New Universe Environmental Group Limited

新 宇 環 保 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 436)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS FOR THE YEAR 2020

- Consolidated revenue increased by 32.5% to HK$789,341,000.
- Consolidated profit attributable to owners of the Company increased by 83.6% to HK$74,576,000.
- Consolidated EBITDA increased by 21.3% to HK$209,958,000.
- Equity attributable to owners of the Company was HK$1,034,427,000 at 31 December 2020.
- Consolidated cash and cash equivalents amounted to HK$257,523,000 at 31 December 2020.
- Total earnings per share attributable to owners of the Company increased by 83.6% to HK cents 2.46.
- The Board resolved to declare a final dividend of HK cents 0.72 per share for the year ended 31 December 2020.

ANNUAL RESULTS 2020

The board (the "Board") of directors (the "Directors") of New Universe Environmental Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020, together with the comparative figures for 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2020

	Note	**2020** **HK$'000**	2019 *HK$'000*
Revenue	3(a)	**789,341**	595,706
Cost of sales		**(569,558)**	(393,979)
Gross profit		**219,783**	201,727
Other revenue	4	**4,107**	4,152
Other net income	5	**13,443**	11,198
Distribution costs		**(6,971)**	(9,554)
Administrative expenses		**(56,433)**	(54,172)
Impairment loss on assets classified as held for sale	12	**(12,636)**	–
Impairment loss on trade receivables		**(9,526)**	(4,469)
Impairment loss on other receivables		**–**	(235)
Other operating expenses	7	**(24,525)**	(53,663)
Operating profit		**127,242**	94,984
Finance income	6	**402**	2,517
Finance costs	6	**(9,564)**	(13,909)
Finance costs – net	6	**(9,162)**	(11,392)
Share of results of associates		**10,302**	6,826
Share of results of a joint venture		**(1,835)**	(1,545)
Profit before taxation	7	**126,547**	88,873
Income tax	8	**(24,501)**	(17,744)
Profit for the year		**102,046**	71,129
Attributable to:			
Owners of the Company		**74,576**	40,625
Non-controlling interests		**27,470**	30,504
		102,046	71,129
		HK cents	*HK cents*
Earnings per share			
Basic and diluted earnings per share	9	**2.46**	1.34

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**102,046**	71,129
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences		
– on translation of financial statements of overseas subsidiaries	**46,765**	(17,654)
– on translation of financial statements of overseas associates	**9,423**	(3,610)
– on translation of financial statements of an overseas joint venture	**2,592**	(513)
– release of translation reserve upon disposal of an overseas subsidiary	**(982)**	–
– release of translation reserve upon de-registration of an overseas subsidiary	**–**	(16)
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments at fair value through other comprehensive income (non-recycling)	**20,800**	5,100
Deferred tax effect relating to changes in fair value of equity investments	**(2,860)**	(620)
Other comprehensive income for the year, net of income tax	**75,738**	(17,313)
Total comprehensive income for the year	**177,784**	53,816
Attributable to:		
Owners of the Company	**143,548**	25,794
Non-controlling interests	**34,236**	28,022
	177,784	53,816

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	**2020**	2019
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**789,633**	776,848
Right-of-use assets		**129,640**	131,559
Goodwill		**33,000**	33,000
Interests in associates		**180,175**	169,137
Interest in a joint venture		**47,400**	23,123
Equity investments at fair value through other comprehensive income		**118,100**	97,300
		1,297,948	1,230,967
Current assets			
Inventories		**6,062**	4,283
Trade and bills receivables	11	**129,438**	89,021
Prepayments, deposits and other receivables		**25,176**	25,858
Contract assets		**1,534**	894
Pledged bank deposits		**12,511**	154
Cash and cash equivalents		**257,523**	267,393
		432,244	387,603
Assets classified as held for sale	12	**15,411**	–
		447,655	387,603
Current liabilities			
Bank borrowings	13	**178,905**	174,782
Other borrowing		**25,000**	–
Trade and bills payables	14	**66,315**	32,732
Accrued liabilities and other payables		**226,539**	196,733
Lease liabilities		**117**	451
Contract liabilities		**25,011**	25,103
Considerations payable for acquisition of subsidiaries		**–**	24,800
Deferred government grants		**1,106**	1,048
Income tax payable		**6,251**	4,112
		529,244	459,761
Net current liabilities		**(81,589)**	(72,158)
Total assets		**1,745,603**	1,618,570
Total assets less current liabilities		**1,216,359**	1,158,809

	Note	**2020**	2019
		HK$'000	*HK$'000*
Non-current liabilities			
Bank borrowings	13	**10,130**	65,627
Other borrowing		**–**	25,000
Lease liabilities		**30**	139
Deferred government grants		**5,327**	6,095
Deferred tax liabilities		**37,535**	33,632
		53,022	130,493
Total liabilities		**582,266**	590,254
Net assets		**1,163,337**	1,028,316
Capital and reserves			
Share capital	15	**30,357**	30,357
Reserves		**1,004,070**	881,171
Equity attributable to owners of the Company		**1,034,427**	911,528
Non-controlling interests		**128,910**	116,788
Total equity		**1,163,337**	1,028,316

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$") that is also the functional currency of the Company while the functional currency of the subsidiaries in the mainland of The People's Republic of China ("Mainland China" or the "PRC") is Renminbi ("RMB"). As the Company's shares are listed in Hong Kong where most of its investors are located, the Directors consider that it is more appropriate to present the consolidated financial statements in HK$.

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"). Significant accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

At 31 December 2020, the Group's current liabilities exceeded current assets by approximately HK$81,589,000 (2019: HK$72,158,000) which was mainly attributable to the non-current portions of long-term bank borrowings of approximately HK$57,700,000 (2019: HK$75,325,000). 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 2020 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.

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$257,523,000 as at 31 December 2020, (b) unused and available banking facilities of HK$55,960,000 at 31 December 2020, 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 2020 on a going concern basis.

The consolidated financial statements for the year ended 31 December 2020 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 financial statements is the historical cost basis except that the following:

- Equity investments – measured at fair value
- Assets classified as held for sale – measured at the lower of carrying amount and fair value less costs to sell

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of HKFRSs that may have significant effect on the financial statements and major sources of estimation uncertainty.

(c) Changes in accounting policies

In 2020, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatory effective for annual period beginning on after 1 January 2020 for the preparation of the consolidated financial statements.

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting year:

- Amendments to HKFRS 3, Definition of a Business
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions

Except for the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Group of similar identifiable assets.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

Disaggregation of revenue

Revenue represents the revenue from hazardous waste incineration and landfill services, environmental equipment construction and installation services, industrial sewage treatment services and providing related utilities and management services, and from providing factory facilities.

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Disaggregation by services lines		
– Revenue from hazardous waste incineration and landfill services	**601,211**	457,450
– Revenue from environmental equipment construction and installation services	**59,419**	31,792
– Revenue from industrial sewage treatment services and providing related utilities and management services	**101,095**	85,708
	761,725	574,950
Revenue from other sources		
– Leasing income from providing factory facilities	**27,616**	20,756
	789,341	595,706
Timing of revenue recognition in respect of contracts with customers		
– At a point in time	**601,211**	457,450
– Over time	**160,514**	117,500
	761,725	574,950

(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 four reportable segments. No operating segments have been aggregated to form the following reportable segments.

In 2020, the Group has re-organised its internal reporting structure that resulted in change of the reportable segments. Although the new segment recognised for the provision of environmental equipment construction and installation services does not fall within the quantitative thresholds required by HKFRS 8 to be recognised as a separate reportable segment, management has considered that the resources allocation to and the revenue and results contributed by that new segment are expected to significantly affect the performance of the Group in the future. Prior year segment disclosures have been re-presented to conform to the current year's presentation.

(i) provision of environmental treatment and disposal services for industrial and medical wastes;

(ii) provision of environmental equipment construction and installation services;

(iii) provision of environmental plating sewage treatment and provision of related facilities and utilities in an eco-plating specialised zone; and

(iv) 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:

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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 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 2020 and 2019 is set out below:

For the year ended 31 December 2020

	Operating segments						
	Environmental waste treatment and disposal *HK$'000*	**Environmental equipment construction and installation** *HK$'000*	**Environmental sewage treatment and facilities** *HK$'000*	**Plastic dyeing investments** *HK$'000*	**Segment sub-total** *HK$'000*	**Unallocated head office and corporate** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	601,211	59,419	128,711	–	789,341	–	789,341
Other revenue	–	–	–	4,107	4,107	–	4,107
Reportable segment revenue	601,211	59,419	128,711	4,107	793,448	–	793,448
Reportable segment results	127,778	(3,107)	17,209	3,889	145,769	–	145,769
Other net income	12,082	59	712	–	12,853	590	13,443
Finance income	354	34	(282)	210	316	86	402
Finance costs	(4,098)	(11)	(1,125)	–	(5,234)	(4,330)	(9,564)
Depreciation and amortisation	(55,497)	(560)	(17,626)	–	(73,683)	(164)	(73,847)
Impairment loss on assets classified as held for sale	(12,636)	–	–	–	(12,636)	–	(12,636)
Impairment loss on trade receivables	(10,330)	–	804	–	(9,526)	–	(9,526)
Reportable segment assets	1,220,941	43,221	320,688	118,757	1,703,607	41,996	1,745,603
Additions to non-current segment assets	44,731	–	27,172	–	71,903	6	71,909
Reportable segment liabilities	430,780	38,895	88,142	6,981	564,798	17,468	582,266

For the year ended 31 December 2019

	Operating segments						
	Environmental waste treatment and disposal *HK$'000*	Environmental equipment construction and installation *HK$'000*	Environmental sewage treatment and facilities *HK$'000*	Plastic dyeing investments *HK$'000*	Segment sub-total *HK$'000*	Unallocated head office and corporate *HK$'000*	Total *HK$'000*
Revenue from external customers	457,450	31,792	106,464	–	595,706	–	595,706
Other revenue	–	–	–	4,152	4,152	–	4,152
Reportable segment revenue	457,450	31,792	106,464	4,152	599,858	–	599,858
Reportable segment results	98,990	4,526	3,426	3,537	110,479	–	110,479
Other net income	10,302	308	588	–	11,198	–	11,198
Finance income	1,490	113	528	(244)	1,887	630	2,517
Finance costs	(6,730)	(29)	(1,076)	–	(7,835)	(6,074)	(13,909)
Depreciation and amortisation	(51,939)	(594)	(17,229)	–	(69,762)	(513)	(70,275)
Impairment loss on trade receivables	(735)	–	(3,734)	–	(4,469)	–	(4,469)
Impairment loss on other receivables	(235)	–	–	–	(235)	–	(235)
Reportable segment assets	1,117,646	13,723	293,839	97,834	1,523,042	95,528	1,618,570
Additions to non–current segment assets	85,692	139	13,693	–	99,524	–	99,524
Reportable segment liabilities	462,211	31,137	69,780	4,121	567,249	23,005	590,254

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

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Consolidated revenue	**789,341**	595,706
Elimination of inter-segment revenue	**–**	–
Other revenue	**4,107**	4,152
Reportable segment revenue	**793,448**	599,858
Profit or loss		
Reportable segment profit	**145,769**	110,479
Unallocated head office and corporate expenses, net	**(19,222)**	(21,606)
Consolidated profit before taxation	**126,547**	88,873
Assets		
Reportable segment assets	**1,703,607**	1,523,042
Unallocated head office and corporate assets	**41,996**	95,528
Consolidated total assets	**1,745,603**	1,618,570
Liabilities		
Reportable segment liabilities	**564,798**	567,249
Unallocated head office and corporate liabilities	**17,468**	23,005
Consolidated total liabilities	**582,266**	590,254

(e) Geographic information

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

(f) Major customers

Revenue of approximately HK$91,689,000 (2019: HK$49,703,000) representing 11.6% (2019: 8.3%) was derived from a single external customer for the year ended 31 December 2020, which was attributed to the segment of environmental waste treatment and disposal services.

Save as disclosed herein, there was no other major customer accounted for more than 10% of the total revenue of the Group for the years ended 31 December 2020 and 2019.

4. OTHER REVENUE

	2020	2019
	HK$'000	*HK$'000*
Dividend income from equity investments at fair value through other comprehensive income	**4,107**	4,152

5. OTHER NET INCOME

	2020	2019
	HK$'000	*HK$'000*
Refunds of Value-added tax *(note (i))*	**5,013**	8,299
Government grants *(note (ii))*	**1,641**	1,257
Release of deferred government grants	**1,077**	1,019
Gain on disposal of a subsidiary	**3,755**	–
Sundry income	**1,957**	623
	13,443	11,198

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") at 6% (2019: 13%) on invoiced income 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 grants received during the year ended 31 December 2020 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 grants. There is no assurance that the Group will continue to receive such grants in the future.

6. FINANCE INCOME AND COSTS

	2020	2019
	HK$'000	*HK$'000*
Finance income from:		
Interest income on short-term bank deposits	**3,177**	3,683
Net foreign exchange loss	**(2,775)**	(1,166)
Total finance income	**402**	2,517
Interest expenses on:		
Bank borrowings	**7,841**	11,531
Other borrowings	**1,957**	2,892
Lease liabilities	**21**	40
Less: interest expense capitalised into construction in progress *(note)*	**(255)**	(554)
Total finance costs	**9,564**	13,909
Net finance costs	**9,162**	11,392

Note:

The borrowing costs have been capitalised at a rate of 5.225% per annum (2019: 5.225%) for the bank borrowings specifically financing the construction of the hazardous waste landfill in the PRC.

7. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration:		
– audit service	**1,230**	1,230
– non-audit services	**170**	170
	1,400	1,400
Depreciation of property, plant and equipment	**69,915**	66,370
Depreciation of right-of-use assets	**3,932**	3,905
Operating lease charges: minimum lease payments		
– land and buildings in Hong Kong	**1,080**	1,080
– landfill in PRC	**115**	113
	1,195	1,193
Other operating expenses:		
Net loss on disposal of property, plant and equipment	**4,789**	1,433
Costs on litigation settlements and non-compliance incidents	**2,727**	13,978
Costs on land restoration and soil remediation of obsolete plant	**–**	3,249
Costs arising from temporary suspension of plants for repairs and maintenance	**–**	19,169
Loss on de-registration of a subsidiary	**–**	236
Legal and professional expenses	**5,132**	3,824
Research and development expenses	**7,389**	7,310
Other expenses	**4,488**	4,464
	24,525	53,663
Staff costs:		
– Directors' emoluments	**4,114**	4,085
– salaries, wages and other benefits of employees other than Directors	**84,110**	72,989
– contributions to retirement benefits schemes	**4,690**	10,374
– equity-settled share-based payment expenses	**601**	–
Total staff costs	**93,515**	87,448
Cost of sales *(note)*	**569,558**	393,979

Note:

Included in cost of sales were raw materials in the amount of HK$72,609,000 (2019: HK$62,369,000), water and electricity in the amount of HK$39,771,000 (2019: HK$33,393,000), staff costs of HK$41,711,000 (2019: HK$35,074,000), and depreciation of HK$67,687,000 (2019: HK$57,346,000), and of which staff costs and depreciation have already been included in the respective total amounts disclosed above.

8. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2020	2019
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**–**	–
PRC Corporate Income Tax	**19,756**	12,835
(Over)/under-provision in respect of prior years	**(126)**	370
PRC Dividend Withholding Tax	**3,828**	5,237
	23,458	18,442
Deferred tax		
PRC Dividend Withholding Tax	**(3,828)**	(5,237)
Origination and reversal of other temporary differences	**4,871**	4,539
	24,501	17,744

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgins Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgins Islands.

(ii) Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the years. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2020 and 2019.

(iii) The Company's subsidiaries in PRC are subject to a statutory Corporate Income Tax ("CIT") at the rate of 25% (2019: 25%), except for the subsidiaries which are qualified as the High and New Technology Enterprise in PRC that would be entitled to enjoy a preferential CIT at the rate of 15% (2019: 15%). Dividend distribution from subsidiaries in PRC to the holding companies in Hong Kong is subject to a reduced withholding tax rate of 5% (2019: 5%),

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the profit attributable to owners of the Company of HK$74,576,000 (2019: HK$40,625,000) and the weighted average number of 3,035,697,018 (2019: 3,035,697,018) ordinary shares of the Company in issue during the year.

(a) Profit attributable to owners of the Company

	2020	2019
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**74,576**	40,625

(b) Weighted average number of ordinary shares

	2020	2019
Ordinary shares in issue at 1 January and 31 December	**3,035,697,018**	3,035,697,018
Weighted average number of ordinary shares at 31 December	**3,035,697,018**	3,035,697,018

For the year ended 31 December 2020, no assumption is made for the exercise of share options because the exercise price of share options exceeded the average market prices of the Company's shares. For the year ended 31 December 2020, there was no dilutive ordinary shares in existence. Accordingly, diluted earnings per share is the same as basic earnings per share for both years.

10. DIVIDENDS

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

	2020	2019
	HK$'000	*HK$'000*
Final dividend proposed after the end of the reporting period of HK$0.0072 (2019: HK$0.0070) per share	**21,857**	21,250

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

	2020	2019
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.0070 (2019: HK$0.0068) per share	**21,250**	20,643

11. TRADE AND BILLS RECEIVABLES

(a) Ageing analysis

The ageing analysis of trade receivables (which comprised of customer account receivables and lease receivables) and bills receivables as of the end of the reporting period, based on the invoice date, is presented as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**60,502**	56,049
31 days to 60 days	**13,407**	22,719
61 days to 90 days	**11,092**	5,079
91 days to 180 days	**12,775**	4,205
181 days to 360 days	**31,662**	969
	129,438	89,021

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

(b) Impairment losses of customer account and lease receivables

Most of the debtors are local hospitals and reputable companies in the PRC. Based on past payment history, economic conditions and other forward looking information available, the management determined the lifetime expected credit loss (ECL) as at 31 December 2020.

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

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**4,469**	–
Impairment loss recognised	**10,752**	4,469
Reversal	**(1,226)**	–
Written off	**(21)**	–
Exchange adjustments	**455**	–
At 31 December	**14,429**	4,469

Receivables that were neither past due nor impaired relate to a wide range of independent customers and lessees for whom there was no recent history of default. Receivables that were past due but not impaired are related to a number of independent customers that have a good track record with the Group. The Group does not hold any collateral over these balances.

The Group uses a provision matrix to calculate lifetime ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of the customers. The provision matrix is initially based on the Group's historical observed bad debt rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical bad debt rates are adjusted. At each reporting date, the historical observed bad debt rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed bad debt rates, forecast economic conditions and lifetime ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual credit loss in the future.

12. ASSETS CLASSIFIED AS HELD FOR SALE

The major classes of assets classified as held for sale:

	HK$'000
At 1 January 2020	**–**
Reclassification from:	
– Property, plant and equipment	**25,697**
– Right-of-use assets	**1,945**
Impairment loss on assets classified as held for sale	**(12,636)**
Exchange adjustments	**405**
At 31 December 2020	**15,411**

On 16 June 2020, the Company's subsidiary, Yancheng New Universe Solid Waste Disposal Company Limited has entered into a demolition and relocation compensation agreement with the local authorities to dispose of the land and buildings situated at Yancheng, Jiangsu Province, the PRC at a total compensation of approximately RMB13,061,000 (or equivalent to HK$15,411,000) under an urban development plan promulgated by the local government. The disposal was not yet completed at the end of the reporting period.

Assets classified as held for sale with a carrying amount of HK$27,642,000 were written down to the consideration on disposal of HK$15,411,000, resulting in a loss of HK$12,636,000 which has been recognised in profit or loss for the year ended 31 December 2020.

13. BANK BORROWINGS

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

	2020	2019
	HK$'000	*HK$'000*
Current liabilities		
Current portion of bank borrowings due for repayment within one year	**121,205**	99,457
Non-current portion of bank borrowings subject to standard clause to demand for immediate repayment	**57,700**	75,325
	178,905	174,782
Non-current liabilities		
Between 1 year and 2 years	**10,130**	40,714
Between 2 years and 5 years	**–**	24,913
	10,130	65,627
Total interest-bearing bank borrowings	**189,035**	240,409

	2020	2019
	HK$'000	*HK$'000*
– Unsecured	**124,725**	176,683
– Secured	**64,310**	63,726
	189,035	240,409

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

	2020	2019
	HK$'000	*HK$'000*
Within one year	**121,205**	99,457
After one but within two years	**58,830**	73,339
After two but within five years	**9,000**	67,613
	189,035	240,409

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

	2020 *HK$'000*	2019 *HK$'000*
Hong Kong Dollar	**118,825**	156,725
Renminbi	**70,210**	83,684
	189,035	240,409

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, and 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 2020, none of covenants relating to the drawn down facilities had been breached (2019: 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 2020, total unsecured bank loans of approximately HK$118,825,000 (2019: HK$156,725,000) payable by the Company in Hong Kong bore interest at variable rates ranging from 1.62% to 5.41% per annum in current year (2019: 2.52% to 5.41% per annum).

(c) As at 31 December 2020, total unsecured bank loans of approximately HK$5,900,000 (2019: HK$19,958,000) payable by the subsidiaries in the PRC, bore interests at different fixed rates ranging from 3.8% to 5.9% per annum in current year (2019: 5.4% to 5.9% per annum).

(d) As at 31 December 2020, total secured bank loans of approximately HK$64,310,000 (2019: HK$63,726,000) owed by certain subsidiaries in the PRC were secured by pledge of land use rights and certain property, plant and equipment with an aggregate carrying amount of approximately HK$28,523,000 (2019: HK$27,630,000) and HK$114,782,000 (2019: HK$121,121,000) respectively. These bank loans bore interest at different fixed rates ranging from 4.4% to 5.2% per annum in current year (2019: 5.2% per annum).

(e) As at 31 December 2020, unsecured bank loans of HK$71,000,000 (2019: HK$82,000,000) owed by the Company under banking facility letters granted by different banks contained specific performance covenants. Pursuant to which, if Mr. XI Yu ("Mr. XI") 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.

(f) As at 31 December 2020, Mr. XI, through his direct beneficial interests in 83.66% of the issued share capital of New Universe Enterprises Limited ("NUEL"), indirectly owns approximately 36.54% (2019: 36.54%) of the total issued share capital of the Company.

Mr. XI 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 (2019: 1,109,303,201 shares) of the Company beneficially held by NUEL, representing approximately 36.54% (2019: 36.54%) of the total issued share capital of the Company as at 31 December 2020 which remains unchanged up to the date of this announcement.

14. TRADE AND BILLS PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**66,303**	32,721
Bills payable	**12**	11
	66,315	32,732

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

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**26,408**	21,965
31 days to 60 days	**18,510**	3,350
61 days to 90 days	**9,117**	3,082
Over 91 days	**12,268**	4,324
	66,303	32,721

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

15. SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	**2020**	2019
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised				
At 1 January and 31 December	**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid				
At 1 January and 31 December	**3,035,697**	3,035,697	**30,357**	30,357

As at 31 December 2020 the holders of ordinary shares are entitled to receive dividend to be declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

16. RELATED PARTY TRANSACTIONS

(a) List of related parties

For the years ended 31 December 2020 and 2019, the Directors are of the view that the following entities and persons are related parties to the Group:

Name of the related party	Relationship
NUEL	A shareholder beneficially interested in 36.54% (2019: 36.54%) of the issued share capital of the Company. The Company's Directors, Mr. XI and Ms. CHEUNG Siu Ling are also directors of NUEL.
Sun Ngai International Investment Limited ("Sun Ngai")	A company being 100% owned by New Universe Holdings Limited ("NUHL"). The Company's Director, Mr. XI and Ms. CHEUNG Siu Ling are also directors of Sun Ngai and NUHL.
Mr. XI Yu	A shareholder of NUEL beneficially interested in 83.66% of the issued share capital of NUEL. Mr. XI is also the director of NUEL, NUHL and Sun Ngai.
Ms. CHEUNG Siu Ling	A shareholder of NUEL beneficially interested in 6.07% of the issued share capital of NUEL. Ms. CHEUNG Siu Ling is also the director of NUEL, NUHL and Sun Ngai.
Zhenjiang Xin Qu Solid Waste Disposal Limited* ("Zhenjiang Xin Qu")	An associate of the Group, of which the Company holds an effective equity interest of 24.6%.
Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited* ("Xinyu Rongkai")	A joint venture of the Group, of which the Company, being one of the two joint venturers, holds an indirectly owned equity interest of 65% and shares joint control of the joint venture.

* *For identification purpose only*

(b) Transactions with related parties

	Note	**2020** **HK$'000**	2019 *HK$'000*
Revenue from environmental equipment construction and installation services			
– Xinyu Rongkai	(i)	**37,342**	–
Interest income			
– Xinyu Rongkai	(ii)	**34**	–
Rental expenses (included in the administrative expenses of the Group)			
– Sun Ngai	(iii)	**960**	960
Charges on hazardous waste landfill disposal (included in the cost of sales of the Group)			
– Zhenjiang Xin Qu	(iv)	**19,042**	17,944

Notes:

i. Under the joint venture agreement in relation to the establishment of Xinyu Rongkai for the purpose of setting up an integrated hazardous waste treatment centre, which includes an integrated hazardous waste treatment plant and a hazardous waste landfill site located at Liuzhou in Guangxi, PRC, the Group is entitled to designate contractor to be selected at prevailing market price for constructing the facilities of the joint venture and a wholly owned subsidiary of the Group was selected under a general contract bidding to become the contractor at the total contract sum of RMB48,980,000 (approximately HK$57,796,000) for the construction of the entire phase I incineration facilities. The total contract sum for construction of the phase I incinerator of the joint venture was determined and transacted on arm's length basis. The construction contract does not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

ii. Interest income were arisen on a temporary advance of RMB3,000,000 (approximately HK$3,447,000) from a subsidiary of the Group to Xinyu Rongkai bearing interest rate at 4.35% p.a. for the period from 10 September 2020 to 30 November 2020.

iii. Rental expenses were charged by Sun Ngai for leasing office premises of the Group in Hong Kong. The leases run for a period of one year and the monthly rent was determined in commensurate with the market rate. The tenancy agreements in respect of the rental expenses entered into between the wholly owned subsidiary of the Group, Smartech Services Limited ("Smartech Services") and Sun Ngai were de minimus transactions exempted under rule 14A.76(1)(a) of the Listing Rules.

iv. For the year ended 31 December 2020, the charges on hazardous waste landfill disposal paid by 5 (2019: 4) subsidiaries in PRC of the Group to Zhenjiang Xin Qu were made according to the contracted prices and conditions and subject to the compliance with the relevant administrative requirements promulgated by the National Pricing Bureau in PRC. These transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

The Directors are of the opinion that the above related parties transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business of the Group.

17. EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors recommended a final dividend as disclosed in note 10(a).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2020, all colleagues of Group have made a concerted effort to ensure all operations kept running in a stable manner and showed their courage and resilience to cope with the coronavirus epidemic adversity. In the first quarter of 2020, all operating activities of the Group in Mainland China have generally been impacted by the local epidemic prevention and control measures, though the environmental business of disposal services for industrial waste and medical waste resisted well in the epidemic crisis and all operations of the Group have successfully resumed quickly to normal after entering into the second quarter of the year. In the second half of 2020, the impact of COVID-19 pandemic to the Group was moderate, and the average level of the Group's operations in 2020 were well-recovered to overtake the performance in 2019.

For the year ended 31 December 2020, the Group's revenue increased by 32.5% to HK$789,341,000, and the net profit increased by 43.5% to HK$102,046,000 as compared to the previous year. Consolidated EBITDA in 2020 increased by 21.3% as compared to 2019.

For the year ended 31 December 2020, the profit attributable to owners of the Company was HK$74,576,000 (2019: HK$40,625,000), an increase of 83.6% from 2019. Total earnings per share attributable to the owners of the Company was HK$0.0246 for the year ended 31 December 2020 (2019: HK$0.0134), an increase of 83.6% from 2019.

Equity attributable to owners of the Company as at 31 December 2020 was HK$1,034,427,000 (2019: HK$911,528,000). Total bank borrowings of the Group as at 31 December 2020 was HK$189,035,000 (2019: HK$240,409,000). Cash and cash equivalents of the Group as at 31 December 2020 was HK$257,523,000 (2019: HK$267,393,000).

Environmental Treatment and Disposal Services for Industrial and Medical Wastes

For the year ended 31 December 2020, the Group had collected from external customers for treatment and disposal in aggregate of approximately 100,335 metric tons (2019: 73,518 metric tons) of hazardous industrial waste, 6,264 metric tons (2019: 6,726 metric tons) of regulated medical waste, and 3,443 metric tons (2019: 3,929 metric tons) of general industrial waste from various cities in Jiangsu Province, the PRC. For the year ended 31 December 2020, the total segment revenue from the provision of environmental treatment and disposal services for industrial and medical wastes was approximately HK$601,211,000 (2019: HK$457,450,000) of which the revenue from treatment of hazardous industrial waste, medical waste and general industrial waste were HK$555,701,000, HK$42,170,000 and HK$3,340,000 (2019: HK$418,664,000, HK$31,118,000 and HK$7,668,000) respectively.

The Group holds interests in two associates, with 30% equity interest in Zhenjiang Xin Qu and 30% equity interest in 南京化學工業園天宇固體廢物處置有限公司 (Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Limited) ("NCIP"), that principally engaged in the operations of providing environmental treatment and disposal of hazardous industrial waste services in Mainland China. The attributable results of Zhenjiang Xin Qu and NCIP are accounted for on equity method and classified under the operating segment of industrial and medical waste integrated treatment and disposal services. For the year ended 31 December 2020, the Group shared a net profit of HK$10,924,000 from Zhenjiang Xin Qu (2019: net profit of HK$8,754,000) and shared a net loss of HK$622,000 (2019: net loss of HK$1,928,000) from NCIP respectively.

The Group also holds 65% equity interest in a sino-foreign joint venture, Xinyu Rongkai, which is under construction to build incineration and landfill facilities to engage in providing environmental treatment and disposal services for hazardous industrial waste in Liuzhou, Guangxi Province, the PRC. The attributable results of Xinyu Rongkai is accounted for on equity method and classified under the operating segment of industrial and medical waste integrated treatment and disposal services. For the year ended 31 December 2020, the Group shared a net loss of HK$1,835,000 (2019: net loss of HK$1,545,000).

For the year ended 31 December 2020, the profit margin (pre-tax) of the Group's environmental treatment of industrial and medical waste services was approximately 21.3% (2019: 21.6%).

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:

	Note	**2020 Annual capacity metric tons**	2019 Annual capacity metric tons
Licensed hazardous waste incineration facilities		**138,400**	138,400
Licensed epidemic medical waste incineration facilities		**6,080**	6,080
Licensed epidemic medical waste detoxification treatment facilities		**3,300**	3,300
Total licensed treatment and disposal facilities	(i)	**147,780**	147,780
Constructed hazardous waste landfill facilities pending issue of operating permission licence	(ii)	**18,000**	18,000
Total constructed treatment and disposal facilities pending licences		**18,000**	18,000

Notes:

(i) 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.

(ii) The hazardous waste operating permission licence for the hazardous waste landfill facilities with an annual capacity of 18,000 metric tons situated at Yancheng, Jiangsu Province, the PRC, has expired in November 2017, and the application of renewal of the operation permission licence is subject to further governmental approval of enhancement construction works basically completed in 2020.

Environmental Equipment Construction and Installation Services

In the current year, the Company decided to disclose separately the performance of its wholly-owned engineering subsidiary which principally provides environmental equipment construction and installation services in the PRC. For the year ended 31 December 2020, the Group recorded a revenue from hazardous waste incineration facility engineering contract works provided to external customers and a joint venture in a total amount of HK$59,419,000 (2019: HK$31,792,000) and a loss (2019: a profit margin (pre-tax) of 14.2%) which was mainly due to certain engineering contract works have been deferred owing to the impact of COVID-19 pandemic in 2020.

Environmental Plating Sewage Treatment Services in Eco-plating Specialised Zone

For the year ended 31 December 2020, 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 PRC (the "Eco-plating Specialised Zone") was approximately HK$128,711,000 (2019: HK$106,464,000) and the segment profit margin (pre-tax) was approximately 13.4% (2019: 3.2%).

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 centralised sewage filtering and sludge treatment plants were built with a total gross floor area of 19,560 square metres, and factory buildings and facilities with a total gross area of 106,807 square metres and available for leasing 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 42 manufacturing clients as at 31 December 2020. 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. The phase II of hazardous sewage filtering plant was completed in 2020 which has enhanced the centralised sewage and sludge treatment system in zone.

As at 31 December 2020, the Group's operations in the Eco-plating Specialised Zone were summarised as follows:

	2020	2019
Total gross floor area of factory buildings and facilities available for leasing (square metres)	**106,807**	106,807
Average utilisation rate of buildings and facilities	**89.3%**	84.5%
Plating sewage handled by the centralised sewage treatment plant (metric tons)	**450,295**	478,396
Average utilisation rate of sewage treatment capacity	**27.3%**	29.0%

Investments in Plastic Materials Dyeing Business

The Group holds the equity interests in three manufacturing entities, which principally engaged in plastic materials dyeing in Mainland China, as equity investments. For the year ended 31 December 2020, 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 4.1%, 1.5% and 5.8% (2019: 3.8%, 1.5% and 3.6%) respectively.

For the year ended 31 December 2020, total dividend received by the Group (before PRC dividend withholding tax) in relation to the results of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei in previous year was approximately HK$4,107,000 (2019: HK$4,152,000).

BUSINESS OUTLOOK

During the year ended 31 December 2020, the operations of the Group have stayed resilient to the impact caused by the COVID-19 pandemic. The coronavirus epidemic did not affect much on the demand of hazardous waste disposal services when the operational activities of various industries have been slowing down, but it resulted in increased awareness of proper handling of hazardous waste in the local community. The Group has prepared to meet the challenge of possible interruption caused by the looming coronavirus epidemic. The Group has kept up the waste processing facilities and standards, and entering into 2021, the Group has well-prepared for ensuring licence renewal for certain subsidiaries would be granted on time with minimal downtime for necessary fine-tuning of the incineration facilities and hazardous waste management system to be required under the stricter compliance standards in recent years.

As at 31 December 2020, there was no significant change to the combined licensed capacity of the existing four key plants of Group for the collection, storage, detoxification treatment, incineration and disposal of hazardous industrial and medical waste in Mainland China with a maximum capacity of 147,780 metric tons per annum as compared to 2019. The existing capacity is expected to be more effectively utilised to cope with the changing demand of the hazardous waste collection market if all operation permit licences of the Group would be renewed on time. The centralised sewage filtering system in the Eco-plating Specialised Industrial Zone has been enhanced and worked well with the phase II sewage filtering plant completed in 2020, it is expected that the improved filtering facilities would benefit the existing clients in the zone and also motivate increase in utilisation with new clients entering the zone in foreseeable future.

In June 2020, the Group has provided a joint guarantee in favour of a joint venture for a bank loan facility up to RMB120,000,000 to finance the phase I construction of the integrated hazardous waste treatment facilities. The Company owns 65% indirectly equity interest in the joint venture which is located in Liuzhou, Guangxi Province, the PRC and it is expected that the hazardous waste treatment centre established by the joint venture would be put into operation in 2021.

The Group commits to uphold practices of corporate governance and especially environmental governance after experiencing the impact of coronavirus epidemic to the community and the economy of a country. 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 performance of its operations. Barring any unforeseeable risks from the global and local economies and uncertainties arising from coronavirus epidemic, the Group expects to continue to sustain its performance and deliver a reasonable results in the forthcoming year.

FINANCIAL REVIEW

The summary of annual results for the year ended 31 December 2020 together with corresponding figures for 2019 is presented as follows:

Summary of annual results

(Expressed in HK$'000 unless indicated otherwise)

		Year ended 31 December		
		2020	2019	**Change**
	Note	***HK$'000***	*HK$'000*	*%*
Revenue from environmental treatment and disposal services for industrial and medical wastes	1(a)	**601,211**	457,450	+31.4
Revenue from environmental equipment construction and installation services	1(b)	**59,419**	31,792	+86.9
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities	1(c)	**128,711**	106,464	+20.9
Total Revenue	1	**789,341**	595,706	+32.5
Average gross profit margin (in percentage)	2	**27.8**	33.9	-18.0
Other revenue	3	**4,107**	4,152	-1.1
Other net income	4	**13,443**	11,198	+20.0
Distribution costs	5	**6,971**	9,554	-27.0
Administrative expenses	6	**56,433**	54,172	+4.2
Other operating expenses	7	**24,525**	53,663	-54.3
Impairment loss on assets classified as held for sale	8	**12,636**	–	N/A
Impairment loss on trade receivables	9(a)	**9,526**	4,469	+113.2
Impairment loss on other receivables	9(b)	**–**	235	-100.0
Finance income	10	**402**	2,517	-84.0
Finance costs	11	**9,564**	13,909	-31.2
Share of results of associates	12	**10,302**	6,826	+50.9
Share of results of a joint venture	13	**(1,835)**	(1,545)	+18.8
Income tax	14	**24,501**	17,744	+38.1
Net profit for the year	15	**102,046**	71,129	+43.5
Profit attributable to owners of the Company	15	**74,576**	40,625	+83.6
Basic and diluted EPS attributable to owners of the Company (in HK cents)	16	**2.46**	1.34	+83.6
EBITDA	17	**209,958**	173,057	+21.3

Summary of annual results by semi-annual cycle

(Expressed in HK$'000 unless indicated otherwise)

	Note	**1H 2020** *HK$'000*	**2H 2020** *HK$'000*	**Total 2020** *HK$'000*
Revenue from environmental treatment and disposal services for industrial and medical wastes	1(a)	**305,862**	**295,349**	**601,211**
Revenue from environmental equipment construction and installation services	1(b)	**–**	**59,419**	**59,419**
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities	1(c)	**57,527**	**71,184**	**128,711**
Total Revenue	1	**363,389**	**425,952**	**789,341**
Average gross profit margin (in percentage)	2	**29.6**	**26.4**	**27.8**
Other revenue	3	**1,882**	**2,225**	**4,107**
Other net income	4	**5,835**	**7,608**	**13,443**
Distribution costs	5	**6,167**	**804**	**6,971**
Administrative expenses	6	**24,158**	**32,275**	**56,433**
Other operating expenses	7	**8,249**	**16,276**	**24,525**
Impairment loss on assets classified as held for sale	8	**12,242**	**394**	**12,636**
Impairment loss on trade receivables	9(a)	**1,826**	**7,700**	**9,526**
Finance income	10	**1,047**	**(645)**	**402**
Finance costs	11	**5,363**	**4,201**	**9,564**
Share of results of associates	12	**5,973**	**4,329**	**10,302**
Share of results of a joint venture	13	**(653)**	**(1,182)**	**(1,835)**
Income tax	14	**8,813**	**15,688**	**24,501**
Net profit for the period	15	**54,762**	**47,284**	**102,046**
Profit attributable to owners of the Company	15	**38,360**	**36,216**	**74,576**
Basic and diluted EPS attributable to owners of the Company (in HK cents)	16	**1.26**	**1.20**	**2.46**
EBITDA	17	**104,382**	**105,576**	**209,958**

	Note	1H 2019 *HK$'000*	2H 2019 *HK$'000*	Total 2019 *HK$'000*
Revenue from environmental treatment and disposal services for industrial and medical wastes	1(a)	207,208	250,242	457,450
Revenue from environmental equipment construction and installation services	1(b)	–	31,792	31,792
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities	1(c)	50,833	55,631	106,464
Total Revenue	1	258,041	337,665	595,706
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 costs	5	8,619	935	9,554
Administrative expenses	6	23,884	30,288	54,172
Other operating expenses	7	40,158	13,505	53,663
Impairment loss on trade receivables	9(a)	2,347	2,122	4,469
Impairment loss on other receivables	9(b)	–	235	235
Finance income	10	1,346	1,171	2,517
Finance costs	11	7,146	6,763	13,909
Share of results of associates	12	4,288	2,538	6,826
Share of results of a joint venture	13	(839)	(706)	(1,545)
Income tax	14	6,850	10,894	17,744
Net profit for the period	15	14,399	56,730	71,129
Profit attributable to owners of the Company	15	1,445	39,180	40,625
Basic and diluted EPS attributable to owners of the Company (in HK cents)	16	0.05	1.29	1.34
EBITDA	17	64,390	108,667	173,057

Notes:

1. Net increase in total revenue for the year ended 31 December 2020 was mainly attributable to:

   (a) all incineration facilities of the Group operated in a resilient manner to cope with the increasing market demand on hazardous waste collection during the current year;

   (b) the business activity of providing of environmental equipment construction and installation services has been disclosed separately from other environmental related operations of the Group in the current year, and figures in last year have been reclassified accordingly. Net increase in revenue from environmental equipment construction was mainly attributable to increase in revenue from contract works completed over 70% being recognised in the current year; and

   (c) the leasing and management fees for the Eco-plating Specialised Zone were reviewed and adjusted upward pursuant to the terms stipulated in the master agreements entered into with the customers of the zone.

2. Decrease in gross profit margin of the Group for the year ended 31 December 2020 was mainly attributable to increase in outsourcing landfill costs for disposal of secondary hazardous waste composed of post-incinerated residues and ashes produced during the incineration process.

3. Net decrease in other revenue for the year ended 31 December 2020 was mainly attributable to slightly decrease in net dividend received from the equity investments in the current year.

4. Net increase in other net income for the year ended 31 December 2020 was mainly attributable to the gain recognised on disposal of a subsidiary in the current year.

5. Net decrease in distribution costs for the year ended 31 December 2020 was mainly attributable to decrease in market development expenses caused by reduced market activities in the current year.

6. Net increase in administrative expenses for the year ended 31 December 2020 was mainly attributable to increase in equity-settled share-base payment costs recognised upon the grant of share options in the first half of the year and slight increase in year-end bonus.

7. Net decrease in other operating expenses for the year ended 31 December 2020 was mainly attributable to:

   (a) the one-off costs on litigation settlements in relation to various non-compliance incidents in 2019 did not recur in the current year; and

   (b) the repairs and maintenance costs incurred for the temporary suspension of a subsidiary and certain other specialised repairing costs in 2019 did not recur in the current year.

8. The impairment loss on assets classified as held for sale of approximately HK$12,636,000 recognised for the year ended 31 December 2020 was attributable to the expected loss on disposal of an obsolete plant with vacant land and buildings located at Yancheng, Jiangsu Province, the PRC after taking into account of the costs on land restoration and soil remediation for the site to comply with the national standards before vacant delivery of the land back to the local authorities for land expropriation under the urban development plan.

9. (a) Increase in impairment loss on trade receivables for the year ended 31 December 2020 was mainly attributable to the increase in expected credit loss on accounts receivable of the Group under appraisals in the current year.

   (b) There was no impairment to other receivables in the current year.

10. Net decrease in finance income for the year ended 31 December 2020 was mainly attributable to the net loss on foreign exchange on financing activities has offset the increase in interest income from cash deposits of the Group in the current year.

11. Net decrease in finance costs for the year ended 31 December 2020 was mainly attributable to decrease in interest-bearing borrowings in the current year.

12. Net increase in profit shared from the associates for the year ended 31 December 2020 was mainly attributable to improvement of operational performance of two associated companies in the current year.

13. Net results of loss shared from the joint venture was attributable to the share of the preliminary expenses before the joint venture being put into operations after completion of its integrated hazardous waste treatment centre located at Liuzhou, Guangxi Province, the PRC.

14. Net increase in income tax for the year ended 31 December 2020 was mainly attributable to increase in taxable profits generated from the key operations of the Group in Mainland China in the current year.

15. For the year ended 31 December 2020, net increase in net profit and increase in profit attributable to owners of the Company were mainly attributable to:

    (a) increase in revenue of the Group in the current year;

    (b) the one-off costs on litigation settlements in relation to various non-compliance incidents in 2019 did not recur in the current year; and

    (c) the repairs and maintenance costs incurred for the temporary suspension of a subsidiary and certain other specialised repairing costs in 2019 did not recur in the current year.

16. Increase in earnings per shares ("EPS") was directly attributable to the increase in net profit in 2020.

17. 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. Increase in EBITDA for the year ended 31 December 2020 was mainly attributable to the increase in net profit of the Group in the current year.

Seasonality of operations

For the year ended 31 December 2020, the operations of providing environmental treatment and disposal services for hazardous waste has encountered a relatively higher demand in the first half of the year.

For the year ended 31 December 2020, the environmental treatment and disposal services for hazardous waste recorded a revenue of HK$601,211,000 (2019: HK$457,450,000) and pre-tax profit of HK$127,778,000 (2019: HK$98,990,000) with revenue of approximately 50.9% (2019: 45.3%) being accumulated in the first half of the year and approximately 49.1% (2019: 54.7%) being accumulated in the second half of the year. In the first half of 2020, certain hazardous waste treatment facilities of the Group have experienced temporary down-time under the control measure to contain the spread of coronavirus epidemic. In the second half of 2020, the demand for hazardous waste disposal services has resumed normal.

Capital expenditure

For the year ended 31 December 2020, the Group incurred capital expenditure to increase property, plant and equipment and to acquire land use rights for the operating segment of (i) environmental waste treatment and disposal services for hazardous waste amounted to approximately HK$44,731,000 (2019: HK$85,692,000), (ii) environmental equipment construction and installation services amounted to Nil (2019: HK$139,000); and (iii) industrial sewage and sludge treatment and facility provision services in the Eco-plating Specialised Zone amounted to approximately HK$27,172,000 (2019: HK$13,693,000), and for corporate use at the head office in Hong Kong being HK$6,000 (2019: Nil).

Commitments

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

	2020 ***HK$'000***	2019 *HK$'000*
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	**15,359**	57,188
– Capital contribution to a joint venture	**–**	25,434
– Capital contribution to an equity investment	**15,771**	15,976

Liquidity, financial resources and gearing

(a) For the year ended 31 December 2020, the Group financed its operations and made payment of debts and liabilities due timely with internally generated cash flows, banking facilities and other borrowings.

(b) The Group remained stable in its financial position with equity attributable to owners of the Company amounted to approximately HK$1,034,427,000 as at 31 December 2020 (2019: HK$911,528,000) and consolidated total assets amounted to approximately HK$1,745,603,000 as at 31 December 2020 (2019: HK$1,618,570,000).

(c) The Company did not have any equity fund raising activity within the past twelve months immediately prior to the date of this announcement (2019: Nil).

(d) At the end of the reporting period, the Group had:

	2020	2019
	HK$'000	*HK$'000*
(i) Cash and bank balances	**257,523**	267,393
(ii) Available unused unsecured banking facilities	**55,960**	45,000

Key Performance indicators

(a) The Group monitors its financial and earnings performance through EBITDA. EBITDA of the Group was HK$209,958,000 for the year ended 31 December 2020 (2019: HK$173,057,000).

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

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**102,046**	71,129
Add:		
Depreciation on property, plant and equipment	**69,915**	66,370
Depreciation on right-of-use assets	**3,932**	3,905
Gross interest expenses	**9,564**	13,909
Income tax	**24,501**	17,744
EBITDA for the year	**209,958**	173,057

(b) The Company monitors its financial and earnings performance of the associates through EBITDA by cancelling the effects of the associates' capital, financing and tax entity structure. Set out below is the EBITDA of the associates of the Company for the two years ended 31 December 2020:

	2020	2019
	HK$'000	*HK$'000*
EBITDA of associates:		
Zhenjiang Xin Qu	**45,702**	38,153
NCIP	**21,433**	17,469

(c) 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 167% for the year ended 31 December 2020 (2019: 165%).

(d) 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 times as at 31 December 2020 (2019: 0.8 times). The current ratio being less than 1 as at 31 December 2020 was mainly attributable to the bank loans payable in or after 2022 amounted to approximately HK$57,700,000 (2019: bank loans payable in or after 2021 amounted to approximately HK$75,325,000) 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.

(e) 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:

	2020	2019
	HK$'000	*HK$'000*
Bank borrowings	**189,035**	240,409
Other borrowing	**25,000**	25,000
Considerations payable for acquisition of subsidiaries	**–**	24,800
Lease liabilities	**147**	590
Total interest-bearing borrowings	**214,182**	290,799
Total equity (inclusive of non-controlling interests)	**1,163,337**	1,028,316
Gearing ratio	**18.4%**	28.3%

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 2020 comparing to that as at 31 December 2019.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 12 October 2020, the Group as the vendor entered into a sale and purchase agreement with an independent third party as the purchaser in relation to the disposal of the entire equity interests owned by the Group in Taizhou New Universe Solid Waste Disposal Company Limited at a consideration of US$10 (approximately HK$78) (the "Disposal"). The Group recognised a net disposal gain of approximately HK$3,755,000 for the year ended 31 December 2020 and there was no adverse financial and operational impact to the Group for the Disposal. Completion of the Disposal took place on 29 October 2020.

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 2020.

Significant investments held and their performance

According to the valuation report issued by an independent professional valuer, CBRE Limited ("CBRE") (2019: 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 2020 were HK$33,700,000, HK$10,900,000 and HK$73,500,000 (31 December 2019: HK$36,100,000, HK$16,300,000 and HK$44,900,000) respectively. The changes in fair value of the equity investments for the year end 31 December 2020 were recognised as other comprehensive income and accounted for in the investment revaluation reserve of the Group.

Impairment testing on goodwill

Goodwill was recognised in a business combination completed in 2007 that composed of Zhenjiang New Universe Solid Waste Disposal Company Limited, Yancheng New Universe Solid Waste Disposal Company Limited, and Taizhou New Universe Solid Waste Disposal Company Limited being identified as a cash-generating unit. As at 31 December 2020, the assessment on the recoverable amount of this cash-generating unit after the disposal of the entity, Taizhou New Universe Solid Waste Disposal Company Limited, which is principally engaged in environmental waste treatment and disposal services in Zhenjiang, Jiangsu Province, the PRC, was determined with reference to the valuation report issued by CBRE (2019: CBRE), based on reasonable assumptions, including but not limited to the cash flows projection with a growth rate at 2% (2019: 2%) of that cash-generating unit operating at the licensed capacity, and the pre-tax discount rate of 17.85% (2019: 16.21%) which reflects the risks for the industries. No impairment loss to the goodwill was considered necessary for the two years ended 31 December 2020.

Impairment testing on interest in an associate, NCIP

As at 31 December 2020, the assessment on the recoverable amount of the Group's interest in NCIP, which is principally engaged in environmental waste treatment and disposal services in Nanjing, Jiangsu Province, the PRC was conducted with reference to the valuation report issued by CBRE (2019: CBRE), based on reasonable assumptions, including but not limited to the cash flows projection of NCIP with a growth rate at 2% (2019: 2%) of NCIP as cash-generating unit with its phase I and phase II incineration facilities both operating at the licensed capacity, and the pre-tax discount rate of 16.04% (2019: 14.89%) which reflects the risks for the business of NCIP. No impairment loss to the Group's interest in NCIP was considered necessary for the years ended 31 December 2020 and 2019.

Charges on assets

As at 31 December 2020, 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:

	2020	2019
	HK$'000	*HK$'000*
Carrying amount of collaterals:		
Property, plant and equipment	**114,782**	121,121
Land use rights	**28,523**	27,630
Pledged bank deposits	**12,511**	154
	155,816	148,905

	2020	2019
	HK$'000	*HK$'000*
Secured liabilities and guarantee issued:		
Secured borrowings outstanding under the bank facilities	**64,310**	63,726
Bills payable to suppliers	**12**	11
Bank guarantees issued in favour of independent third parties for undertaking contract works	**12,499**	143
	76,821	63,880

Contingent liabilities

There were no significant contingent liabilities of the Group as at 31 December 2020 (2019: Nil).

Employee information

As at 31 December 2020, the Group had 632 (2019: 624) full-time employees, of which 17 (2019: 18) were based in Hong Kong, and 615 (2019: 606) in Mainland China. For the year ended 31 December 2020, staff costs, including Directors' remuneration and amount capitalised as inventories was HK$93,515,000 (2019: HK$87,448,000). 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 continuous 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 2020, RMB appreciated on average relatively to the HK$ resulted in an overall upside exchange difference on translation from RMB to HK$ for the financial statements of the subsidiaries in Mainland China amounted approximately to HK$46,765,000 (2019: downside exchange difference of HK$17,654,000) that were recognised as other comprehensive income and accumulated separately in equity in the translation reserve of the Company, and a downside exchange difference of HK$982,000 arisen on disposal of a subsidiary in PRC (2019: downside exchange difference of HK$16,000 arisen on de-registration of a subsidiary in Mainland China) that was recognised to the profit or 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 outbreak of COVID-19 pandemic has started from early 2020 that has led to a series of precautionary and control measures implemented across Mainland China, and the operations of the Group located mainly in Jiangsu Province have not been significantly impacted. All operations of the Group have resumed normal since March 2020. As of the date of approval of this consolidated financial statements, the Directors consider that there is no material uncertainty as result of COVID-19 pandemic that casts a doubt on the Group's ability to carry on its business as a going concern in the next twelve months.

2. 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.

3. 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 continuous 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.

4. 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.

5. 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 risk management and internal control systems, or ineffectiveness of the internal control due to any defective critical point subsisted in the risk management and internal control systems 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.

6. 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.

7. 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 organisational 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 2020 and up to the date of this announcement, there were changes in Directors' information as follows:

(a) Mr. SONG Yu Qing resigned as the executive Director and a member of the executive committee with effect from 30 September 2020;

(b) Ms. XI Man Shan Erica was appointed as an executive Director and a member of the executive committee of the Company with effect from 1 October 2020; and

(c) Dr. CHAN Yan Cheong has retired from the City University of Hong Kong as chair professor 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 2019.

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

CHANGE IN INFORMATION OF MANAGEMENT

For the year ended 31 December 2020 and up to the date of this announcement, there was change in information of the key management team members of the Company since the date of last annual report of the Company for the year ended 31 December 2019 as follows:

Mr. DAI Bing Fu resigned as the general manager of Xiangshui New Universe Environmental Technology Limited and Yancheng NUHF Environmental Technology Limited* with effect from 31 December 2020.

* *For identification purpose only*

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

As at 31 December 2020 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 and Ms. CHEUNG Siu Ling, the executive Directors, are also the directors of the landlord, Sun Ngai to the tenancy agreement dated 17 July 2019 that was entered into by Smartech Services (an indirectly 100% owned subsidiary of the Company) as tenant to lease three office units at Rooms 2109 to 2111, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong (the "Office Premises") for the period from 1 August 2019 to 31 July 2020 at a monthly rental of HK$80,000.

(b) A renewed tenancy agreement dated 20 July 2020 was entered into between Sun Ngai as landlord and Smartech Services as tenant for leasing the Office Premises for the period from 1 August 2020 to 31 July 2021 at a monthly rental of HK$80,000.

(c) For the year ended 31 December 2020, total rentals paid by Smartech Services to Sun Ngai were HK$960,000 (2019: 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. The afore-mentioned tenancy agreements entered into between the wholly owned subsidiary of the Group, Smartech Services and Sun Ngai were de minimus transactions exempted under rule 14A.76(1)(a) of the Listing Rules.

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.

PROVISION OF GUARANTEES TO A AFFILIATED COMPANY

On 25 September 2020, the Company and the joint venturer, as the joint guarantors, entered into the guarantee agreement with a bank in the PRC to jointly guarantee the repayment obligations of Xinyu Rongkai (a 65% indirectly owned joint venture of the Company) in relation to the bank loan facilities in a total amount of RMB120,000,000 (approximately HK$141,600,000) and the guarantee will be effective until 31 December 2027, for the purpose of financing the construction of the integrated hazardous waste treatment project undertook by Xinyu Rongkai at Liuzhou, Guangxi Province, the PRC.

As at 31 December 2020, such banking facilities guaranteed by the Company was utilised to the extent of RMB35,040,000 (approximately HK$41,347,000) which is repayable on 31 December 2025 and bearing interest at 4.75% per annum.

The following table summarised the financial information relating to the Group's joint venture at the end of the reporting period, as adjusted for the differences in accounting policies and financial reporting standards, if any, and as reconciled to the carrying amounts in the consolidated financial statements.

	For the year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Gross amounts of the joint venture's		
Non-current assets	**110,235**	23,548
Current assets	**10,046**	17,554
Current liabilities	**(2,987)**	(5,528)
Non-current liabilities	**(41,347)**	–
Equity	**75,947**	35,574
The Group's attributable interest in the joint venture		
Gross amount of net assets of the joint venture	**75,947**	35,574
The Group's share of net assets of the joint venture	**49,365**	23,123
Unrealised gain eliminated on consolidation	**(1,965)**	–
Carrying amount of net assets of the joint venture	**47,400**	23,123

LOAN AGREEMENTS WITH SPECIFIC PERFORMANCE COVENANT

On 17 August 2018, the Company accepted a banking facility letter dated 28 June 2018 (the "Facility Letter A") issued by a bank ("Bank A") in Hong Kong. Pursuant to the Facility Letter A, Bank A granted an unsecured term loan facility of up to HK$30,000,000 (the "Facility A") to the Company. The final maturity date of the Facility A will be in July 2023. 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 Xinyu Rongkai. As at 31 December 2020, the outstanding unsecured bank loan under the Facility A was HK$21,000,000 (2019: HK$27,000,000).

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 the Facility B will be in January 2022. The Facility B shall be used to finance the capital expenditure in relation to the environmental operations of the Group. As at 31 December 2020, the outstanding unsecured bank loan under Facility B was HK$15,000,000 (2019: HK$15,000,000).

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 will be in December 2022. 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 2020, the outstanding unsecured bank loan under Facility C was HK$35,000,000 (2019: HK$40,000,000).

Pursuant to each of the facility letters A, B, and C, if Mr. XI (being defined as the "Controlling Shareholder" in the facility letters) (i) ceases to be directly or indirectly the single largest Shareholder; (ii) ceases to own directly or indirectly at least 30% of the issued shares with voting rights of the Company; or (iii) ceases to have the management control over the Company, the banks reserve their respective overriding rights at any time with immediate effect to cancel or vary the terms of the facility letters, demand immediate repayment of all outstanding amounts and require provision of immediate cash cover (in the amount notified by the banks) for any future or contingent liabilities upon the occurrence of any events of default.

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

As at 31 December 2020, Mr. XI, through his beneficial interest in 83.66% of the issued share capital of NUEL, is deemed interested in 1,109,303,201 shares (2019: 1,109,303,201 shares) of the Company, representing 36.54% (2019: 36.54%) 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 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 2020.

CORPORATE GOVERNANCE

(a) During the year ended 31 December 2020, 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.

(b) 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. With effect 16 October 2018, Mr. XI, chairman of the Board ("Chairman") has assumed the role of both Chairman and chief executive officer of the Company ("CEO"). 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 facilitate the execution of the Group's business strategies and maximises 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.

DIRECTORS' SECURITIES TRANSACTIONS

(a) 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.

(b) 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 2020.

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.

Each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred has served as the Company's independent non-executive Director for more than 9 years. Pursuant to the code provision A.4.3 set out in the Appendix 14 of the Listing Rules, the further appointment of each of them should be subject to a separate resolution to be approved by the shareholders at the annual general meeting. The Board considers each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred to be independent.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has reviewed with the management the consolidated financial statements of the Company for the year ended 31 December 2020.

INDEPENDENT REVIEW

This preliminary announcement of the Company's consolidated results for the year ended 31 December 2020 has been reviewed by and agreed with the Company's independent auditor, Crowe (HK) CPA Limited.

PROPOSED FINAL DIVIDEND

Final Dividend

On 23 March 2021, the Board recommended the payment of a final dividend of HK$0.0072 per share at a payout ratio of approximately 29.3% of the profit attributable to the owners of the Company for the year ended 31 December 2020, which is subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM"). Upon shareholders' approval at the AGM, the final dividend is expected to be payable on or about 30 July 2021 to shareholders whose names appear on the register of members on 9 July 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will not be closed for the purpose of ascertaining the right of shareholders to attend and vote at the forthcoming Annual General Meeting to be held on Friday, 18 June 2021. However, in order to qualify for attending and voting at the forthcoming Annual General Meeting, all transfers documents accompanied by the relevant share certificates must be deposited with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 June 2021.

The register of members of the Company will be closed for the purpose of ascertaining the entitlement of shareholders to the proposed final dividend at the Annual General Meeting from Tuesday, 6 July 2021 to Friday, 9 July 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend (subject to the approval of shareholders at the Annual General Meeting), all transfers documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 5 July 2021.

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

This announcement is published on the website of the Company (www.nuigl.com) and the Stock Exchange (www.hkexnews.hk). The Company's annual report 2020, containing all the information required by Appendix 16 of the Main Board Listing Rules, will be dispatched to shareholders and made available on the above websites in due course.

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

Hong Kong, 23 March 2021

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

Mr. XI Yu	*(Chairman, Chief Executive Officer and Executive Director)*
Ms. CHEUNG Siu Ling	*(Executive Director)*
Ms. XI Man Shan Erica	*(Executive Director)*
Ms. ZHANG Shuo	*(Executive Director)*
Ms. LIU Yu Jie	*(Executive Director)*
Mr. HON Wa Fai	*(Executive Director)*
Dr. CHAN Yan Cheong	*(Independent Non-executive Director)*
Mr. YUEN Kim Hung, Michael	*(Independent Non-executive Director)*
Mr. HO Yau Hong, Alfred	*(Independent Non-executive Director)*