 shares of the Company by NUEL, which Mr. XI Yu holds 83.66% of the issued shares of NUEL;

- (d) Mr. YUEN Kim Hung, Michael has resigned as independent non-executive director of a listed company in Hong Kong, Prosperity International Holdings (H.K.) Limited, with effect from 25 May 2019; and
- (e) Dr. CHAN Yan Cheong has retired as chair professor from the City University of Hong Kong with effect from 20 January 2020.

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 2018.

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

### **DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS**

As at 31 December 2019 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:

- (a) Mr. XI Yu and Ms. CHEUNG Siu Ling, the executive Directors, are also the directors of the landlord, Sun Ngai International Investment Limited ("Sun Ngai") to the tenancy agreement dated 16 July 2018 that was entered into by Smartech Services Limited ("Smartech Services", an indirectly 100% owned subsidiary of the Company) as tenant to lease three office units at Rooms 2109 and 2111, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong ("Office Premises") for the period from 1 August 2018 to 31 July 2019 at a monthly rental of HK\$80,000.
- (b) A renewed tenancy agreement dated 17 July 2019 was entered into between Sun Ngai as landlord and Smartech Services as tenant for leasing the Office Premises for the period from 1 August 2019 to 31 July 2020 at a monthly rental of HK\$80,000.
- (c) For the year ended 31 December 2019, total rentals paid by Smartech Services to Sun Ngai were HK\$960,000 (unaudited) (2018 audited: HK\$960,000).

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

Save as disclosed therein, no transaction, arrangement or contract of significance to which the Company, any of its holding company, subsidiaries, or fellow subsidiaries was a party and in which a Director 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 with effect from 9 June 2015, who has investments in four companies engaging in the operation of hazardous waste projects in four cities in Mainland 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 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 Listing Rules) which were discloseable in the reporting period or any time during the year.

## **LOAN AGREEMENTS WITH SPECIFIC PERFORMANCE COVENANTS**

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 utilisation 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, the PRC. As at 31 December 2019, the outstanding unsecured bank loan under Facility A was HK\$27,000,000 (2018: Nil).

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 utilisation date. The Facility B shall be used to finance the capital expenditure in relation to environmental operations of the Group. As at 31 December 2019, the outstanding unsecured bank loan under Facility B was HK\$15,000,000 (2018: Nil).

\* For identification purpose only

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 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 2019, the outstanding unsecured bank loan under Facility C was HK\$40,000,000 (2018: HK\$45,000,000).

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 Facility A, unless there is a default under the terms and conditions for Facility A, Bank A will not demand repayment of any amounts due under Facility A within 2 years from the date of the Facility Letter A. As for Facility C, unless there is a default under the terms and conditions for 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 on 15 December 2017.

As at 31 December 2019, Mr. XI Yu, through his beneficial interest in 83.66% of the issued share capital of NUEL, is deemed interested in 1,109,303,201 shares (2018: 1,071,832,656 shares) of the Company, representing 36.54% (2018: 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 of an obligation arises under Rule 13.18 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 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 2019.

## **CORPORATE GOVERNANCE**

During the year ended 31 December 2019, 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 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, starting 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 of the roles of Chairman and CEO on the same person has the benefit of ensuring consistent leadership within the Group and will enable the Company to make and implement decisions in a timely and efficient manner. 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 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 2019.

## **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 Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

## **PROPOSED FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HK\$0.0070 per share at a payout ratio of approximately 52.3% of the unaudited profit attributable to the owners of the Company for the year ended 31 December 2019, which is subject to the approval of the shareholders at the forthcoming annual general meeting ("AGM"). Upon shareholders' approval at the AGM (the Company will make further announcement of the date of the AGM once the date is being determined by the Board), the final dividend is expected to be payable on or about 31 July 2020 to shareholders whose names appear on the register of members on 10 July 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed for the purpose of ascertaining the entitlement of shareholders of the Company to the recommended final dividend from Wednesday, 8 July 2020 to Friday, 10 July 2020, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the recommended final dividend, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 July 2020.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to travel restrictions and quarantine policies to combat the coronavirus outbreak in Jiangsu Province, the PRC, where certain major subsidiaries of the Group are located. The unaudited annual results for the year ended 31 December 2019 presented herein have not been agreed with the Company's auditors. An announcement relating to the audited results will be made when the auditing process is completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results for the year ended 31 December 2019 contained herein have been reviewed by the audit committee of the Company.

## **FURTHER ANNOUNCEMENT(S)**

The Company will make further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming AGM will be held, (iii) the arrangement to ascertain shareholders' eligibility to attend and vote at the AGM, and (iv) any change in the arrangement as detailed herein under "Closure of Register of Members". In addition, the Company will make further announcement as and when necessary if there is other material development in relation to the completion of the auditing process.

**The financial information contained herein in respect of the annual results of the Group for the year ended 31 December 2019 have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 23 March 2020

*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>
Dr. CHAN Yan Cheong	<i>(Independent Non-executive Director)</i>
Mr. YUEN Kim Hung, Michael	<i>(Independent Non-executive Director)</i>
Mr. HO Yau Hong, Alfred	<i>(Independent Non-executive Director)</i>