New Universe Environmental Group Limited

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

Annual Report 2016

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Corporate Information

PLACE OF INCORPORATION
Cayman Islands

BOARD OF DIRECTORS
Executive Directors
Mr. XI Yu (Chairman) [1#]
Mr. SONG Yu Qing (CEO) [1#]
Ms. CHEUNG Siu Ling [1]
Mr. LIAO Feng [1]
Ms. LIU Yu Jie [1]
Mr. HON Wa Fai [1]

Independent Non-Executive Directors
Dr. CHAN Yan Cheong [2, 3, 4, 5]
Mr. YUEN Kim Hung, Michael [2, 3, 4, 6]
Mr. HO Yau Hong, Alfred [2, 3, 4, 7]

1 Member of Executive Committee
2 Member of Audit Committee
3 Member of Nomination Committee
4 Member of Remuneration Committee
5 Chairman of Audit Committee
6 Chairman of Nomination Committee
7 Chairman of Remuneration Committee

AUTHORISED REPRESENTATIVES
Ms. CHEUNG Siu Ling
Mr. HON Wa Fai

COMPLIANCE OFFICER
Ms. CHEUNG Siu Ling

COMPANY SECRETARY
Mr. HON Wa Fai

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Rooms 2110-2112
Telford House
16 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICES
Principal
Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch
Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISORS
As to Cayman Islands Laws
Conyers Dill & Pearman (Cayman) Limited

As to Hong Kong Laws
Troutman Sanders

As to PRC Laws
Beijing Sinobridge PRC Lawyers

FINANCIAL ADVISORS
OCTAL Capital Limited

INDEPENDENT AUDITOR
Crowe Horwath (HK) CPA Limited

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications Co., Ltd., Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited

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

Stock Code
00436

Board Lot
20,000 shares

WEBSITE
www.nuigl.com

Notes:

Mr. XI Yu was appointed as chairman of the board and executive director of the Company with effect from 11 April 2016.

Mr. SONG Yu Qing resigned as the chairman of the board with effect from 11 April 2016 and continued to act as the executive director and chief executive officer of the Company.

Contents

Chairman's Statement

I am pleased to present the audited consolidated results of New Universe Environmental Group Limited (the "Company", formerly known as New Universe International Group Limited) and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

In 2016, the Group sustained growth on both revenue and profitability as compared to previous years. For the year ended 31 December 2016, total reportable segment revenue of the Group was HK$323,237,000 (2015: HK$286,315,000) with a year-on-year increase of 12.9% (2015: 10.9%). Total reportable segment revenue from the provision of industrial and medical waste treatment services was HK$219,348,000 (2015: HK$185,127,000) with a year-on-year increase of 18.5% (2015: 8.1%). Total reportable segment revenue from the provision of industrial sewage and sludge treatment and facility services in the eco-plating specialised zone was HK$99,690,000 (2015: HK$96,661,000) with a year-on-year increase of 3.1% (2015: 17.0%). The overall profit margin (pre-tax) of the Group's reportable segment results in 2016 was approximately 34.7% (2015: 29.6%).

For the year ended 31 December 2016, the profit attributable to owners of the Company was HK$61,947,000 (2015: HK$44,336,000), an increase of 39.7% from 2015. Total earnings per share attributable to the owners of the Company was HK$0.0210 for the year ended 31 December 2016 (2015: HK$0.0153), an increase of 37.3% from 2015.

Equity attributable to owners of the Company as at 31 December 2016 was HK$687,285,000 (2015: HK$688,853,000). Cash and cash equivalents of the Group as at 31 December 2016 was HK$171,589,000 (2015: HK$175,805,000).

Final Dividend

The board of Directors of the Company ("Board") recommends the payment of a final dividend of HK$0.006 per share at a payout ratio of approximately 28.6% of the profit attributable to the owners of the Company for the year ended 31 December 2016, which is subject to the approval of the shareholders at the forthcoming annual general meeting. Upon shareholders' approval, the final dividend is expected to be payable on or about 28 July 2017 to shareholders whose names appear on the register of members on 28 June 2017.

CHAIRMAN'S STATEMENT

Looking Ahead

Entering 2017, we see possible downside trends in the forthcoming future, though we trust China will still sustain economic growth and continue to keep its role as one of the leading manufacturing countries in the world. We also see the provincial government in China will continue its effort on the control of industrial hazardous waste and the reduction of any pollution to the vulnerable environment of the country. In 2016, we confined our effort to the environmental operations in Jiangsu Province and the province has been ranked the second largest industrial hazardous waste producer amongst other provinces in the country. Being one of the environmental protection service providers in China, and especially in Jiangsu Province, the Group will continue to focus on sustainable long-term growth of our environmental related business, and leverage on our customer networks in Jiangsu Province and the surrounding area in China. The Group will explore for the opportunity of any reasonable investments including but not limited to enhance steadily our capacity of handling hazardous waste and to contribute our efforts to the environmental protection in China. With the united effort of all staff and stakeholders of our Group, we expect the Company will continue to increase shareholders' returns by delivering better results in the coming year.

Our Acknowledgment

I would like to express my gratitude to our shareholders, our business partners, customers, suppliers and financiers for their continuous support to the Group. My thanks also extend to the management team and all colleagues of the Group for their efforts contributed to the successful transfer the listing of the Company's shares from GEM to the Main Board in Hong Kong and their dedication to our growth in 2016.

XI Yu
Chairman

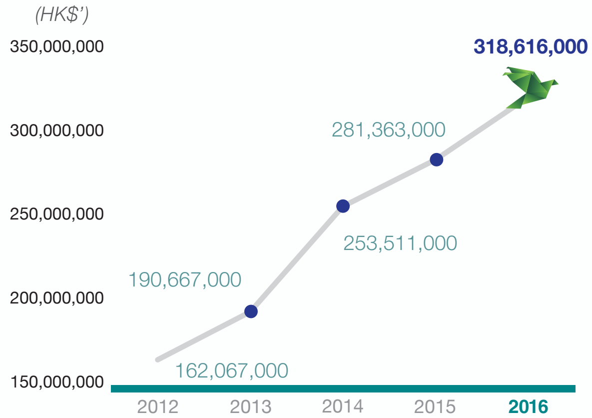
Hong Kong, 28 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

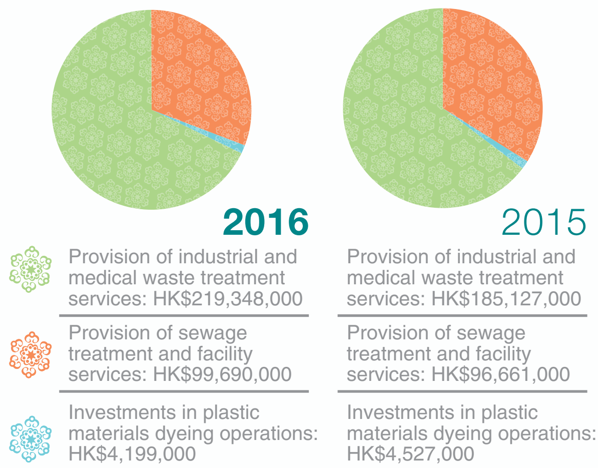
- **Group revenue up 13.2% to HK$318,616,000.**
- **Profit attributable to owners of the Company up 39.7% to HK$61,947,000.**
- **Equity attributable to owners of the Company was HK$687,285,000 at 31 December 2016.**
- **Cash and cash equivalents of the Group amounted to HK$171,589,000 at 31 December 2016.**
- **Total earnings per share attributable to owners of the Company up 37.3% to HK cents 2.10.**
- **The Board resolved to declare a final dividend of HK cents 0.60 per share for the year ended 31 December 2016.**

5-Year Group Revenue*

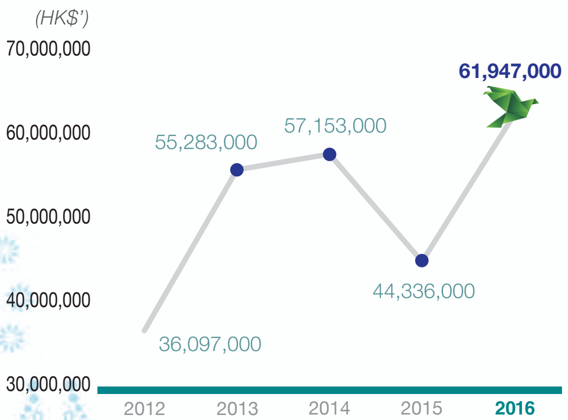


* *Group revenue represents the consolidated revenue from all environmental related operations of the Group but excluding other revenue and other net income.*

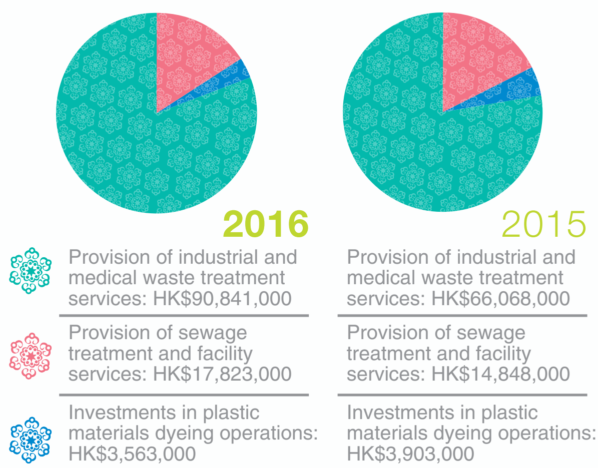
Segment Revenue



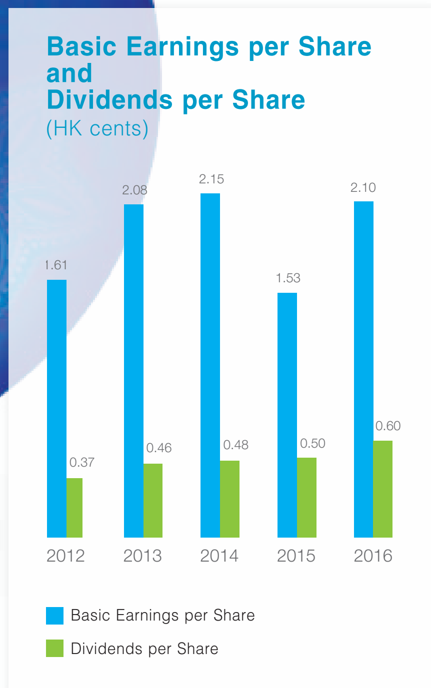
5-Year Profit Attributable to Owners of Company



Segment Results



MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

Environmental Industrial and Medical Waste Integrated Treatment Services

For the year ended 31 December 2016, the Group had collected for treatment in aggregate of approximately 34,985 metric tons (2015: 32,509 metric tons) of hazardous industrial waste, 6,426 metric tons (2015: 5,522 metric tons) of regulated medical waste, and 2,367 metric tons (2015: 1,941 metric tons) of general industrial waste from various cities in Jiangsu Province of China. For the year ended 31 December 2016, the total revenue of the Group's operations of providing environmental waste integrated treatment services was approximately HK$218,926,000 (2015: HK$184,702,000) of which the revenue from treatment of hazardous industrial waste, medical waste and general industrial waste were HK$189,407,000, HK$27,917,000 and HK$1,602,000 (2015: HK$155,918,000, HK$27,074,000 and HK$1,710,000) respectively. The segment profit margin (pre-tax) of the Group's environmental waste integrated treatment services was approximately 41.4% in current year (2015: 35.7%).

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Note	**31 December 2016 Annual capacity metric tons**	31 December 2015 Annual capacity metric tons
Licensed hazardous waste incineration facilities	(i)	**45,200**	42,900
Licensed epidemic medical waste incineration facilities		**8,000**	8,000
Licensed hazardous waste landfill facilities	(ii)	**18,000**	–
Total licensed treatment and disposal facilities	(iii)	**71,200**	50,900
Constructed hazardous waste incineration facilities pending operating permission licence		**–**	9,600
Constructed hazardous waste landfill facilities pending operating permission licence		**–**	18,000
Constructed medical waste treatment facilities pending operating permission licence		**5,940**	2,640
Total constructed treatment and disposal facilities pending licences		**5,940**	30,240
New incineration facilities under construction		**72,600**	–
New incineration facilities planned to start construction within one year		**33,000**	33,000
New facilities for medical waste treatment planned to start construction within one year		**–**	3,300
New facilities under construction or to be constructed		**105,600**	36,300

Notes:

(i) Certain incineration facilities with annual capacity of approximately 7,300 metric tons as of 31 December 2015 have ceased or been demolished for modification or reconstruction during the year 2016.

(ii) The hazardous waste operating permission licence for the hazardous waste landfill facilities located in Yancheng, Jiangsu Province, China, was granted by the Environmental Protection Bureau of Yancheng City in December 2016.

(iii) The total capacity of the licensed treatment facilities represents the total effective treatment capacity of hazardous waste allowable to handle under valid operating permission licences owned by the Group as at the end of the reporting period calculated on annualised basis.

Environmental Industrial Sewage Treatment Services in Eco-plating Specialised Zone

For the year ended 31 December 2016, total revenue of the Group's operations of providing environmental industrial sewage and sludge treatment services and providing facilities to the manufacturers in the eco-plating specialised industrial zone was approximately HK$99,690,000 (2015: HK$96,661,000) and the segment profit margin (pre–tax) was approximately 17.9% (2015: 15.4%).

In the Eco-plating Specialised Zone with land area of approximately 180,000 square metres, the Group owns 22 factory buildings that are leased by over 50 manufacturing clients engaging in plating operations. 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.

As at 31 December 2016, the Group's operations in the eco-plating specialised industrial zone were summarised as follows:

	2016	2015
Total gross floor area of factory buildings and facilities built (square metres)	**106,605**	106,577
Average utilisation rate of buildings and facilities	**89.7%**	87.0%
Plating sewage handled by the centralised sewage treatment plant (metric tons)	**738,166**	592,180
Average utilisation rate of sewage treatment capacity	**44.7%**	35.9%

Strategic Investments in Plastic Materials Dyeing Operations

The Group holds the equity interests in three manufacturing entities that principally engaged in plastic materials dyeing in Mainland China as strategic equity investments. For the year ended 31 December 2016, 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 1.0%, 2.6% and 4.3% (2015: 4.7%, 2.4% and 3.8%) respectively.

For the year ended 31 December 2016, total dividend received by the Group (before PRC dividend tax) in relation to the results of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei in 2015 was approximately HK$4,199,000 (2015: HK$4,527,000 in relation to the results in 2014).

Change of Company Name and Stock Short Name

On 12 April 2016, the Board announced the proposal for the change of name of the Company. On 6 May 2016, the special resolution for change of the Company's name was duly passed by the shareholders of the Company at the extraordinary general meeting. The English name of the Company, which has been changed from "New Universe International Group Limited" to "New Universe Environmental Group Limited", and the dual foreign name in Chinese "新宇環保集團有限公司", which has been adopted to replace the previous Chinese name "新宇國際實業(集團)有限公司*", became effective. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 6 May 2016, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 24 May 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The stock short name for trading in the shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") has been changed from "NU INT'L" to "NU ENVIRO" in English and from "新宇國際" to "新宇環保" in Chinese with effect from 1 June 2016.

The Board considers that the change of Company name would better reflect the strategic business plan and future business development of the Group and believes that the change of company name is in the best interests of the Company and its shareholders as a whole.

Transfer of Listing from GEM to Main Board

On 13 April 2016, the Company submitted the formal application to the Stock Exchange for the transfer of the listing of the Company's shares from the Growth Enterprise Market ("GEM") to the Main Board of the Stock Exchange ("Transfer of Listing") pursuant to Chapter 9A of the Main Board Listing Rules.

On 21 July 2016 and 29 July 2016, the approval-in-principle for the Transfer of Listing and the listing approval were respectively granted by the Stock Exchange for the Company's shares be listed on the Main Board. Listing and dealing in shares of the Company on the Main Board has commenced since 1 August 2016.

The Board believes that the Transfer of Listing will enhance the profile of the Company and increase the trading liquidity of the Company's shares. The Board considers that the Transfer of Listing will be beneficial to the future growth and business development of the Group as well as its financing flexibility.

Outlook

As at 31 December 2016, the Group owned 6 (2015: 6) major sites engaged in providing hazardous waste treatment services, and also owns an industrial park, the Eco-plating Specialised Zone in Jiangsu Province, China, servicing approximately 700 medical organisations and approximately 1,500 manufacturing clients engaging in different industrial businesses inclusive of chemicals, plastics, automotive, paper-making and plating in the country. As at 31 December 2016, the combined licensed capacity of the Group for the collection, storage and treatment of hazardous industrial and medical waste in China was approximately 71,200 metric tons per annum (2015: 50,900 metric tons per annum). It is expected that the existing facilities shall bring stable returns to the Group in the foreseeable future. The Group will continue to focus on environmental related business and will continue to enhance the waste management and treatment standards. The Group will also strengthen the risk management and internal control on all project development. The Directors would keep on seeking for the right opportunities for business restructuring and industrial upgrade to improve the overall sustainable profitability. Barring any unforeseeable risks from the global and local economies that might affect the Group's environmental operations in the Mainland China, the Group expects that profit growth will sustain in the coming year.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The summary of annual and interim results for the year ended 31 December 2016 together with corresponding figures for 2015 is presented as follows:

Summary of annual results

(Expressed in HK$'000 unless indicated otherwise)

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000	Change %
Revenue from environmental waste treatment services	1(i)	**218,926**	184,702	+18.5
Revenue from environmental industrial sewage treatment and facility services	1(ii)	**99,690**	96,661	+3.1
Total Revenue	1	**318,616**	281,363	+13.2
Average gross profit margin (in percentage)	2	**45.5**	43.2	+5.3
Other revenue	3	**4,621**	4,952	–6.7
Other net income	4	**13,254**	9,310	+42.4
Distribution and selling expenses	5	**5,745**	7,144	–19.6
Administrative expenses	6	**46,684**	41,176	+13.4
Other operating expenses	7	**21,335**	16,689	+27.8
Finance income	8	**3,036**	640	+374.4
Finance costs	9	**3,962**	2,799	+41.6
Share of net profits of an associate	10	**3,985**	4,154	–4.1
Income tax	11	**5,985**	13,459	–55.5
Net profit for the year	12	**86,118**	59,412	+45.0
Profit attributable to owners of the Company	12	**61,947**	44,336	+39.7
Total basic and diluted EPS (in HK cents)	13	**2.10**	1.53	+37.3
EBITDA	14	**130,304**	109,330	+19.2

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of interim results

(Expressed in HK$'000 unless indicated otherwise)

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

	Note	1H 2015 HK$'000	2H 2015 HK$'000	Total 2015 HK$'000
Revenue from environmental waste treatment services	1(i)	98,759	85,943	184,702
Revenue from environmental industrial sewage treatment and facility services	1(ii)	48,796	47,865	96,661
Total Revenue	1	147,555	133,808	281,363
Average gross profit margin (in percentage)	2	48.8	37.1	43.2
Other revenue	3	4,962	(10)	4,952
Other net income	4	2,848	6,462	9,310
Distribution and selling expenses	5	6,507	637	7,144
Administrative expenses	6	18,941	22,235	41,176
Other operating expenses	7	6,249	10,440	16,689
Finance income	8	551	89	640
Finance costs	9	1,510	1,289	2,799
Share of net profit of an associate	10	3,548	606	4,154
Income tax, net of over-provisions	11	2,794	10,665	13,459
Net profit for the period	12	47,857	11,555	59,412
Profit attributable to owners of the Company	12	36,234	8,102	44,336
Basic and diluted EPS attributable to owners of the Company (in HK cents)	13	1.27	0.26	1.53
EBITDA	14	69,133	40,197	109,330

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Net increase in total revenue for the year ended 31 December 2016 was mainly attributable to:

   (i) the increase in total quantities of both industrial and medical hazardous waste collected for innocuity treatment and disposal in current year, and new operating permission licence for newly constructed landfill facilities for handling industrial hazardous waste was obtained in 2016; and

   (ii) the upward adjustments on unit prices for collecting different hazardous waste to cover the increasing treatment costs and to cater for the increasing discharge of hazardous waste from manufacturing clients within the Eco–plating Specialised Zone in current year.

2. Increase in gross profit margin of the Group for the year ended 31 December 2016 was mainly attributable to cost control being tightened to cover the China Value-Added Tax ("VAT") of 17% deducted on all revenue billed for hazardous industrial waste treatment in the whole year 2016 and the second half of the previous year 2015.

3. Net decrease in other revenue for the year ended 31 December 2016 was mainly attributable to:

   (i) the decrease in income from recycling after the cessation of the operation of nitrile rubber recycling with effect from January 2016; and

   (ii) the decrease in dividends received from the long-term equity investments in current year.

4. Net increase in other net income for the year ended 31 December 2016 was mainly attributable to the increase in refund of VAT on revenue from hazardous waste treatment under tax preferential policy of China entitled by the Group.

5. Net decrease in distribution and selling expenses for the year ended 31 December 2016 was mainly attributable to the decrease in environmental marketing incentive expenses in current year.

6. Net increase in administrative expenses for the year ended 31 December 2016 was mainly attributable to the increase in administrative staff costs of the Group commencing the second half of the current year.

7. Net increase in other operating expenses for the year ended 31 December 2016 was mainly attributable to:

   (i) increase in research and development costs of the Group incurred in the second half of the current year; and

   (ii) professional and related expenses for the transfer of listing of the Company's shares from GEM to Main Board on the Stock Exchange of Hong Kong Limited incurred in the third quarter of the current year.

8. Net increase in finance income for the year ended 31 December 2016 was mainly attributable to the increase in exchange gain on free cash denominated in Hong Kong Dollars held in China in current year.

9. Net increase in finance costs for the year ended 31 December 2016 was mainly attributable to increase in interests on bank borrowings in current year.

10. Net decrease in profit shared from an associate for the year ended 31 December 2016 was mainly attributable to the decrease in profits on hazardous waste landfill of the associate in current year.

11. Net decrease in income tax for the year ended 31 December 2016 was mainly attributable to the reversal of China Income Tax over-provided in previous year which was exempted under the preferential tax policy in China.

12. For the year ended 31 December 2016, net increase in profit and increase in profit attributable to owners of the Company were mainly attributable to:

    (i) the increase in revenue from the operating segment of environmental waste treatment services;

    (ii) the increase in refund of VAT under tax preferential policy in China; and

    (iii) the reversal of China Income Tax over-provided in previous year for profits arisen from newly built and approved environmental treatment facilities for hazardous waste as recognised under tax preferential policy in the Mainland China.

13. Increase in earnings per shares ("EPS") was directly attributable to the increase in net profit for the year.

14. The Company uses Earnings before interest, tax, depreciation and amortisation ("EBITDA") to measure the operation results of the Group, which represents the consolidated profit before taxation plus adding back net finance costs, depreciation and amortisation charges over the reporting period. Increase in EBITDA for the year ended 31 December 2016 was mainly attributable to the increase in net profit of the Group in current year.

Seasonality of operations

For the year ended 31 December 2016 and 2015, operation of providing environment hazardous waste treatment services has encountered a relatively higher demand of treatment services in the first and second quarters of a year.

For the financial year ended 31 December 2016, the environmental waste treatment services reported a revenue of HK$218,926,000 (2015: HK$184,702,000) and pre-tax profit of HK$90,841,000 (2015: HK$66,068,000) with revenue of approximately 49.9% (2015: 53.5%) being accumulated in the first half of the year and approximately 50.1% (2015: 46.5%) being accumulated in the second half of the year. In 2016, certain newly built environmental hazardous waste treatment facilities of the Group were granted operating permission licences in the fourth quarter of 2016 that drove up the revenue of the Group in the second half of the year accordingly.

Capital expenditure

For the year ended 31 December 2016, the Group incurred capital expenditure to increase property, plant and equipment (i) for the operating segment of environmental waste treatment services amounted approximately to HK$90,304,000 (2015: HK$80,978,000), (ii) for the operating segment of industrial sewage and sludge treatment and facility provision services in the eco-plating industrial zone amounted approximately to HK$8,070,000 (2015: HK$10,282,000), and (iii) for corporate use at the head office in Hong Kong amounted approximately to HK$21,000 (2015: HK$2,404,000).

Commitments

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

	31 December 2016 HK$'000	31 December 2015 HK$'000
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	**79,707**	14,113

Liquidity, financial resources and gearing

For the year ended 31 December 2016, the Group financed its operations with internally generated cash flows, banking facilities and other borrowings. The Group remained stable in its financial position with equity attributable to owners of the Company amounted to HK$687,285,000 as at 31 December 2016 (31 December 2015: HK$688,853,000) and total assets amounted to HK$1,035,706,000 as at 31 December 2016 (31 December 2015: HK$999,118,000).

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

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

	Note	**31 December 2016 HK$'000**	31 December 2015 HK$'000
(i) Cash and bank balances		**171,589**	175,805
(ii) Available unused secured banking facilities		**48,701**	31,040
(iii) Available unused unsecured banking facilities	(a)	**23,700**	50,000
(iv) Available unused unsecured loan facility granted by a shareholder	(b)	**–**	500,000

Notes:

(a) Other than the available unused unsecured banking facilities as at 31 December 2016, after the end of the reporting period, the Group's was newly granted unsecured banking facilities of approximately HK$67,020,000 on 11 January 2017.

(b) The unused stand-by loan facilities granted by the shareholder of the Company was lapsed on 14 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Performance indicators

The Group monitors its operating performance and cash flows through EBITDA. EBITDA of the Group was HK$130,304,000 for the year ended 31 December 2016 (2015: HK$109,330,000).

The Group monitors the proportion of its profits that being converted to cash flows through cash conversion rate. The cash conversion rate of the Group being the net cash generated from operating activities as a percentage of the consolidated operating profit was 111% for the year ended 31 December 2016 (2015: 159%).

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 1.3 times as at 31 December 2016 (31 December 2015: 1.4 times).

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

	31 December 2016 HK$'000	31 December 2015 HK$'000
Bank borrowings	**78,342**	47,672
Other borrowing	**25,000**	30,000
Trade, bills and other payables, accruals and customers' deposits received	**130,433**	122,844
Total liabilities	**233,775**	200,516
Less: cash and cash equivalents	**171,589**	175,805
Net debt	**62,186**	24,711
Total equity (including non-controlling interests)	**769,489**	759,772
Total capital	**831,675**	784,483
Gearing ratio	**7.5%**	3.1%

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

Capital structure

Details of in the share capital of the Company during the year ended 31 December 2016 are as follows:

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.01each		
Authorised		
At 1 January 2016 and at 31 December 2016	100,000,000	1,000,000
Issued and fully paid		
At 1 January 2016 and at 31 December 2016	2,955,697	29,557

There was no significant change to the capital structure of the Group as at 31 December 2016 compared to that as at 31 December 2015.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 8 January 2016, the 97% owned subsidiary of the Group, Bestwin (China) Limited was duly de-registered in Hong Kong. The de-registration of the subsidiary did not have any significant financial impact to the Group.

On 7 July 2016, the 51.66% indirectly owned subsidiary, Zhenjiang New Universe Rubber Limited* (鎮江新宇橡塑有限公司) was duly de-registered in China. The subsidiary previously engaged in the operation of nitrile rubber recycling. The de-registration of the subsidiary did not have any significant financial impact to the Group.

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 2016.

Significant investments held and their performance

According to the valuation report dated 28 March 2017 issued by an independent professional valuer, DTZ Debenham Tie Leung Limited ("DTZ") (2015: DTZ), the fair value attributable to the Group's interests in the long-term equity investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei as at 31 December 2016 were HK$12,300,000, HK$16,700,000 and HK$34,600,000 (31 December 2015: HK$38,000,000, HK$15,400,000 and HK$23,300,000) respectively. The changes in value of the long-term equity investments for the year end 31 December 2016 were accounted for in investment revaluation reserve of the Company.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment testing on goodwill

As at 31 December 2016, the assessment on the recoverable amount of the Group's cash generating unit principally engaged in environmental waste treatment services in China was determined by referring to the valuation report dated 28 March 2017 issued by the independent professional valuer, DTZ (2015: DTZ), after their review of the cash flows projection covering a five-year period with an annual growth rate at 2% (2015: 2%) of the environmental entities of the Group comprising Zhenjiang New Universe Solid Waste Disposal Company Limited, Yancheng New Universe Solid Waste Disposal Company Limited, and Taizhou New Universe Solid Waste Disposal Company Limited, using the pre-tax discount rate of 19.1% (2015: 15.0%) taken into account of the risks for the industries, no impairment loss to the goodwill was considered necessary for the year end 31 December 2016 (2015: Nil).

Charges on assets

The Group pledged bank deposits of HK$9,606,000 (2015: HK$5,318,000) and certain property, plant and equipment and the land use rights with carrying amounts of HK$51,232,000 (2015: HK$47,489,000) and HK$15,435,000 (2015: HK$14,515,000) respectively to secure banking facilities totally amounted approximately to HK$150,743,000 as at 31 December 2016 (2015: HK$128,712,000) which to the extent of HK$78,342,000 were utilised as bank borrowings as at 31 December 2016 (2015: HK$47,672,000) granted to the Group.

Contingent liabilities

There were no significant contingent liabilities of the Group as at 31 December 2016 (2015: Nil).

Employee information

As at 31 December 2016, the Group had 443 (2015: 395) full-time employees, of which 21 (2015: 21) were based in Hong Kong, and 422 (2015: 374) in Mainland China. For the year ended 31 December 2016, staff costs, including Directors' remuneration and amount capitalised as inventories was HK$56,166,000 (2015: HK$46,304,000). Employees and Directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, and continued development and training.

Exposure to fluctuations in exchange rates

The Group mainly operates in the 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 the 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 the 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 2016, RMB devaluation against the HK$ resulted in downside exchange differences on translation from RMB to HK$ for the financial statements of the subsidiaries in the Mainland China amounted approximately to HK$41,277,000 (2015: HK$31,342,000), which were recognised in other comprehensive income and accumulated separately in equity in the translation reserve of the Company and did not have any effect to the profit and loss of the Company in current year. The accumulated exchange differences in the translation reserve will be reclassified to profit or loss as when the interests in the relevant subsidiaries in the Mainland China being entirely or partially disposed of by the Group.

Principal risks and uncertainties

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

1. The Group is dependent on continuous renewal of operating permission licences to be granted by the China government. The environmental business of the Group involving in collection, storage, incineration, landfill and treatment of hazardous waste in the Mainland China requires operating permission licences for hazardous waste and operating permission licences for epidemic medical waste issued by the Environmental Protection Bureau of Jiangsu Province and local environmental authorities. All subsidiary entities of the Group engaging in environmental operations have to maintain or continuously upgrade their operating standards and waste management standards in order to comply with the environmental policies, standards, and legislations as promulgated by the China Government that might be renewed or revised from time to time, or otherwise, there is a risk that the operating permission licence(s) of the Group may be suspended or withdrawn.

2. The Group faces competition in the market of hazardous waste collection for treatment in the cities it operates. The Group has to strengthen its waste management standard and financial stability in order to compete with the increasing numbers of other entities engaged in treatment of hazardous waste which may have greater financial resources to develop larger scaled waste disposal and recycling facilities and better know-how than we do.

3. The impact of economic conditions on local industries in China would affect the quantities of hazardous waste discharged and the treatment service pricing for the specific market offered by specific client base of the Group for environmental waste treatment. The Group's existing business strategy has been confined to certain specific markets that new strategies would be developed by the Group to strengthen penetration of different geographical markets and thereby to reduce its dependency on specific markets.

4. Lack of appropriately skilled and experienced human resources could result in a delay in achieving the Group's strategic goals and development of new projects. The risk of the loss of key personnel is mitigated by regular reviews of recruitment and retention practices, remuneration packages and succession planning within the management team.

5. The Group faces various financial risks that have been disclosed in note 40 to the financial statements on pages 148 to 155 of this report.

5-YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	**318,616**	281,363	253,511	190,667	162,067
Cost of sales	**(173,683)**	(159,740)	(139,529)	(99,687)	(84,495)
Gross profit	**144,933**	121,623	113,982	90,980	77,572
Other revenue	**4,621**	4,952	4,601	4,640	6,382
Other net income	**13,254**	9,310	27,198	489	1,147
Distribution and selling expenses	**(5,745)**	(7,144)	(8,799)	(6,303)	(5,527)
Administrative expenses	**(46,684)**	(41,176)	(36,726)	(29,880)	(27,163)
Other operating expenses	**(21,335)**	(16,689)	(17,058)	(7,602)	(7,924)
Operating profit	**89,044**	70,876	83,198	52,324	44,487
Finance income	**3,036**	640	1,539	1,624	2,171
Finance costs	**(3,962)**	(2,799)	(2,817)	(3,511)	(4,813)
Finance costs, net	**(926)**	(2,159)	(1,278)	(1,887)	(2,642)
Gain on deemed disposal of associates	**–**	–	–	6,128	–
Share of profit of associates, net	**3,985**	4,154	2,555	3,979	604
Profit before taxation	**92,103**	72,871	84,475	60,544	42,449
Income tax	**(5,985)**	(13,459)	(12,596)	(16,421)	(8,900)
Profit for the year from continuing operations	**86,118**	59,412	71,879	44,123	33,549
Discontinued operations					
Profit for the year from discontinued operations	**–**	–	–	18,685	9,118
Profit for the year	**86,118**	59,412	71,879	62,808	42,667
Profit for the year attributable to:					
Owners of the Company	**61,947**	44,336	57,153	55,283	36,097
Non-controlling interests	**24,171**	15,076	14,726	7,525	6,570
	86,118	59,412	71,879	62,808	42,667
Profit for the year attributable to owners of the Company arising from:					
Continuing operations	**61,947**	44,336	57,153	36,598	26,970
Discontinuing operations	**–**	–	–	18,685	9,127
	61,947	44,336	57,153	55,283	36,097
Dividend declared for the results of the year	**17,734**	14,778	14,187	12,216	9,826

5-YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**531,379**	527,884	505,640	435,844	342,740
Prepaid lease payments and deposit paid for land use rights	**118,447**	99,984	94,236	102,410	97,159
Goodwill	**33,000**	33,000	33,000	33,000	33,000
Interests in associates	**18,236**	15,360	16,756	14,348	46,711
Long-term equity investments	**63,600**	76,700	85,000	67,820	55,026
	764,662	752,928	734,632	653,422	574,636
Current assets					
Inventories	**1,476**	1,042	1,379	1,736	1,187
Trade and bills receivables	**58,507**	46,857	45,638	54,074	41,234
Prepayments, deposits and other receivables	**26,782**	14,569	16,615	12,684	22,102
Prepaid lease payments for land use rights	**3,084**	2,599	2,711	2,719	2,658
Pledged bank deposits	**9,606**	5,318	10,313	–	–
Cash and cash equivalents	**171,589**	175,805	121,780	109,827	83,305
	271,044	246,190	198,436	181,040	150,486
Assets of disposal groups classified as held for sale	**–**	–	–	–	53,054
	271,044	246,190	198,436	181,040	203,540
Total assets	**1,035,706**	999,118	933,068	834,462	778,176

5-YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES (continued)

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current liabilities					
Bank borrowings	**75,549**	39,798	40,788	54,007	92,872
Trade and bills payables	**13,686**	4,251	2,152	1,456	1,087
Accrued liabilities and other payables	**107,687**	114,972	98,050	92,128	48,401
Deposits received from customers	**9,060**	3,621	901	2,458	1,449
Deferred government grants	**452**	447	455	278	269
Income tax payable	**2,463**	9,436	9,796	3,636	2,999
Amounts due to a shareholder	**–**	–	–	–	5,000
	208,897	172,525	152,142	153,963	152,077
Liabilities of disposal groups classified as held for sale	**–**	–	–	–	19,641
	208,897	172,525	152,142	153,963	171,718
Non-current liabilities					
Bank borrowings	**2,793**	7,874	1,260	–	12,354
Other borrowing	**25,000**	30,000	48,000	40,000	–
Deferred government grants	**3,454**	3,790	4,671	7,305	3,124
Deferred tax liabilities	**26,073**	25,157	25,742	24,937	25,238
Amounts due to a shareholder	**–**	–	–	–	54,636
	57,320	66,821	79,673	72,242	95,352
Total liabilities	**266,217**	239,346	231,815	226,205	267,070
Net assets	**769,489**	759,772	701,253	608,257	511,106
Share capital	**29,557**	29,557	27,557	26,557	26,557
Reserves	**657,728**	659,296	600,981	523,149	462,066
Equity attributable to owners of the Company	**687,285**	688,853	628,538	549,706	488,623
Non-controlling interests	**82,204**	70,919	72,715	58,551	22,483
Total equity	**769,489**	759,772	701,253	608,257	511,106

Note:

The operations in relation to (i) the manufacture and sale of molds, (ii) manufacture and sale of plastic products, and (iii) trading of plastic materials had been accounted for as discontinued operations and disposal group held for sale in accordance with the Hong Kong Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations" after the respective operations ceased in 2012.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

XI Yu ("Mr. XI", aged 59)

Chairman of the Board

Mr. XI was appointed as executive Director on 11 April 2016, and nominated as the Chairman of the Board on the same date. He is also the chairman of the executive committee of the Board.

Mr. XI was an executive Director from 7 June 2002 to 18 August 2014, and was the Chairman of the Board, compliance officer and authorised representative of the Company from 9 December 2004 to 18 August 2014. He was the consultant to the Group from 22 August 2014 to 31 March 2016.

Mr. XI graduated from the Chemistry Department of the University of Beijing in July 1980. Mr. XI is the director and shareholder personally holding 83.66% equity interests in New Universe Enterprises Limited ("NUEL"), which currently holds 1,071,823,656 shares of the Company, representing approximately 36.26% of the issued share capital of the Company. Mr. XI is also the director of China (HK) Chemical & Plastics Company Limited, which is principally engaged in trading of plastic resins, and its holding company, New Universe Holdings Limited.

SONG Yu Qing ("Mr. SONG", aged 68)

Chief Executive Officer

Mr. SONG was appointed as vice-chairman of the Board and non-executive Director on 15 June 2010, and was re-designated as executive Director and the chief executive officer of the Company on 12 June 2012. He is a member of the executive committee of the Board. Mr. SONG was the Chairman of the Board and the chairman of the executive committee of the Board from 18 August 2014 to 11 April 2016.

Mr. SONG was the vice chairman and chief executive officer of Sinofert Holdings Limited (stock code: 297) (a company whose shares are listed on the Main Board of the Stock Exchange) since August 2001, then resigned as chief executive officer and was redesigned as non-executive director in July 2005, and then remained as vice chairman and non-executive director until November 2009.

CHEUNG Siu Ling ("Ms. CHEUNG", aged 55)

Compliance Officer and Authorised Representative

Ms. CHEUNG was appointed as executive Director on 1 April 2005. On 18 August 2014, Ms. CHEUNG was appointed as the authorised representative, the compliance officer and the process agent of the Company. She is a member of the executive committee of the Board. Ms. CHEUNG is the director of various subsidiaries of the Group. Ms. CHEUNG obtained a Master of Business Administration degree from the University of South Australia in September 2005. Ms. CHEUNG is also the director and shareholder personally holding 6.07% equity interests in NUEL. She has been the director of China (HK) Chemical & Plastics Company Limited since January 1992 and the director of its holding company, New Universe Holdings Limited since July 1995.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

LIAO Feng ("Mr. LIAO", aged 46)

Mr. LIAO was appointed as executive Director on 5 May 2015. He is a member of the executive committee of the Board.

Mr. LIAO obtained a Master of Applied Finance degree from Macquarie University, Australia in April 2000. Mr. LIAO has worked at China Minsheng Banking Corporation Limited since February 2004 and then served as the deputy general manager of the corporate banking department at its main branch in Beijing till September 2014. Mr. LIAO has worked at China Minsheng Investment Corporation Limited (中國民生投資股份有限公司) since October 2014. He is currently an executive vice-president of China Minsheng Investment Corporation Limited and the chief executive officer of CM International Holding Pte. Ltd. Mr. LIAO is also a director of CM International Capital Limited (a shareholder of the Company currently holding 800,000,000 shares that representing approximately 27.07% of the issued shares capital of the Company).

LIU Yu Jie ("Ms. LIU", aged 52)

Ms. LIU was appointed as executive Director on 9 June 2015. She is a member of the executive committee of the Board.

Ms. LIU obtained a Bachelor of Economics degree in Foreign Trade from the Dongbei University of Finance and Economics, China in July 1987 and a Postgraduate Diploma in International Trade from the University of International Business and Economics, China in June 1990. Ms. LIU served as executive director of SIIC Environment Holdings Limited (stock code: BHK) (a company whose shares are listed on the Singapore Exchange) from November 2009 to August 2014. Ms. LIU is also currently an executive director of China Water Affairs Group Limited (stock code: 855) (a company whose shares are listed on the Main Board of the Stock Exchange).

HON Wa Fai ("Mr. HON", aged 56)

Financial Controller, Company Secretary and Authorised Representative

Mr. HON was appointed to the Group as financial controller on 6 September 2004. He was appointed as the qualified accountant, company secretary and authorised representative of the Company on 6 October 2004, and appointed as executive Director on 28 September 2006. He is a member of the executive committee of the Board. Mr. HON is also the director of the subsidiary of the Company, New Universe International Group Limited (formerly known as New Universe Environmental Engineering Management Limited).

Mr. HON obtained a Master of Business Administration degree from the University of Strathclyde, United Kingdom in November 2002, a Master of Professional Accounting degree from the Hong Kong Polytechnic University in November 2001, and a Master of Applied Finance degree from the University of Western Sydney, Australia in August 1999. He was registered as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants (formerly named as Hong Kong Society of Accountants) in April 1994 and admitted as a Fellow in December 2002, and he has been a registered practising Certified Public Accountant in Hong Kong since November 1996. He was admitted as an Associate of the Association of Chartered Certified Accountants in May 1994 and admitted as a Fellow in May 1999. He was admitted as a Senior Associate of the Financial Services Institute of Australasia in June 1999; an Associate of the Hong Kong Institute of Chartered Secretaries (formerly named as Hong Kong Institute of Company Secretaries) and an Associate of the Institute of Chartered Secretaries and Administrators, United Kingdom in September 2000.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAN Yan Cheong ("Dr. CHAN", aged 63)

Dr. CHAN was appointed as independent non-executive Director on 1 February 2000 and was appointed as the chairman of audit committee of the Board. He is a member of the remuneration committee and nomination committee of the Board.

Dr. CHAN joined City University of Hong Kong in February 1991 and has been awarded Chair Professorship since July 2001. He is currently a director of the EPA Centre in the Department of Electronic Engineering of City University of Hong Kong. Dr. CHAN obtained a Bachelor of Science degree in Electrical Engineering in August 1977, a Master of Science degree in Materials Science in December 1978, and a Doctor of Philosophy degree in Electrical Engineering in July 1983, all from Imperial College of Science and Technology, University of London, United Kingdom. He obtained a Master of Business Administration degree from the University of Hong Kong in December 1989. Dr. CHAN was admitted as a Fellow of the Institute of Electrical and Electronic Engineers, INC (USA) in January 2004 and a Chartered Electrical Engineer of the Institution of Engineering & Technology (United Kingdom) in February 1988. His research interests include RoHS & WEEE research, green electronics manufacturing, failure analysis, and reliability engineering.

YUEN Kim Hung, Michael ("Mr. YUEN", aged 55)

Mr. YUEN was appointed as independent non-executive Director on 24 April 2002 and was appointed as the chairman of nomination committee of the Board on 19 March 2012. He is a member of the remuneration committee and audit committee of the Board.

Mr. YUEN is currently providing accounting, secretarial and taxation services in Hong Kong. Mr. YUEN obtained a Professional Diploma in Accountancy from the Hong Kong Polytechnic University in November 1983. He was admitted as an Associate Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in September 1988, a Fellow of the Chartered Association of Certified Accountants in October 1991, and a chartered professional accountant member of the Chartered Professional Accountants of British Columbia, Canada in June 2015. Mr. YUEN has been an independent non-executive director of Prosperity International Holdings (H.K.) Ltd (stock code: 803) (a company whose shares are listed on the Main Board of the Stock Exchange) since January 2002. He was formerly an independent non-executive director of Prosperity Minerals Holdings Limited (a company whose shares had previously been listed in the London Stock Exchange) from May 2006 to September 2014 and an independent non-executive director of Steed Oriental (Holdings) Company Limited (stock code: 8277) (a company whose shares are listed on the GEM of the Stock Exchange) from September 2013 to August 2016.

HO Yau Hong, Alfred ("Mr. HO", aged 59)

Mr. HO was appointed as independent non-executive Director on 30 September 2004 and was appointed as the chairman of the remuneration committee of the Board on 19 March 2012. He is a member of the audit committee and nomination committee of the Board.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. HO is currently practising in Hong Kong with his own accounting firm. He has been a part-time lecturer in taxation and accounting at the Hong Kong Shue Yan University from September 2014. He was also appointed as a facilitator for the Qualification Program of the Hong Kong Institute of Certified Public Accountants in taxation launched in October 2001. He was a part-time professor in accounting and auditing at Algonquin College, Ottawa, Canada from September 1990 to April 1995; and a part-time tutor in taxation at the Open University of Hong Kong from 12 March 2006 to September 2007. Mr. HO obtained a Bachelor of Commerce (Honours) degree from University of Windsor, Windsor, Canada in September 1984. Mr. HO was admitted as a Canadian Chartered Accountant in December 1988, a Fellow Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in September 1997, and a Fellow of the Taxation Institute of Hong Kong in April 2001. Mr. HO was a finance director of Sinosoft Technology PLC (a company whose shares had previously been listed on the London Stock Exchange) from October 2007 to April 2009.

Notes:

(a) Mr. SONG, Dr. CHAN, Mr. YUEN and Mr. HO shall retire as Directors at the forthcoming annual general meeting in accordance with the Articles of Association of the Company, and being eligible, they offer themselves for re-election thereat.

(b) Details of Directors' emoluments are set out in note 10 to the financial statements on page 111 of this annual report.

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

SENIOR MANAGEMENT

WONG Lai Wa ("Ms. Iris WONG", aged 46)

Deputy General Manager of the Company

Supervisor of Zhenjiang Sinotech Eco-electroplating Development Limited

Supervisor of Zhenjiang New Universe Solid Waste Disposal Company Limited

Ms. Iris WONG was appointed as deputy general manager of the Company in June 2007. She was formerly an accountant of New Universe Holdings Limited from April 2003 to September 2008. She is the supervisor of two major subsidiaries of the Group in the Mainland China. Ms. Iris WONG obtained a Diploma in Business Management from the Chinese University of Hong Kong in October 2005.

WONG Mui Kwai, Portia ("Ms. Portia WONG", aged 52)

Corporate Strategic Planning & Audit Manager of the Company

Supervisor of Xiangshui New Universe Environmental Technology Limited

Supervisor of Yancheng NUHF Environmental Technology Limited

Ms. Portia WONG was appointed as corporate strategic planning & audit manager of the Company in July 2012. She was formerly a deputy general manager of the Company from June 2002 to June 2005. She is the supervisor of two major subsidiaries of the Group in the Mainland China. Ms. Portia WONG obtained a Bachelor's degree of Arts in Accountancy in November 2001 and a Postgraduate Diploma in Corporate Administration from the Hong Kong Polytechnic University in December 2005. She was registered as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in October 2007, and was admitted as a fellow member of the Association of Chartered Certified Accountants in May 2012. She was admitted as an Associate of the Hong Kong Institute of Chartered Secretaries (formerly named Hong Kong Institute of Company Secretaries) in April 2005 and the Institute of Chartered Secretaries and Administrators, United Kingdom in March 2005.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

LIU Yuan ("Ms. LIU Yuan", aged 46)

Assistant General Manager of the Company

Director & General Manager of Zhenjiang New Universe Solid Waste Disposal Company Limited

Director of Jiangsu New Universe Environmental Engineering Management Limited

Ms. LIU Yuan was appointed in January 2009 as director and general manager of the Group's subsidiary, Zhenjiang New Universe Solid Waste Disposal Company Limited. Ms. LIU Yuan was appointed as finance manager of Zhenjiang New Universe Solid Waste Disposal Company Limited in April 2003 and was promoted to deputy general manager in September 2005 before being appointed as the general manager of the subsidiary. Ms. LIU Yuan graduated from Nanjing College of Economics (now renamed as Nanjing University of Finance and Economics) with a Professional Certificate in Accounting and Statistics in June 1998, and she was conferred the title of intermediate accountant in the Mainland China in May 2001.

ZHOU Bin ("Mr. ZHOU", aged 57)

General Manager of Zhenjiang Sinotech Eco-Electroplating Development Limited

Mr. ZHOU was appointed in October 2014 as general manager of the Group's subsidiary, Zhenjiang Sinotech Eco-Electroplating Development Limited. He has worked as a general manager at Shenzhen Hong Tong Supply Chain Company Limited* (深圳市宏通供應鏈股份有限公司) from May 2012 to June 2013 and in three other companies engaged in property development and related operations from March 2003 to April 2014 before being appointed by the Group, and he mainly worked on the project management in those companies Mr. ZHOU graduated from the Party School of CPC Jiangsu Provincial Committee in the undergraduate study of public administration in Mainland China in July 1992.

YANG Lin ("Mr. YANG", aged 50)

General Manager of Xiangshui New Universe Environmental Technology Limited

Mr. YANG was appointed in July 2012 as general manager of the Group's subsidiary, Xiangshui New Universe Environmental Technology Limited. He has worked as the deputy institute director at Institute of Yancheng Environmental Science Research* (鹽城市環境科學研究所) from July 1987 to December 2002 and in two other companies engaged in environmental related operations and environmental search from January 2003 to September 2007 before being appointed by the Group, and he mainly worked on the environmental technology search and development. Mr. YANG obtained a Master's degree in Environmental Engineering from Nanjing University, China in June 2013, and he was conferred the professional qualification of senior engineer (specialised in environmental engineering) in September 2016 by the Jiangsu Province Human Resources and Social Security Bureau in the Mainland China.

* *For identification purpose only*

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

LI Qi ("Mr. LI", aged 53)

Director & Deputy General Manager of Yancheng NUHF Environmental Technology Limited

Director of Xiangshui New Universe Environmental Technology Limited

Mr. LI was appointed in September 2014 as deputy general manager of the Group's subsidiary, Yancheng NUHF Environmental Technology Limited*, (鹽城新宇輝豐環保科技有限公司) and was appointed as director of Yancheng NUHF Environmental Technology Limited* and Xiangshui New Universe Environmental Technology Limited in May 2015. Mr. LI has worked as a factory manager at Beijing Yanshan Petrochemical Company Limited from 1984 to 2002 and in three other companies engaged in project and technology development and environmental related operations from 2003 to 2007 before being appointed by the Group, and he mainly worked on corporate administration. Mr. LI obtained a Master's degree in Business Management from Beijing Institute of Technology, China in September 1997, and he was conferred the title of engineer specialised in chemical engineering in the Mainland China in October 1998.

HE Ling Yun ("Mr. HE", aged 45)

General Manager of Jiangsu New Universe Environmental Engineering Management Limited

Mr. HE was appointed in September 2015 as general manager of the Group's subsidiary, Jiangsu New Universe Environmental Engineering Management Limited* (江蘇宇新環保工程管理有限公司). Mr. HE has worked as the manager in the R&D department of Zhenjiang New Universe Solid Waste Disposal Company Limited since February 2012 before being appointed as the general manager of Jiangsu New Universe Environmental Engineering Management Limited*. Mr. HE graduated in July 1996 from the Sichuan Joint University, China (now renamed as Sichuan University) in the professional study of chemical equipment and machinery. He was conferred the professional qualification of associate constructor (specialised in electrical and mechanical engineering) in February 2010 and senior engineer (specialised in petrochemical engineering) in November 2016 by the Jiangsu Province Human Resources and Social Security Bureau in the Mainland China.

Note:

The emoluments of the above-mentioned members of senior management, other than Directors of the Company, fell within the following bands:

	2016 Number of individuals	2015 Number of individuals
Emolument bands (in HK dollar)		
Nil to HK$1,000,000	**4**	6
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	7	7

* *For identification purpose only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scope and Reporting Period

This is the second ESG report for New Universe Environmental Group Limited (formerly named as New Universe International Group Limited) and its subsidiaries (collectively referred to as the "Group"), highlighting its Environmental, Social, and Governance (the "ESG") performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of its key business operations ("Key Operations" as listed below, that contributing to a total of 96.72% of the Group's consolidated revenue in 2016) in Jiangsu Province, Mainland China from 1 January 2016 to 31 December 2016, unless otherwise stated:

– Taizhou New Universe Solid Waste Disposal Co. Ltd, which owns environmental detoxification facilities to collect, store and handle regulated medical waste ("Taizhou New Universe")

– Yancheng NUHF Environmental Technology Ltd, which owns hazardous waste warehouses, detoxification machineries and incinerators, to collect, store and handle industrial hazardous waste and regulated medical waste ("Yancheng NUHF")

– Zhenjiang New Universe Solid Waste Disposal Co. Ltd, which owns hazardous waste warehouses, detoxification machineries and incinerators, to collect, store and handle industrial hazardous waste and regulated medical waste ("Zhenjiang New Universe")

– Zhenjiang Sinotech Eco-Electroplating Development Co., Ltd which owns an industrial park zone and is responsible for operating the centralised industrial sewage filtering plant and centralised sludge treatment centre, to collect, store and handle industrial sewage and sludge waste discharged within the zone ("Eco-Plating Zone")

Stakeholder Engagement and Materiality

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders have been involved in meetings and engagement sessions to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at comsec@nuigl.com or newuniverse@prchina.com.hk.

The Company's Mission and Vision

Mission

Being in the environmental industry since 2007, the Company's business operations and customers have been expanded to a greater area over Jiangsu Province district in the Mainland China. Currently the Group services more than 1,500 enterprises in Jiangsu Province. The Group has become the most trustworthy business partner of industrial enterprises trying to clear off hazardous waste produced, through incineration treatment to ensure proper disposal of industrial hazardous waste and safety emission reduction. The Group also serves more than 700 hospitals and medical establishments of different sizes situated at Zhenjiang, Taizhou and Yancheng in Jiangsu Province, China, and is responsible for collecting and handling infectious medical hazardous waste from them, with a mission to protect citizens by preventing spreading infectious diseases within community.

The Group also has constructed, developed and managed the Eco-Plating Zone which consists of sewage and sludge treatment plants specialized for treating electroplating chemicals, factory buildings, office buildings, and infrastructure of water, stream & electricity supplies specially designed for the electroplating industry.

The Group undertakes to ensure lean and effective management, to exceed expectations of shareholders, to optimize integrated strength of business units, and to assure missions on environmental support to avoid hazardous waste pollution.

Vision on Environmental, Social and Governance

With China becoming the world's second largest economy, the 13th Five-Year Plan (2016-20) shows that government continues to have ambitious expectation and goals on environmental management and clean technology, such as initiatives on upgrading wastewater treatment plants and supporting facilities, implementing new policies and more stringent control on hazardous waste management, further enforcement and measures on environmental performance and compliance, as well as disclosure of environmental information.

The Jiangsu Provincial Committee also transposed targets from the 13th Five-Year Plan to an Action Plan, which sets more specific and focused goals on clean technology, emission and wastewater discharge standards, and ecological protection for business operations within Jiangsu Province.

The Group sees both the 13th Five-Year Plan and Jiangsu Provincial Committee's Action Plan as an excellent support and solid foundation to its vision, which is to strengthen corporate governance policies and practices, to be innovative and develop more sophisticated and environmentally friendly waste treatment facilities, and to make greater contribution to the society and the environment. At the same time, the Group ensures the sustainability of profitable business operations, results in healthy and long-term returns to its shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental

The Key Operations of the Group has operating permission licences for handling both industrial and medical hazardous waste issued by Environmental Protection Bureau, China, treating most types of national categorised hazardous waste from HW01 to HW49 (other than those to be renewed in 2017, with an approved capacity up to 6,000 tonnes per year for HW01 until 2020, and up to 35,400 tonnes per year for other types of waste until 2019).

Type of emissions the Group involved in the reporting period include electricity, steam, water, petrol, packaging materials and production-generated wastewater, hazardous waste and non-hazardous waste which are regulated under national laws and regulations.

Regular third party sampling and testing is conducted for below criteria to ensure the operations comply with national standards:

– Groundwater quality
– Soil quality
– Waste gas emission
– Wastewater discharge
– Residue content resulted from incineration process
– Noise pollution

Total floor area coverage for the Group was 182,869 m^2 and the Group accounts for 100% of emissions from its operations in Mainland China.

1. Greenhouse Gas Emission

(i) Greenhouse Gas Emissions

Scope of Greenhouse Gas Emissions	Emission Sources	Emission (in tonnes of CO_2e)	Total Emission (in percentage)
Scope 1			
Direct Emission	Consumption of Petrol by the Group's Owned Fleet	62.97	8.21%
	Natural Gas Consumption[2]	2,552.34	
Scope 2			
Indirect Emission	Purchased Electricity[3]	28,824.98	90.44%
Scope 3			
Other Indirect Emission	Water Consumption	393.80	1.35%
	Sewage Treatment	35.59	
Total		31,869.68	

Note 1: Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Emission factors were made reference to Emission Factors for Greenhouse Gas Inventories (2014) by United States Environmental Protection Agency.

Note 3: Combined margin emission factor (average) of 0.88 t-CO_2/MWh was used for purchased electricity in Mainland China.

(ii) Removal of Greenhouse Gas Emissions

	Unit	Emission
Total Greenhouse Gas Emitted (a)	tCO_2e	31,869.68
Removal by Water Recycling (b)	tCO_2e	29.28
Removal by Self-Generated Steam and Frequency Invertor (c)	tCO_2e	18,683.60
Total Removal (d) = (b) + (c)	**tCO_2e**	**18,712.88**
Final Total Greenhouse Gas Emitted (e) = (a) – (d)	**tCO_2e**	**13,156.80**

There were 31,869.68 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's key operations in the reporting period. With the implementation of below environmental initiatives, the Group has removed 18,712.88 tonnes of carbon dioxide equivalent greenhouse gases, resulting in a decreased total amount of 13,156.80 tonnes of carbon dioxide equivalent greenhouse gases in 2016.

Water Recycling

In 2016, the Group implemented wastewater reuse during operation processes, resulted in 30% reduction of wastewater discharge, or reduced water consumption up to 240 m^3 per day in Eco-Plating Zone and annual reduction of 12,000 m^3 in Zhenjiang New Universe. The Group also makes use of recycled water, instead of industrial tap water, for pharmaceutical configuration and general ground cleaning to further reduce water use.

Self-Generated Steam and Frequency Invertor

Steam resulted from production was reused at treatment processes for waste gas, wastewater and medical waste, together with the implementation of frequency inverter. A total saving of 2,609.7 tce was achieved in 2016.

Future Environmental Upgrading Works

The Group works on continue improvement and upgrade on machinery regarding crushing process of hazardous waste containers being exposed to open air. The new crushing machine will have better ventilation system and will be sealed once the containers are received, thus, better control on gas emitted during operation. The Group is also planning on making use of waste heat on power generation, expected to implement in 2017.

To fulfil the 13th Five-year Plan, the Group has started upgrading wastewater control and discharge system at all plants in 2016. For the Eco-Plating Zone, auto sampling was installed in each building for hourly data recording and to ensure no illegal or unexpected discharge within the Zone. Flow control device with automatic sampling installation has been built to enhance self-monitoring on water discharge quality. Surface water from the Eco-Plating Zone will be collected as soon as the construction of water tank for first 30-min rain water is completed in 2017.

2. Electricity

Electricity consumption by the Group was 32,755,662 kWh, with an energy intensity of 179.12 kWh/m^2, contributing to 28,824.98 tonnes of carbon dioxide equivalent. The Group regularly promotes energy-saving initiatives throughout operating areas, enforcing good practices in terms of maintenance of plants and equipment for better efficiency and productivity.

3. Steam

Steam consumption by operations in Taizhou New Universe, Yancheng NUHF and Eco-Plating Zone was 67,877 tonnes.

4. Natural Gas

Natural gas was consumed by operations in Zhenjiang New Universe and Yancheng NUHF for boilers with a total amount of 1,326,790 m^3, contributing to 2,552.34 tonnes of carbon dioxide equivalent.

5. Water

Fresh water consumption by the Group was 968,275 m^3 with water intensity of 5.29 m^3/m^2, contributing to 393.80 tonnes of carbon dioxide equivalent. Water was mainly supplied by the industrial parks where the key operations of the Group are situated. Water conservation measures were continuously enforced by the Group.

6. Petrol

A total of 23,253 litres of petrol was used for the Group's private vehicles (employee commuting) in the reporting period, contributing to 62.97 tonnes of carbon dioxide equivalent. A total of 0.34 kg of sulphur oxides (SOx) was emitted.

7. Packaging Materials

The Group has considered the packaging materials' environmental and health impact before purchasing. Packaging materials were mainly bags made of polypropylene, polyethylene, tetrafluoroethylen, polyvinyl chloride with some recycled contents. 7,401 bags were used for loading non-hazardous and hazardous waste at Taizhou New Universe, Yancheng NUHF, Zhenjiang New Universe and Eco-Plating Zone in 2016. Depending on the waste content, the packaging materials containing hazardous waste (such as fly ash and slag) were deposited together inside designated hazardous waste landfill; packaging materials containing non-hazardous waste will be reused until worn out, and then sent for incineration.

8. Hazardous Waste

The Group adopted three major principles prior to hazardous waste disposal: source reduction, toxicity elimination and recycling. Hazardous waste from operations in Yancheng NUHF, Zhenjiang New Universe and Eco-Plating Zone included residue from incineration and gasification, sludge from stabilization and curing treatment, boiler slag, residue from sludge, fly ash and waste filter. A total amount of 15,259 tonnes of hazardous waste was generated in 2016 and was disposal in nearby designated hazardous waste landfill.

9. Non-hazardous Waste

A total amount of 28,826 tonnes of non-hazardous waste was generated from operations in Taizhou New Universe, Yancheng NUHF and Zhenjiang New Universe. It was mainly disinfected and shredded medical waste, which was sent to nearby incinerator for burning.

10. Sewage Treatment

A total amount of 196,213 m^3 of pre-treated sewage from operations in Yancheng NUHF and Zhenjiang New Universe was sent to nearby industrial wastewater treatment facilities for further treatment, contributing to 35.59 tonnes of carbon dioxide equivalent. Discharge meets national standard, Integrated Wastewater Discharge Standard Table 4 Level 3 Standard (GB8978-1996) which is within 500 mg/L for COD_{Cr}.

B. Social

1. Employment and Labour Practices

(i) Employment

The Key Operations of the Group had a total number of 322 employees as of 31 December 2016 (2015: 395 employees), in which all employees are from various provinces in People's Republic of China. 100% of them are full time employee.

Workforce by Age Group	**18-25**	**26-35**	**36-45**	**46-55**	**56 and above**
2016	15	124	88	78	17

Workforce by Gender	**Male**	**Female**
2016	283	39

Competitive Compensation and Benefits Package

Employees are entitled to basic salary with various allowance as per their job positions, age and extra work hours, year-end bonus on performance, basic social insurance including pension, medical, work-related injury, unemployment compensation and maternity. The Group regularly reviews employees' salary together with business growth and market price, the pay is generally above market average. Accommodation, canteen, convenient store, and shuttle bus are provided for employees working at remote plant locations.

Internal Promotion

Internal promotion and job opportunities are offered to existing employees and selection is based on the monthly reviewed work capability, attitude, and quality of work of the employees on a point scoring system. Employees are encouraged to discuss their goals in job advancement and career development.

Award and Penalty System

An "Award and Penalty System" in which employees with good presentation, responsibility, discipline and act as role models are recognized and rewarded with cash bonus, while disciplinary action and cash penalty would be taken if an employee has committed an act of serious misconduct or deceitful behaviours.

Equal Opportunity

The Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic, background, religion, colour, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law.

Turnover

A total number of 28 employees left the Key Operations of the Group in 2016, contributing to turnover rate of 8.7%. The annual turnover rates (categorized by gender and age groups) in the reporting period are as follows:

Annual Turnover Rate by Age Group	**18-25**	**26-35**	**36-45**	**46-55**	**56 and above**
2016	13%	18%	3%	0%	0%

Annual Turnover Rate by Gender	**Male**	**Female**
2016	8%	10%

(ii) Employee Health and Safety

Group's Health and Safety Policy

– Establish health and safety management system and operational procedures according to law, regulations, guidelines, standard document, etc.
– Establish health and safety organization chart and identify leadership
– Conduct regular pre-evaluation of potential hazards, current working environment and possible impact with control
– Establish and review yearly health and safety implementation plan
– Ensure all working areas are equipped with emergency equipment and medicine
– Ensure notification, news and reminders are regularly updated and posted on notice boards and at working areas
– Conduct annual health and safety training and emergency drill for all employees
– Carry out regular monitoring on site-specific emissions, ensure employees' safety at work
– Upgrade work procedures and operating environment, continuous improvement on employees' working conditions
– Provide, check and upgrade personal protective equipment in accordance to employees' job requirements
– Arrange annual occupational health examination and body check; establish and follow up with employees' health records
– Ensure the implementation and effectiveness of above practices through standardized inspection and review system

Acknowledgement on Occupational Health Hazard

Every employee is required to sign an Acknowledgement on Occupational Health Hazard, in which the employee is informed of potential health risk exposure related to their job position, and it is their right to be provided with personal protective equipment, trainings, medical attention and compensation if injured. The acknowledgement also clearly states that it is employee's responsibility to report any malpractice or illegal activities that causes any life danger or violation of law and regulation.

Third-party Evaluation

The Group has regular practice on engaging third party professionals to evaluate occupational health and safety for any new projects, or any changes or upgrading made to individual projects, followed by regular monitoring and review during daily operation.

Occupational Health and Safety Data	**2016**
Work related fatality	0
Work injury cases >3 days	3
Work injury cases <3 days	7
Lost days due to work injury	37

(iii) Development and Training

In addition to compulsory induction training, internal trainings for employees generally fall in the following categories: work safety, fire safety, occupational health, environmental protection, work procedures, ISO 9001 quality management system and ISO 14001 Environmental Management System. These trainings aim to strengthen employees' knowledge, competency, productivity and effectiveness related to their job position, as well as relevant laws and regulations, policies and procedures, and their response to emergency for both hazardous waste fire and leakage. Employees in management level were required to attend both internal corporate management skill training course and external safety training held by State Administration of Work Safety.

The Group also encourages employees to attend external training courses for excavation, heavy lifting and hoisting machinery operation, class III boiler operation, welder certification, electrician permit, on-site health and safety certification.

	2016
Total Number of Employees for the Key Operations	322
Average Training Hours Completed per Employee by Gender	
– Male	33
– Female	36
Average Training Hours Completed per Employee by Employee Category	
– Senior Management	34
– Middle Management	43
– Other Employees	28

(iv) Labour Standard

There is no child nor forced labour in the Group's Key Operations as it follows the Regulation on Labour Security Supervision on labour and social security of the State Council of the People's Republic of China in terms of employment management. The recruitment process is strictly abided by the guidelines of the Group's Human Resources Department and as stated in Corporate Management Policy.

2. Operating Practices

(i) Supply Chain Management

The Group is in strict compliance with Procurement Management Policy with standardized procurement guidelines and procedures for purchasing any equipment or supplies related to research and development department, office and fire control and safety. For instance, quotations from more than 3 suppliers must be obtained for any new purchase for comparison, with priority given to previous supplier; Every year, the Group invites representatives from different departments to review product and service quality, after-sales service and market price, followed by assessing the suppliers' performance before renewing or cancelling the partnership agreement with current supplier.

Suppliers for packaging, raw materials for production, printing suppliers, engineering related equipment supplies, hospitality and office supplies, general equipment supplies, spare parts supplies and wastewater treatment solutions are all from the Mainland China.

(ii) Anti-corruption

The Group has a Corporate Integrity Management Policy with the aims on strengthening employees' ethics, maintain the Group's reputation, promote individuals' self-disciplines and comply with laws, regulations and the Group's rules and policies. Any favouritism, abuse of power and other acts contrary to the principle of honesty and self-discipline are not allowed and shall be reported to department heads for handling.

As stated in Procurement Management Policy that purchasing manager shall not accept any gift, rebate or bribes from supplier; if he or she has made a wrongful act due to serious dereliction of duty or violation of the principle, he or she shall be dismissed and the case shall be submitted to the public security department for further handling.

(iii) Service Responsibility

For business operations in Taizhou New Universe, Yancheng NUHF and Zhenjiang New Universe, the Group have received no product or service related complaints. For business operation in Eco-Plating Zone, 274 service related complaints have been received in 2016. All complaints have been followed up and resolved.

Complaint hotline and handling procedure had been established to effectively handle any enterprises' concerns or problems within the Eco-Plating Zone in a timely manner. Responsible parties shall be identified and notified within 1 hour of complain, and the status or the result of the case shall be reported back to complainant within 24 hours of complain. If the complainant is not satisfied with the results, customer services department shall continue following up with responsible parties. Weekly and monthly summary of complaints, action taken and results are used for assessing customer services department's performance.

3. Community

(i) Community Investment

As an environmental enterprise, the Company focuses on upgrading its operation system and technology to ensure clean environment is protected and provided for surrounding community. The Group will continue exploring opportunity on corporate social responsibility contribution and will progress further on greater interaction and integration with the community and customers it serves.

(ii) Dangerous Chemical Tank Truck Cleansing Service

Since early 2006, Zhenjiang New Universe has been the first and only company in the city qualified to provide dangerous chemical tank truck cleansing services. The cleansing services resolve the pollution problem of remnant chemicals caused by tank truck cleansing for various chemical industries in Zhenjiang. The cleansing plant is operated under strict procedures to ensure the remnant chemical waste after cleaning is handled for controlled disposition.

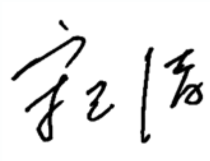
(iii) Emergency Unit

To conform with the environmental development requirements of Zhenjiang City and with the support of the Environmental Protection Department, Zhenjiang New Universe owns an emergency unit to handle pollution accidents in Zhenjiang. The emergency unit stands by to service summon calls from local authorities, and has involved in cleaning up various pollution troubles caused by traffic accidents and illegal direct waste discharge.

Future Directions from the Group

The Company is committed to protect the environment, beautify the surrounding landscape, and makes every effort to the benefit of mankind so our generation and future generation can benefit from fresh air, clean water, safe food, less exposure to disease and greater happiness.

By order of the Board



SONG Yu Qing
Chief Executive Officer

Hong Kong, 28 March 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Director(s)") (collectively as the "Board") of the New Universe Environmental Group Limited (the "Company", formerly known as New Universe International Group Limited, together with its subsidiaries collectively referred to as the "Group") and the management are committed to establishing good corporate governance practices and procedures. The Company believes that maintenance of high standard of business ethics and good corporate governance provides a framework that is essential for effective management, healthy business growth and a contemporary corporate culture, which drives the Group to grow successfully and enhance the shareholders' value.

In the current year, the Board has adopted the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the "GEM CG Code") from 1 January 2016 to 31 July 2016 (as the Company has transferred the listing of its share on the Main Board since 1 August 2016, the GEM Listing Rules was still applicable to relevant disclosure requirement for the period from 1 January 2016 to 31 July 2016), and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Main Board Listing Rules (the "CG Code") from 1 August 2016 onwards.

During the period from 1 January 2016 to 31 July 2016, the Company complied with the code provisions of Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules, and save for the code provision A.2.1, the Directors confirmed that they were not aware of any other deviation from the GEM CG Code during the period then ended.

Code provision A.2.1 of the GEM CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. On 18 August 2014, Mr. SONG Yu Qing ("Mr. SONG") was appointed the chairman of the Board ("Chairman") of the Company. Mr. SONG is also the chief executive officer ("Chief Executive Officer") of the Company. Mr. SONG assumed the role of both the Chairman and the Chief Executive Officer during current period from 1 January 2016 to 11 April 2016. As such, such dual role constituted a deviation from code provision A.2.1 of the GEM CG Code during the said period.

During the period of the deviation from Code Provision A.2.1 of the GEM CG Code, the Board considers that: (i) the Company has sufficient internal controls to provide checks and balances on the functions of the Chairman and Chief Executive Officer; (ii) Mr. SONG as the Chairman and Chief Executive Officer 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 of the Company; and (iii) this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board believed that vesting the role of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and will enable the Company to make and implement decisions promptly and effectively.

On 11 April 2016, Mr. SONG resigned as Chairman and Mr. XI Yu was appointed the Chairman of the Company. Since then, the roles of chairman and chief executive officer of the Company have been separate in compliance with the Code provision A.2.1 of both GEM CG Code and the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required Standard of Dealings") from 1 January 2016 to 31 July 2016 (as the Company has transferred the listing of its shares on the Main Board since 1 August 2016, the GEM Listing Rules was still applicable to relevant disclosure requirements during the period from 1 January 2016 to 31 July 2016) and The Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Main Board Listing Rules from 1 August 2016 onwards as the code of conduct regarding Directors' securities transactions in securities of the Company. The Company has confirmed, having made specific enquiry to the Directors, all the Directors have complied with the Required Standard of Dealings and the Model Mode for Securities Transactions by Directors of Listed Issuer during the relevant periods.

BOARD OF DIRECTORS

Board composition

As at the date of this report, the Board comprises nine Directors, including six executive Directors and three independent non-executive Directors. The composition of the Board is set out as follows:

Executive Directors

Mr. XI Yu *(Chairman)*
Mr. SONG Yu Qing *(Chief Executive Officer)*
Ms. CHEUNG Siu Ling *(Compliance Officer)*
Mr. LIAO Feng
Ms. LIU Yu Jie
Mr. HON Wa Fai *(Financial Controller and Company Secretary)*

Independent non-executive Directors

Dr. CHAN Yan Cheong
Mr. YUEN Kim Hung, Michael
Mr. HO Yau Hong, Alfred

Directors' attendance to board meetings and shareholders meetings

The following table shows the attendance record of each Board member for the board meetings and Shareholders' meetings of the Company held during the year ended 31 December 2016:

	Number of meetings attended/held			
Board member	**Board meeting**	**Directors' meeting pursuant to CG Code A.2.7**	**Annual general meeting**	**Extraordinary general meeting**
Executive director				
Mr. XI Yu[(1)]	5/7	–	1/1	1/1
Mr. SONG Yu Qing	8/9	1/1	0/1	0/1
Ms. CHEUNG Siu Ling	8/9	–	1/1	1/1
Mr. LIAO Feng	7/9	–	0/1	0/1
Ms. LIU Yu Jie	6/9	–	0/1	0/1
Mr. HON Wa Fai	9/9	–	1/1	1/1
Non-executive director				
Mr. SUEN Ki[(2)]	2/2	1/1	–	–
Independent non-executive director				
Dr. CHAN Yan Cheong	8/9	1/1	1/1	1/1
Mr. YUEN Kim Hung, Michael	8/9	1/1	1/1	1/1
Mr. HO Yau Hong, Alfred	8/9	1/1	1/1	1/1

Notes:

(1) Mr. XI Yu was appointed as Director on 11 April 2016.

(2) Mr. SUEN Ki resigned as Director on 11 April 2016.

Board meetings and procedures

The Board conducts regularly and board meetings at least four times a year at approximately quarterly intervals. Regular Board meetings of the Company shall involve active participation and presence of a majority of Directors entitled to be present, in person or through interactive telephone conference. Ad-hoc Board meetings are convened when a board-level decision on a particular matter is required which include obtaining Board consent through circulating written resolutions or interactive telephone conference. Board meetings are structured to allow open discussion. All Directors have participated in discussing the strategy, operational and financial performance and internal control of the Group.

The Chairman of the Board has delegated the responsibility of preparing the agenda for each Board meeting to the company secretary of the Company ("Company Secretary"). Each Director may request to include any matter in the agenda for regular Board meetings.

Notice of at least 14 days has been given for all regular Board meetings of the Company. For all other Board meetings, reasonable notices have been given.

The Company Secretary shall be the secretary to all Board meetings who is responsible for keeping minutes of all Board meetings and meetings of Board committees. Minutes of all meetings are open for inspection at reasonable time on reasonable notice by any Director.

Minutes of all Board meetings and meetings of Board committees have recorded in sufficient details the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of the Board minutes have been sent to all Directors for their comments and records respectively, within a reasonable time after the board meeting is held.

Any Director may request the Board in writing to seek for independent professional advice in appropriate circumstances at the expense of the Company. The Board shall resolve to provide separate independent professional advice to the Directors to assist them to discharge their duties to the Company.

If a substantial shareholder or a Director has a conflict of interests in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by a physical Board meeting rather than a written resolution. The independent non-executive directors of the Company, who and whose associates have no material interest in the transaction shall be present at the board meeting to deal with the matter. Other than the exceptional situation under the Listing Rules, any Director who or whose associates have any material interest in any proposed Board resolutions shall not be counted as a quorum in the relevant Board meeting or shall be abstained from voting for the Board resolutions. All Board committees adopted the same principles and procedures used in the Board meetings.

Relationship between the Board members

Each of Mr. XI Yu, Ms. CHEUNG Siu Ling and her spouse, Mr. CHU Yuk Ngai, and Mr. SUEN Ki is a director and shareholder of the Company's substantial shareholder, New Universe Enterprises Limited ("NUEL"), which currently holds approximately 36.26% of the issued share capital of the Company.

Mr. XI Yu, Ms. CHEUNG Siu Ling and her spouse, Mr. CHU Yuk Ngai, are directors of Sun Ngai International Investment Limited ("Sun Ngai"), which is the landlord of the office premises leased by the Group for its operation purposes in Hong Kong for the year ended 31 December 2016.

Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors of China (HK) Chemical and Plastics Company Limited ("China (HK) Chemical") which is principally engaged in trading of plastic resins in Hong Kong and China.

Mr. XI Yu, Ms. CHEUNG Siu Ling and her spouse, Mr. CHU Yuk Ngai, are directors of New Universe Holdings Limited ("NUHL"). NUHL is an investment holding company that interested in 97% of the issued share capital of China (HK) Chemical and 100% of the issued share capital of Sun Ngai.

Mr. SUEN Ki resigned as non-executive Director of the Company with effect from 11 April 2016.

Mr. CHU Yuk Ngai has acted as director of various subsidiaries of the Company and resigned as director of all subsidiaries of the Company with effect from 18 April 2016.

CORPORATE GOVERNANCE REPORT

On 8 April 2015, the Company was informed that NUEL as the seller has entered into and completed a sale and purchase agreement with CM International Capital Limited ("CMIC Cayman") as the purchaser for the sale and purchase of a total of 800,000,000 shares of the Company then beneficially held by the NUEL. Mr. LIAO Feng is a director of CMIC Cayman.

To the best knowledge of the Company, save as disclosed herein, there is no other financial, business and family relationship among members of the Board and/or between the Chairman and the Chief Executive Officer of the Company. All of the Board members are free to exercise their independent judgment.

Directors' insurance

The Company has continuously arranged for the directors and officers liability insurance cover with appropriate indemnity limits in respect of legal action against the Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On 18 August 2014, Mr. SONG Yu Qing was appointed the Chairman of the board ("Chairman") and the chairman of the executive committee of the Company. Mr. SONG has been the chief executive officer ("CEO") of the Company since 12 June 2012.

As such, during the period from 18 August 2014 to 11 April 2016, Mr. SONG assumed the role of both the Chairman and the CEO, and such dual role constituted a deviation from code provision A.2.1 of the GEM CG Code. On 11 April 2016, Mr. SONG resigned as Chairman, and Mr. XI Yu was appointed the Chairman of the Company. Thereafter 11 April 2016, Mr. XI Yu has taken up the role of the Chairman, while Mr. SONG has taken up the role of CEO of the Company.

The Chairman of the Company provides leadership for the Board of the Company and ensures all Directors are properly briefed on issues arising at the Board meetings. The Chairman is responsible for ensuring all Directors receive, in timely manner, adequate information, which is accurate, clear, compete and reliable.

The Chairman ensures that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting. He takes into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The Chairman delegates this responsibility to the Company Secretary, who is also an executive Director of the Company.

The Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established. He encourages all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. The Chairman encourages any Director with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus.

For the year ended 31 December 2016, the Chairman has held a meeting once with the non-executive Directors (including independent non-executive Directors) without presence of all executive Directors to discuss on risk management and corporate governance functions of the Company.

The Chairman ensures that appropriate steps are taken to provide effective communication with shareholders of the Company that their views are communicated to the Board as a whole. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular and ensuring constructive relations between executive and non-executive Directors.

The CEO of the Company is responsible for strategic planning and implementation, sourcing and meeting with potential business partners, looking for business opportunities for the Group, client development, recruiting of senior management, staff development, collaboration across the affiliated company network, looking for opportunities to enhance best practices, and timely reporting to the Board regarding the Group's overall progress.

NON-EXECUTIVE DIRECTORS

The Main Board Listing Rules require every listed issuer to have at least three independent non-executive directors, and at least one of whom must have the appropriate professional qualifications, or accounting or related financial management expertise. For the year ended 31 December 2016, two of the independent non-executive Directors of the Company have the appropriate professional qualifications or accounting or related financial management expertise.

Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers them independent under Rule 3.13 of the Main Board Listing Rules.

Based on the annual written confirmation given by each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred in accordance with Rule 3.13 of the Main Board Listing Rules, and the undertaking in writing given by each of them as to their continuing independence, the Board believes that each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is independent. The Board also considers that Dr. CHAN Yan Cheong being an academic expert in electronic engineering, and Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred each being an accounting professional will bring in strong expertise by contributing impartial view and making independent judgment on all issues to be discussed at the Board meetings.

Each of the independent non-executive Directors, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has signed a renewed letter of appointment with the Company for tenure of two years commenced on 1 February 2017. Dr. CHAN Yan Cheong has signed a renewed letter of appointment for tenure of two years commencing on 1 April 2017.

Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred have been independent non-executive Directors of the Company since 1 February 2000, 24 April 2002, and 30 September 2004 respectively. 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, further appointment for each of them shall be subject to a separate resolution to be approved by the Shareholders at the forthcoming annual general meeting of the Company.

The independent non-executive Directors of the Company have been expressly identified as such in all corporate communications that disclose the names of the Directors of the Company.

Mr. SUEN Ki resigned as the non-executive director of the Company on 11 April 2016.

The letters of appointment signed by each of the non-executive Director (including independent non-executive Directors) with the Company is subject to the termination by either party giving not less than three months prior written notice and subject to retirement by rotation and re-election in accordance with the Company's constitutional documents.

RESPONSIBILITIES OF DIRECTORS

Every Director knows his/her responsibilities as a Director of the Company and its conduct, business activities and development. Non-executive Directors (including independent non-executive Directors) have the same duties of care and skill and fiduciary duties as executive Directors of the Company.

Every newly appointed director of the Company shall receive a comprehensive, formal and tailored induction on his/her appointment. Subsequently he/she will receive relevant briefing and professional development necessary, to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of his/her responsibilities under statue and common law, the Listing Rules, legal and other regulatory requirements and the business and governance policies of the Company.

The Directors, collectively and individually, are aware of their responsibilities to shareholders of the Company, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as and when necessary, Directors will seek independent professional advice at the Company's expense, ensuring the board procedures, all applicable rules and regulations, are followed.

The Board has overall responsibility for the stewardship of the Group and gives clear directions as to the power delegated to the management of the Company and its subsidiaries for the management and administration functions of the Group, in particular, with respect to the circumstances where management of the Company and its subsidiaries should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Matters requiring the Board's approval include, amongst the others, (i) review of overall policies and objectives for corporate capital contributions, (ii) corporate budgets, (iii) corporate plans of the Company and any significant changes thereto, (iv) investment plans involving significant commitments of financial, technological and human resources, or involving significant risks for the Company, (v) major sales, transfers, or other dispositions of properties or assets of the Group, (vi) significant changes in the Board's policies, (vii) major organisational changes, (viii) financial statements of the Group, including annual report, and semi-annual financial and operating results, and (ix) other matters relating to the Group's business which in the judgement of the Chairman and/or the CEO are of such significance to merit the Board's consideration, and adoption of such policies or such actions taken as the Board considers to be in the best interests of the Company.

Continuing professional development of Directors

The Company encourages the Directors and senior executives to enroll professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies so that they can continuously update and further improve their relevant knowledge and skills.

All Directors have participated in continuous professional development to develop and refresh their knowledge and skills. To ensure that the contribution of the Directors to the Board remains informed and relevant, the Company is responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of each Director of the Company.

According to the records maintained by the Company, each of the Directors has received continuous professional development for the year ended 31 December 2016 as follows:

	Corporate governance/ Updates on laws, rules and regulations		Accounting/financial/ management or other professional knowledge	
Board member	**Reading materials**	**Attend seminar or briefing**	**Reading materials**	**Attend seminar or briefing**
Executive director				
Mr. XI Yu	✓	✓	–	–
Mr. SONG Yu Qing	✓	✓	–	–
Ms. CHEUNG Siu Ling	✓	✓	–	–
Mr. LIAO Feng	✓	–	–	–
Ms. LIU Yu Jie	✓	–	–	–
Mr. HON Wa Fai	✓	✓	✓	✓
Independent non-executive director				
Dr. CHAN Yan Cheong	✓	✓	–	–
Mr. YUEN Kim Hung, Michael	✓	✓	✓	✓
Mr. HO Yau Hong, Alfred	✓	✓	✓	✓

All executive Directors and independent non-executive Directors of the Company bring in a variety of experience and expertise to the Company with their respective functions set out as follows:

Executive Directors

Name	**Position**	**Current Function/Experience**
XI Yu	Chairman and executive director	– Leading the Board – Developing vision and strategies of the Group – Developing long term mission of the Group – Investors relations
SONG Yu Qing	CEO and executive director	– Formulating Strategic planning – Developing corporate goals, targets and objectives of the Group – Ensuring good corporate governance functions and practices
CHEUNG Siu Ling	Executive director and compliance officer	– Implementing corporate governance practices – Implementing procedures to ensure compliance with applicable laws, rules and regulations – Administration of head office – Human resources management of the Group – Overseeing daily operations of the Group through delegations

Name	Position	Current Function/Experience
LIAO Feng	Executive director	– Advising on corporate finance of the Company – Advising on investment opportunities for the Group
LIU Yu Jie	Executive director	– Advising on corporate finance of the Company – Advising on investment opportunities for the Group
HON Wa Fai	Executive director, financial controller, and Company Secretary	– Overseeing financial control, accounting, treasury, and compliance – Formulating merger and acquisition exercises – Investors relations

Independent non-executive Directors

Name	Independence	Current Function/Experience
CHAN Yan Cheong	✓	– Relationship with academic and industrial expertise – Monitoring risk management functions of the Group – Bringing in independent judgement on issues of corporate strategies, policy, performance, accountancy, key appointments, standards of conduct and environmental protection – Scrutinising the Company's performance in achieving corporate goals and objectives – Serving on audit, remuneration and nomination committees
YUEN Kim Hung, Michael	✓	– Advising on auditing, taxation, compliance and financial matters – Monitoring risk management functions of the Group – Bringing in independent judgement on issues of policy, performance, accountancy, key appointments and standards of conduct – Serving on audit, remuneration and nomination committees – Scrutinising the Company's performance in achieving corporate goals and objectives – Possessing with professional accounting qualification and financial experience
HO Yau Hong, Alfred	✓	– Advising on auditing, taxation, compliance and financial matters – Monitoring risk management functions of the Group – Bringing in independent judgement on issues of policy, performance, accountancy, key appointments and standards of conduct – Serving on audit, remuneration and nomination committees – Scrutinising the Company's performance in achieving corporate goals and objectives – Possessing with professional accounting qualification and financial experience

BOARD DIVERSITY POLICY

On 5 August 2016, the Company has adopted a written Board Diversity Policy with aims to endorse the principle that the Board should have a balance of skills, experience and diversity of perspectives appropriate to the Company's business.

Pursuant to the policy, the Board will consider gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders. All these factors are considered to be relevant to the Company's business, for the following reasons:

(a) The Company operates in a diverse business environment where it is in the best interests of its shareholders that due account is taken of the interests of its employees, customers, suppliers, others with whom it does business, governmental and other institutions which have influence over the Company, and members of the public. A board whose composition has regard to the gender, age, cultural and educational background and ethnicity of its members is in a good position to take due account of such interests.

(b) Professional experience, skills, knowledge and length of service are self-evidently important contributors to the quality of the Board's decision making.

(c) The Board considers that the Company benefits substantially from the long term commitment by its principal shareholders to its affairs. This commitment is facilitated by those shareholders being appropriately represented on the Board.

Subsequent to the end of the year 2016, the Nomination Committee of the Company has reviewed and assessed the composition of the Board and made recommendations to the Board on re-election of Directors of the Company having regard to the merit of candidates.

In reviewing Board composition, the Nomination Committee considered that the diversity of the existing Board members is able to maintain an appropriate range and balance of skills, experience and background on the Board.

The Nomination Committee has discussed and agreed that the Board shall consider to enhance the contemporary knowledge of the Board members on environmental management and protection.

DISCLOSURE POLICY

On 19 March 2013, the Company has adopted a written Disclosure Policy with aims to provide a general guide to the Directors, officers(1), senior management and relevant employees(2) of the Company in the handling of confidential information and/or monitoring of information disclosure pursuant to the applicable laws and regulations whereas:

(1) "Officer" as defined in the Securities and Futures Ordinance includes a director, manager or secretary of, any person involved in the management of the Company.

(2) "Relevant employees" includes employees of the Company and directors/employees of the Company's subsidiary or holding company who, because of their office or employment, are likely to possess Inside Information (as referred to in Part XIVA of the Securities and Futures Ordinance).

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Company established four Board committees. The table below provides membership information of these committees on which each Board member serves:

	Audit Committee	Nomination Committee	Remuneration Committee	Executive Committee
XI Yu				C
SONG Yu Qing				M
CHEUNG Siu Ling				M
LIAO Feng				M
LIU Yu Jie				M
HON Wa Fai				M
CHAN Yan Cheong	C	M	M	
YUEN Kim Hung, Michael	M	C	M	
HO Yau Hong, Alfred	M	M	C	

Notes:

C: Chairman of the relevant Board committee
M: Member of the relevant Board committee

AUDIT COMMITTEE

The Company's Audit Committee was initially established on 30 May 2000 with written terms of reference adopted. On 19 March 2012, the terms of reference of the Audit Committee were reviewed and amended to cope with the GEM CG Code. On 5 November 2015, the terms of reference of the Audit Committee were updated to cope with the revised GEM CG Code on risk management and internal control system of the Company. On 28 July 2016, the terms of reference of the Audit Committee have been updated for the purpose of compliance with the CG Code.

Composition of Audit Committee

Dr. CHAN Yan Cheong *(committee chairman)*
Mr. YUEN Kim Hung, Michael
Mr. HO Yau Hong, Alfred

Meetings of Audit Committee

The following was an attendance record of the Audit Committee meetings during the year:

Committee member	Number of meetings attended/held
Dr. CHAN Yan Cheong *(chairman of committee)*	3/3
Mr. YUEN Kim Hung, Michael	3/3
Mr. HO Yau Hong, Alfred	3/3

The Audit Committee had 3 meetings during the year ended 31 December 2016, amongst others, for the following purposes:

(i) reviewed the annual report for the year ended 31 December 2015;

(ii) discussed and reviewed the interim results for 6 months ended 30 June 2016 as reviewed by the independent accountants, Crowe Horwath (HK) CPA Limited;

(iii) reviewed the quarterly report for 3 months ended 31 March 2016;

(iv) reviewed the valuation reports for the year ended 31 December 2015, the 3 months ended 31 March 2016 and the 6 months ended 30 June 2016 prepared by the independent professional valuers engaged by the Company in relation to the fair value of the long-term equity investments and impairment testing on goodwill arisen on the environmental entities of the Group;

(v) reviewed the risk management and internal control systems and discussed with the independent professional advisors engaged by the Company to review the risk management and internal control systems of the Group; and

(vi) reviewed the cashflow forecast of the Company for the purpose of application to transfer the listing of the Company's shares from GEM to Main Board.

REMUNERATION COMMITTEE

The Company's Remuneration Committee was initially established on 1 May 2005 with written terms of reference adopted. On 19 March 2012, the terms of reference of the Company's Remuneration Committee were reviewed and amended to cope with the GEM CG Code. On 28 July 2016, the terms of reference of the Remuneration Committee have been updated for the purpose of compliance with the CG Code.

Composition of Remuneration Committee

Mr. HO Yau Hong, Alfred *(committee chairman)*
Dr. CHAN Yan Cheong
Mr. YUEN Kim Hung, Michael

Meetings of Remuneration Committee

The following was an attendance record of the Remuneration Committee meetings during the year:

Committee member	**Number of meetings attended/held**
Mr. HO Yau Hong, Alfred *(chairman of committee)*	3/3
Dr. CHAN Yan Cheong	3/3
Mr. YUEN Kim Hung, Michael	3/3

The Remuneration Committee had 3 meetings during the year ended 31 December 2016, amongst others, for the following purposes:

(i) reviewed the remuneration of executive Directors and senior management for the years ended 31 December 2015 and 2016;

(ii) advised on the compensation to the chairman of the Board appointed in 2016; and

(iii) advised on the compensation to all board members in commensurate with their performance.

NOMINATION COMMITTEE

The Company's Nomination Committee was initially established on 1 May 2005 with written terms of reference adopted. On 19 March 2012, the terms of reference of the Company's Nomination Committee were reviewed and amended to cope with the GEM CG Code. On 28 July 2016, the terms of reference of the Nomination Committee have been updated for the purpose of compliance with the CG Code.

Composition of Nomination Committee

Mr. YUEN Kim Hung, Michael *(committee chairman)*
Dr. CHAN Yan Cheong
Mr. HO Yau Hong, Alfred

Meetings of Nomination Committee

The following was an attendance record of the Nomination Committee meetings during the year:

Committee member	**Number of meetings attended/held**
Mr. YUEN Kim Hung, Michael *(chairman of committee)*	2/2
Dr. CHAN Yan Cheong	2/2
Mr. HO Yau Hong, Alfred	2/2

The Nomination Committee had 2 meetings during the year ended 31 December 2016, amongst others, for the following purposes:

(i) reviewed the composition of the Board;

(ii) advised on the nomination of the chairman appointed to the Board in 2016;

(iii) assessed the independence of independent non-executive Directors proposed for re-election at the annual general meeting; and

(iv) discussed and made recommendations pursuant to the Board Diversity Policy of the Company.

EXECUTIVE COMMITTEE

The Company's Executive Committee was established on 29 April 2011 with written terms of reference pursuant to which the Board delegates the powers and authorities to the committee to manage the business of the Group, and to make investment and business decisions for the Group within its authority and to take all actions to give effect to such decisions. The Executive Committee comprises all executive Directors of the Company.

Composition of Executive Committee

Mr. XI Yu *(committee chairman)*
Mr. SONG Yu Qing
Ms. CHEUNG Siu Ling
Mr. LIAO Feng
Ms. LIU Yu Jie
Mr. HON Wa Fai

Role and function of Executive Committee

(a) to refer the transactions to the Board for decision making if any member of the Executive Committee has doubt on any compliance issue under the applicable rules in respect of the transactions under consideration and in any event, seek professional advice on any compliance issue;

(b) to report to the Board on any decision or commitment (within its authority for ordinary course of business of the Group) approved by the Executive Committee and entered into on behalf of the Group in the next scheduled meeting of the Board; and

(c) to ensure that all the relevant management personnel of the Group and the Company Secretary of the Company will be provided with all deeds, documents or contracts entered into on behalf of the Group pursuant to the approval of the Executive Committee (within its authority) for record keeping.

Meetings of Executive Committee

The following was an attendance record of the Executive Committee meetings during the year:

Committee member	**Number of meetings attended/held**
Mr. XI Yu *(chairman of committee)*	1/1
Mr. SONG Yu Qing	1/1
Ms. CHEUNG Siu Ling	4/4
Mr. LIAO Feng	1/1
Ms. LIU Yu Jie	0/1
Mr. HON Wa Fai	4/4

For the year ended 31 December 2016, the Executive Committee had 4 meetings held mainly for the consideration and approval of authorised transactions within the terms of reference of the committee, of which the decisions have been reviewed, confirmed and adopted by the Board.

SUPPLY OF AND ACCESS TO INFORMATION

For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers will be sent, in full, to all Directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting, and for other ad hoc or urgency meetings at other agreed period.

The senior management of the Group has an obligation to supply the Board its committees of the Company with appropriate and adequate information through financial reports, business and operational reports and budget statements in a timely manner to keep the Board members informed of the latest development of the Group. The Board members have the right to access to the Group's information, board papers and related materials from either the Chairman or the Company Secretary of the Company. Where any Director requires more information than is volunteered by senior management, he/she makes further enquiries where necessary and shall separate and independent access to the senior management of the Company.

AUDITOR'S REMUNERATION

For the years ended 31 December 2016 and 2015, the remuneration paid/payable to the independent auditors of the Company in respect of their audit and non-audit services was as follows:

	2016	2015
	HK$'000	HK$'000
Audit services	**980**	900
Non-audit services	**370**	150

ACCOUNTABILITY AND AUDIT

The Audit Committee has reviewed with the Board on the Company's financial statements for the year ended 31 December 2016. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment for the Company's performance, position and prospects. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Crowe Horwath (HK) CPA Limited acknowledge their reporting responsibilities in the independent auditor's report to the consolidated financial statements of the Company for the year ended 31 December 2016.

It is the responsibility of the external auditor to form an independent opinion, based on their audit, on those financial statements of the Company and to report their opinion solely to the Company, as a body, and for no other purpose. The independent auditor does not assume responsibility towards or accept liability to any other person for the contents of the independent auditor's report to the shareholders of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility to ensure that proper and effective systems of risk management and internal control of the Group are maintained. The senior management of the Company is delegated with the responsibility to design and implement an internal control system to manage risks. The senior management of the whole Group, including but not limited to, the Directors and executive officers of the Company, the directors of the subsidiaries and the general managers and deputy general managers of the Group, maintains and monitors the risk management and internal control systems on an ongoing basis. The Board is responsible for reviewing on the effectiveness of the risk management and internal control systems of the Group.

The Audit Committee supports the Board in monitoring our risk exposures, the design and operating effectiveness of the underlying risk management and internal control systems. The senior management assesses and presents regular reports to the Audit Committee on its own assessments of key risks, the strengths and weaknesses of the risk management functions and the internal control systems, with action plans to address the weaknesses. The Company engages with external professional advisors to regularly report on their reviews of the risk management and internal control systems of the Group, including action plans to address any identified control weaknesses. External auditors also report on any control issues identified in the course of their work. Taking these into consideration, the Audit Committee reviews the effectiveness of the Group's risk management function and internal control systems and reports to the Board on such reviews. Work and findings of the Committee are considered by the Board in forming its own view on the effectiveness of the systems.

The Group's internal control system includes a defined management structure with specified limits of authority, is designed to achieve business objectives and goals, safeguard assets against unauthorised use or disposition, control over operating and capital expenditures, ensure the maintenance of proper books and records for providing reliable financial information used for internal or publication purposes, and ensure compliance with relevant legislation and regulations.

The internal control systems are designed to meet the Group's particular needs and risks to be exposed, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in operations systems achievement of the Group's objectives and goals.

The Company has not established its own internal audit function, but the Company has a project controlling team nominated by the Board comprising, amongst other project assistants, the deputy general manager and the corporate strategic planning & audit manager of the Company to take up the responsibilities of monitoring the day-to-day management, risk management function, and internal control systems of all operating units of Group in the Mainland China, integrating with the systems of monthly and annual planning and budgeting process, counter-approval and implementation control process, identifying any risks or possible failure of the operating units, and reporting and making suggestions on how each operating unit to achieve the objectives and goals set. The project controlling team meets regularly with the Executive Directors and report on matters to be updated to the Board timely.

CORPORATE GOVERNANCE REPORT

The Company engages with independent professional party to review on the Group's compliance with the CG Code, and review on the risk management and internal control systems of the Group on a continuous basis. For the years ended 31 December 2015 and 2016, the Company engaged with SHINEWING Risk Services Limited, adopting the internal control model set down by the Committee of Sponsoring Organisations of the U.S. Treadway Commission ("COSO") for internal controls, to carry out independent review on the internal control system of the key operations of the Group and the corporate governance functions of the Company. The review includes reporting to the Board on the compliance with the CG Codes and the ranking of risk on the internal control system of the Group (including financial operations, compliance and risks management) and monitoring the scheduled plan toward improvement. Based on the independent review reports, the Board has impartial reference on the assessment, the implementation and the continuous improvement to the key operations of the Company toward more effective risk management functions and internal control system.

For the year ended 31 December 2016, a review of the effectiveness of the risk management and internal control systems has been conducted the Board considered the risk management and internal control systems were effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The scope of the review covered the adequacy of resources, qualification/experience of staff of the Group's accounting and financial reporting function, and their training and budget.

COMPANY SECRETARY

Mr. HON Wa Fai is the registered Company Secretary appointed by the Board of the Company, who is also an executive Director and the financial controller of the Group. He has been the Company Secretary of the Company since 6 October 2004. Mr. HON is a member of The Hong Kong Institute of Chartered Secretaries and a certified public accountant (as defined in the Professional Accountants Ordinance (Cap.50, Laws of Hong Kong)).

Pursuant to Rule 3.29 of the Main Board Listing Rules, Mr. HON has taken no less than 15 hours of relevant professional training on corporate governance, financial management and accountancy for the year ended 31 December 2016.

SHAREHOLDERS' RIGHTS

Communication with Shareholders

The Company has adopted its Shareholders Communication Policy to promote and facilitate effective communication with Shareholders of the Company. The Board encourages the participation of the Shareholders to the general meetings of the Company, and the Chairman of the Board shall attend the annual general meeting of the Company.

The Chairman invites the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend, or failing their presence, their duly appointed delegate to attend and be available to answer questions at annual general meeting. The chairman of the independent board committee (if any) is available to answer questions at the general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

The management of the Company ensures the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

For each substantially separate issue at the general meetings, a separate resolution is to be proposed by the chairman of that meeting. The Company shall avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", the Company shall explain the reasons and material implications in the notice of the general meetings. The chairman of the general meetings shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from Shareholders on voting by poll.

The Company shall arrange for the notice to the Shareholders to be sent in the case of for annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case for all other general meetings. Any notice to be given by the Company shall be in writing. The Company shall send notices to all Shareholders whether or not their registered address is in Hong Kong. The Company shall ensure that notice of the general meetings is published on the websites of the Company and the Stock Exchange.

Shareholders who are unable to attend a general meeting may complete and return to the Branch Share Registrar in Hong Kong the proxy form enclosed with the notice of meeting to give proxy to their representatives, another shareholder or chairman of the meetings.

The poll voting procedures are included in the Company's circular convening a general meeting. The results of the voting by poll are declared at the meeting and published on the websites of the Stock Exchange and the Company respectively thereafter the meeting.

Procedures for Shareholders to convene a general meeting

According to the Memorandum and Articles of Association of the Company, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

Upon receipt of the requisition, the Company shall request the Share Registrar to verify and confirm on the particular of the requisitionist(s), and arrange the Board to consider the proposal and convene a general meeting by serving sufficient notice to all the registered Shareholders. If any particular of the requisitionist(s) is verified as not in order, the requisitionist(s) will be advised accordingly, and a general meeting may not be convened as requested.

If within twenty one (21) days of such deposit of the requisition the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days but if permitted by the rules of the Stock Exchange, a general meeting may be called by shorter notice, subject to the Companies Law of the Cayman Islands, if it is so agreed.

CORPORATE GOVERNANCE REPORT

Procedures for proposing a person for election as a Director

On 19 March 2012, the Company adopted the Procedures for Shareholders to Propose a Person for Election as a Director. Save for the procedures adopted, no person, other than a retiring director of the Company shall, unless recommended by the Board of the Company for election, be eligible for election to the office of Director at any general meeting according to the Memorandum and Articles of Association of the Company, and relevant laws and regulations applicable to the Company. Pursuant to the procedure adopted, only Shareholder(s) of the Company duly qualified to attend and vote at the general meeting shall propose a person for election as a Director.

If a Shareholder who is duly qualified to attend and vote at the general meeting wishes to propose a person other than a Director for election as a Director, the following documents shall be lodged at the principal place of business of the Company in Hong Kong at Rooms 2110 – 2112, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong for the Board to recommend that person for election to the office of Director at any general meeting:–

(i) a notice signed by the Shareholder of the intention to propose that person for election as a Director and the notice shall set out the contact details of the proposing shareholder, including correspondence address, contact phone number; and

(ii) a notice signed by that person to be proposed of his willingness to be elected as a Director; and the duly completed checklist attach to these procedures.

The minimum length of the period during which the above-mentioned notices are given shall be at least ten (10) business days and that the period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end not later than fourteen (14) business days prior to the date of such general meeting.

If the Company receives the notice as required after publication of the notice of meeting, the Company shall publish an announcement or issue a supplementary circular upon receipt of such a notice. Full particulars of the proposed director as required under Rule 17.50(2) of the GEM Listing Rules, and from 1 August 2016 onward, Rule 13.51(2) of the Main Board Listing Rules must be included in the announcement or supplementary circular. However, if the Company receives insufficient information for the purposes of publishing an announcement or issuing a supplementary circular, the Company shall contact the proposing shareholder and/or the proposed director for further information.

In the event that the Company is not able to publish an announcement or issue a supplementary circular on a day, which is at least ten (10) business days prior to the general meeting of the Company, the said nomination of shareholder will be presented at the next following general meeting.

Procedures for directing Shareholders' enquiries to the Board

Shareholders shall direct their questions about their shareholdings to the Company's Branch Share Registrar in Hong Kong. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders or investors could enquire by putting their proposals with the Company through the following means:

Telephone number	:	(852) 2435 6811
Facsimile number	:	(852) 2435 3220
E-mail	:	comsec@nuigl.com
Correspondence address	:	Rooms 2110-2112, 21/F., Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong
For the attention of	:	The Chairman

INVESTOR RELATIONS

The Company is committed to maintaining high degree of transparency to ensure the investors and the shareholders are receiving accurate, clear, comprehensive and timely information of the Group via the publication of annual reports, interim reports, public announcements and releases, and update and key information of the Group are available on the Company's website at www.nuigl.com.

The Company engaged with PRChina Limited as its public relation consultant to enhance media and investor relations of the Group. The Board continues to maintain regular dialogue with institutional investors and analysts to keep them informed the Group's strategy, operations, management and plans. Media or potential investors could make necessary enquiry with the public relation consultant through the following means:

Telephone number	:	(852) 2522 1838
Facsimile number	:	(852) 2521 9955
E-mail	:	newuniverse@prchina.com.hk
Public relation consultant	:	PRChina Limited

On behalf of the Board

XI Yu
Chairman

Hong Kong, 28 March 2017

REPORT OF THE DIRECTORS

The directors ("Directors") of New Universe Environmental Group Limited ("Company") submit their report together with the audited financial statements for the year ended 31 December 2016.

CHANGE OF COMPANY NAME

Pursuant to the special resolution duly passed by the shareholders of the Company at the extraordinary general meeting held on 6 May 2016 and the subsequent certification of the Registrar of Companies in the Cayman Islands and the Companies Registry in Hong Kong, the English name of the Company has been changed from "New Universe International Group Limited" to "New Universe Environmental Group Limited", and the dual foreign name in Chinese "新宇環保集團有限公司" has been adopted to replace the Chinese name "新宇國際實業（集團）有限公司" having been used previously for identification purposes only.

CHANGE OF STOCK SHORT NAME

With the approval of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the stock short name for trading in shares of the Company on the Stock Exchange has been changed from "NU INT'L" to "NU ENVIRO" in English and from "新宇國際" to "新宇環保" in Chinese with effect from 9:00 a.m. on 1 June 2016.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated in Cayman Islands as an exempted company with limited liability and has its principal place of business at Rooms 2110-2112, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services to the group members.

The activities of the principal subsidiaries are summarised as follows:

(a) provision of environmental industrial and medical waste treatment services;

(b) provision of environmental plating sewage treatment services in an eco-plating specialised zone; and

(c) investments in plastic materials dyeing business.

TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

On 13 April 2016, an application was made by the Company to the Stock Exchange for the transfer of listing of the shares from GEM to the Main Board pursuant to Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange ("Transfer of Listing"), that the Company applied for the listing of, and permission to deal in (i) the 2,955,697,018 shares of the Company in issue, and (ii) 275,569,701 new shares of the Company, being the maximum number of new shares which may fall to be issued upon the exercise of all options which may be granted under the share option scheme adopted by the Company on 5 May 2015, on the Main Board by way of transfer of listing from GEM to the Main Board. The Transfer of Listing do not involve issue of any new shares by the Company. The approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 21 July 2016 for the shares of the Company be listed on the Main Board and de-listed from GEM. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and its shares. The last day of dealings in the Shares on GEM (Stock Code: 8068) was 29 July 2016. Dealings in the shares of the Company on the Main Board (Stock Code: 436) have commenced at 9:00 a.m. on 1 August 2016.

The Board believes that the Transfer of Listing will enhance the profile of the Company and increase the trading liquidity of the Shares. The Board considers that the Transfer of Listing will be beneficial to the future growth and business development of the Group as well as its financing flexibility.

BUSINESS REVIEW AND PERFORMANCE

A business and financial review of the Company and its subsidiaries ("Group") for the year ended 31 December 2016 and the material factors underling its results and financial position together with the risk and outlook of the Company's business as required by Schedule 5 to the Hong Kong Companies Ordinance are set out in the Chairman's Statement and the Management Discussion and Analysis on pages 2 to 17 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

An Environmental, Social and Governance Report of the Company for the year ended 31 December 2016 is set out on pages 27 to 37 of this annual report which highlighted the performance of the Group on the issues of environmental, social and governance. The Company has engaged with a consultant firm, Ascent Partners Advisory Service Limited, to review the Group's overall performance in the subject areas of environmental and social of its key business operations for the preparation of the Environmental, Social and Governance ("ESG") Report of the Company for the years ended 31 December 2016 and 2015 according to the ESG Reporting Guide set out in Appendix 27 to the Main Board Listing Rules.

CORPORATE GOVERNANCE

A report on the principal corporate practices of the Company for the year ended 31 December 2016 and significant subsequent events, if any, up to the date of publication of this annual report is set out in the Corporate Governance Report on pages 38 to 57 of this annual report.

SEGMENT INFORMATION

An analysis of the group's performance for the year by operating segment of the Group is set out in note 4 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2016 and the state of the Group's affairs as at that date are set out in the financial statements on pages 75 to 162 of this annual report.

REPORT OF THE DIRECTORS

DIVIDEND

The dividend of HK$0.005 per share totally amounted to approximately HK$14,778,000 paid on 29 July 2016 was made in respect of the year ended 31 December 2015.

On 28 March 2017, the Directors recommended the payment of a final dividend of HK$0,006 per share in respect of the year ended 31 December 2016 amounting to approximately HK$17,734,000 which is subject to approval of the shareholders at the forthcoming annual general meeting:

Annual general meeting date	:	Friday, 19 May 2017
Book close date for final dividend	:	Friday, 23 June 2017 to Wednesday, 28 June 2017
Record date for final dividend	:	Wednesday, 28 June 2017
Final dividend payment date	:	Friday, 28 July 2017

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years ended 31 December 2016, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 18 to 20 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company and shares issued in the year ended 31 December 2016 are set out in note 31 to the financial statements.

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 2016.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

At 31 December 2016, the distributable reserves of the Company amounted to HK$495,489,000 (2015: HK$488,790,000) which was calculated according to Article 134 of the Articles of Association of the Company that dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2016 are set out in notes 25 and 30 to the financial statements.

INTEREST CAPITALISED

The Group did not capitalise any interest during the year (2015: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the financial year is as follows:

	Percentage of the Group's total			
	Sales		**Purchases**	
	2016	2015	**2016**	2015
The largest customer	8.4%	5.5%		
Five largest customers in aggregate	26.9%	19.1%		
The largest supplier			19.7%	8.7%
Five largest suppliers in aggregate			48.0%	34.5%

At no time during the years ended 31 December 2016 and 2015 did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers or customers.

At no time during the years ended 31 December 2016 and 2015 have the Directors, their respective associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers of the Group.

DIRECTORS OF THE COMPANY

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. XI Yu (appointed on 11 April 2016)
Mr. SONG Yu Qing
Ms. CHEUNG Siu Ling
Mr. LIAO Feng
Ms. LIU Yu Jie
Mr. HON Wa Fai

Non-Executive Director:

Mr. SUEN Ki (resigned on 11 April 2016)

Independent Non-Executive Directors:

Dr. CHAN Yan Cheong
Mr. YUEN Kim Hung, Michael
Mr. HO Yau Hong, Alfred

REPORT OF THE DIRECTORS

In accordance with article 84 of the Company's articles of association, Mr. SONG Yu Qing, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The independent non-executive Directors, Dr. CHAN Yan Cheong was appointed for a two-year term commencing from 1 April 2017, and each of the independent non-executive Directors, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred was appointed for a two-year term commencing from 1 February 2017.

DIRECTORS OF THE SUBSIDIARIES

The directors of the Company's subsidiary undertakings during the year and up to the date of this report were:

Name of subsidiary	**Director(s) of the subsidiary**				
Fair Time International Limited	B	C(1)	D(2)		
HK Smartech Trading (Shenzhen) Limited* (港滙科貿易(深圳)有限公司)	B				
Jiangsu New Universe Environmental Engineering Management Limited* (江蘇宇新環保工程管理有限公司)	F				
New Sinotech Investments Limited	B				
New Universe (China) Investment Limited	B	C(1)			
New Universe (China) Limited	B	C(1)	D(2)		
New Universe Environmental Protection Investment Limited	B				
New Universe Environmental Technologies (Jiang Su) Limited	B	C(1)	D(2)		
New Universe International Ecology Limited	B				
New Universe International Group Limited (formely known as New Universe Environmental Engineering Management Limited)	B	E			
New Universe International Holdings Limited	B				
New Universe Recyclable Investments Limited	B				
New Universe Recyclables Limited	B	C(1)	D(2)		
Smartech International Group Limited	B	C(1)			
Smartech Manufacturing Limited	B	C(1)	D(2)		
Smartech Plastic Moulding Limited	B	C(1)	D(2)		
Smartech Services Limited	B	C(1)	D(2)		
Suqian New Universe Solid Waste Disposal Company Limited* 宿遷宇新固體廢物處置有限公司	A(3)	D(2)			
Taizhou New Universe Solid Waste Disposal Company Limited	D	G	H	I	
Xiangshui New Universe Environmental Technology Limited	D	I	J	K	L
Yancheng New Universe Solid Waste Disposal Company Limited	D	G(4)	H(4)	I(4)	
Yancheng NUHF Environmental Technology Limited* 鹽城新宇輝豐環保科技有限公司	D	I	J	K	L
Zhenjiang New Universe Solid Waste Disposal Company Limited	D	F	G	H	I
Zhenjiang Sinotech Eco-Electroplating Development Limited	D				

* *For identification purposes only*

Name of the directors the Company's subsidiary undertakings:

A: Mr. SONG Yu Qing
B: Ms. CHEUNG Siu Ling
C: Mr. CHU Yuk Ngai
D: Mr. XI Yu
E: Mr. HON Wa Fai
F: Ms. LIU Yuan
G: Mr. SUN Jia Qing
H: Mr. YIN Yong Xiang
I: Mr. LIU Lai Gen
J: Mr. ZHONG Han Gen
K: Mr. JI Zi Hua
L: Mr. LI Qi

Notes:

(1) Mr. CHU Yuk Ngai resigned as director of Fair Time International Limited, New Universe (China) Investment Limited, New Universe (China) Limited, New Universe Environmental Technologies (Jiang Su) Limited, New Universe Recyclables Limited, Smartech International Group Limited, Smartech Manufacturing Limited, Smartech Plastic Moulding Limited, and Smartech Services Limited with effect from 18 April 2016.

(2) Mr. XI Yu was appointed as director of Fair Time International Limited, New Universe (China) Limited, New Universe Environmental Technologies (Jiang Su) Limited, New Universe Recyclables Limited, Smartech Manufacturing Limited, Smartech Plastic Moulding Limited, and Smartech Services Limited with effect from 18 April 2016 and director of Suqian New Universe Solid Waste Disposal Company Limited* with effect from 20 September 2016.

(3) Mr. SONG Yu Qing resigned as director of Suqian New Universe Solid Waste Disposal Company Limited* with effect from 20 September 2016.

(4) Mr. SUN Jia Qing, Mr. YIN Yong Xiang and Mr. LIU Lai Gen resigned as director of Yancheng New Universe Solid Waste Disposal Company Limited with effect from 28 November 2016.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has service contract with the Company that is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

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

* *For identification purpose only*

REPORT OF THE DIRECTORS

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 Main Board Listing Rules, the further appointment of each of them should be subject to a separate resolution to be approved by the shareholders at the forthcoming annual general meeting. The Board considers each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is independent and proposes each of them to be re-elected at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on pages 21 to 26 of this annual report.

EMOLUMENTS OF THE DIRECTORS AND CHIEF EXECUTIVES AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the chief executives and of the five highest paid individuals in the Group are set out respectively in notes 10 and 11 to the financial statements.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund scheme for all employees in Hong Kong. Particulars of the retirement scheme are set out in note 36 to the financial statements.

SHARE OPTION SCHEME

The old share option scheme of the Company adopted on 10 December 2003 has expired on 9 December 2013. As at 31 December 2016, no option was granted or was outstanding under the old share option scheme.

The Company has a new share option scheme which was adopted by the Company's shareholders at the general meeting held on 5 May 2015 ("New Share Option Scheme"). The purpose of the New Share Option Scheme is to reward the participants who have contributed to the Group and/or to provide incentives to the participants to work towards the success of the Company. The total number of shares of the Company which might be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme by the shareholders at the annual general meeting on 5 May 2015 ("Scheme Mandate Limit") unless the Company obtains an approval by its shareholders at its general meeting to refresh the Scheme Mandate Limit. Further, the maximum number of shares of the Company which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and options which may be granted and yet to be exercised under any other share option schemes of the Company shall not exceed 30% of the total number of the Company's shares in issue from time to time. Based on the issued share capital of 2,955,697,018 shares of the Company as at 5 May 2015, the Scheme Mandate Limit was 295,569,701 shares of the Company.

As at 31 December 2016, no option was granted or was outstanding under the New Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were entered into the register pursuant to section 352 of the SFO, to be entered in the register referred therein; or which were required, pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers of the Main Board Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

The Company

Long positions in ordinary shares of the Company

	Number of ordinary shares of HK$0.01 each				
Name of Director	**Personal/ beneficial interest**	**Interests of children or spouse**	**Interests of controlled corporation**	**Number of shares held**	**% of total shares in issue**
Mr. XI Yu *(note)*	–	–	1,071,823,656	1,071,823,656	36.26
Ms. LIU Yu Jie	202,000,000	–	–	202,000,000	6.83

Associated corporation

Long positions in ordinary shares of NUEL

	Number of ordinary shares of US$1.00 each of NUEL				
Name of Director	**Personal/ beneficial interest**	**Interests of children or spouse**	**Interests of controlled corporation**	**Number of shares held**	**% of total shares in issue**
Mr. XI Yu *(note)*	16,732	–	–	16,732	83.66
Ms. CHEUNG Siu Ling *(note)*	1,214	1,214	–	2,428	12.14

Note: NUEL is beneficially interested in 1,071,823,656 shares of the Company, representing approximately 36.26% of the issued share capital of the Company as at 31 December 2016. Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of NUEL.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers of the Main Board Listing Rules, to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

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

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

As at 31 December 2016, so far as is known to any director or the chief executive of the Company, the interests or short positions of any person, other than a director or the chief executive of the Company, in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

	Number of ordinary shares of HK$0.01 each				
Name of shareholder	**Beneficial owner**	**Family interest**	**Interest of controlled corporation**	**Number of shares held**	**% of total shares in issue**
NUEL[(i)]	1,071,823,656	–	–	1,071,823,656	36.26
CM International Capital Limited ("CMIC Cayman")[(ii)]	800,000,000	–	–	800,000,000	27.07
CM International Capital Limited 中民國際資本有限公司 ("CMIC Hong Kong")[(ii)]	–	–	800,000,000	800,000,000	27.07
China Minsheng Investment Corp. Limited 中國民生投資股份有限公司[(ii)]	–	–	800,000,000	800,000,000	27.07
Ms. LIU Yu Jie[(iii)]	202,000,000	–	–	202,000,000	6.83

Notes:

(i) NUEL is the beneficial owner of the 1,071,823,656 issued ordinary shares of the Company. NUEL is beneficially owned as to 83.66% by Mr. XI Yu.

(ii) CMIC Cayman is the beneficial owner of the 800,000,000 issued ordinary shares of the Company. CMIC Cayman is 100% directly owned by CMIC Hong Kong. CMIC Hong Kong is 100% directly owned by China Minsheng Investment Corporation Limited (中國民生投資股份有限公司).

(iii) The interest disclosed by Ms. LIU Yu Jie as a shareholder is the same interest disclosed by her as Director of the Company.

Save as disclosed above, as at 31 December 2016, the Directors of the Company were not aware of any other person who had an interest or short position in the shares and underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning for the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2016 as set out in note 37 to the financial statements.

Mr. XI Yu was appointed as a consultant to the Group for the period from 22 August 2014 to 31 March 2016. The Company has paid consultant fees to Mr. XI Yu totally amounted to HK$36,000 for the year ended 31 December 2016. Mr. XI Yu is beneficially interested in approximately 83.66% of the issued share capital of NUEL, which in turn is currently interested in 36.26% of the issued share capital of the Company. As such, Mr. XI Yu is a connected person of the Company for the purposes of Chapter 20 of the GEM Listing Rules before his tenure as consultant lapsed on 31 March 2016. Although the engagement of Mr. XI Yu constituted a continuing connected transaction of the Company, his remuneration package was below the de minimis threshold provided in Rule 20.74(1) of the GEM Listing Rules, which would be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements.

Save as disclosed therein, there was no significant connected transactions of the Group (defined under the GEM Listing Rules and the Main Board Listing Rules) which were discloseable in the reporting period or any time during the year ended 31 December 2016.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

As at 31 December 2016 or 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:

Directors of the Company, Mr. XI Yu and Ms. CHEUNG Siu Ling are also the directors of the landlord, Sun Ngai International Investment Limited ("Sun Ngai") to the tenancy agreement entered into by Smartech Services Limited ("Smartech Services", an indirectly 100% owned subsidiary of the Company) as tenant, pursuant to which, Smartech Services has leased two office units as headquarter of the Company in Hong Kong at Rooms 2109 and 2110, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong at a monthly rental of HK$50,000 for the term from 1 August 2015 to 31 July 2016. A renewed rental agreement was entered into between Sun Ngai and Smartech Services for the term from 1 August 2016 to 31 July 2017 at a monthly rental of HK$50,000. For the year ended 31 December 2016, total rental paid by Smartech Services to Sun Ngai were HK$600,000.

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

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

COMPETING INTERESTS

Ms. LIU Yu Jie was appointed executive Director of the Company with effect from 9 June 2015, who has investments in four companies engaging in the operation of hazardous waste projects in four cities in China, of which she has a controlling stake in one of the four said companies. As the 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.

REPORT OF THE DIRECTORS

Save as disclosed therein, the Board is not aware of any Director of the Company who is interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business during the reporting period.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors of the Company is currently in force and has been in force throughout this year in accordance with Article 164 of the Company's Articles of Association.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public floats under the Main Board Listing Rules.

DONATION

During the year, the Company has made charitable donation of HK$1,000,000 under the Stock Code Balloting for Charity Scheme.

SUBSEQUENT EVENTS

Significant subsequent events occurred after the reporting period are set out in note 43 to the financial statements.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has reviewed with the management the audited consolidated financial statements of the Company for the year ended 31 December 2016.

INDEPENDENT AUDITOR

The financial statements of the Company and the Group for the years ended 31 December 2014, 2015 and 2016 were audited by Crowe Horwarth (HK) CPA Limited ("Crowe Horwath (HK)"). Crowe Horwath (HK) retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe Horwath (HK) as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

XI Yu
Chairman

Hong Kong, 28 March 2017

INDEPENDENT AUDITOR'S REPORT

Crowe Horwath™

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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

OPINION

We have audited the consolidated financial statements of New Universe Environmental Group Limited ("the Company", formerly known as New Universe International Group Limited) and its subsidiaries ("the Group") set out on pages 75 to 162, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
(a) Recoverability of goodwill, property, plant and equipment, and prepaid lease payments for land use rights (refer to notes 2(I)(ii), 3(b)(i), 3(b)(ii), 17, 15 and 16 to the consolidated financial statements) At 31 December 2016, the Group had a goodwill approximately HK$33 million, which arose from a acquisition in 2007, and property, plant and equipment of approximately HK$531.4 million and prepaid lease payments for land use rights of approximately HK$121.5 million, which together represented approximately 66.22% of the total assets of the Group. There is a risk that the performance of the cash generating units, to which the relevant assets are allocated, will result in impairment to the carrying value of those assets. This could be due to weaker than forecast demand, increasingly stricter governmental regulations and policies in Mainland China and/or other factors. As disclosed in note 17 to the consolidated financial statements, the recoverable amount of the identified cash generating unit to which the goodwill, relevant property, plant and equipment, and prepaid lease payments for land use rights are allocated, is determined on the basis of value in use calculations conducted by independent professional valuers with experiences in valuing similar assets. The key assumptions used in the assessment of the carrying value of goodwill, property, plant and equipment and prepaid lease payments for land use rights included in the identified cash generating unit, are discount rate, long-term growth rate, revenue growth and profit margins. As the impairment review process involves estimation uncertainty and significant judgements, this gives rise to inherent subjectivity in the carrying value of these assets recorded in the consolidated financial statements.	Our audit procedures in this area included: – Performing certain procedures to identify indicators for impairment of goodwill and/or property, plant and equipment and the prepaid lease payments for land use rights. These included physical inspection of the title documents and conditions of property, plant and equipment and the leasehold land of the cash generating units, reviewing the future business plans and forecast performance, management meeting minutes, latest government environmental policies and approvals in Mainland China, renewal of the operating licences related to environmental treatment of industrial and medical wastes and industrial sewage, and enquiring management as to whether they are aware of any indicators of impairment of the cash generating units; – Assessing the external valuers' independence, competence, capabilities and objectivity; – Assessing the appropriateness of valuation methodology used and allocation of cash flows between identified cash generating unit, to which the goodwill, relevant property, plant and equipment, and prepaid lease payments for land use rights are allocated being consistent year on year; – Checking the projections of cash flows of the identified cash generating unit in the valuation models to detailed forecasts prepared by management; assessing the appropriateness of the key assumptions, primarily estimated asset economic useful lives, revenue and cost growth rates used in the valuation models including whether they are reasonable in light of historic growth rates; assessing the long-term growth rates in the valuation model do not exceed industry published data determined by reference to published growth rates of comparable companies; – Performing our own assessments of the identified cash generating unit, with the assistance from our internal valuation specialists, of key estimates and assumptions used to estimate the discount rate, revenue and growth rates, profit margins, and challenging the judgements of management if there are differences; and

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
(a) Recoverability of goodwill, property, plant and equipment, and prepaid lease payments for land use rights (continued) Refer to notes 2(g), 2(i) and 2(k)(iv) to the consolidated financial statements for the accounting policies for goodwill and property, plant and equipment and repaid lease payments, respectively; notes 3(b)(i) and 3(b)(ii) to consolidated financial statements for the estimation uncertainties on impairment of goodwill and property, plant and equipment and prepaid lease payments for land used rights respectively.	– Evaluating management's sensitivity analysis and performing our own sensitivity analysis on the key assumptions used, including assessing the effect of a reasonably possible change in growth rates, forecast cash flows and discount rates. We also assessed whether the Group's disclosures in respect of the impairment review and the sensitivity of the outcome of the impairment review to changes in the key assumptions reflected the risks inherent in the valuation.
(b) Fair value of long-term equity investments (refer to notes 2(h), 3(a)(i), 20 and 39 to the consolidated financial statements) The long-term equity investments of approximately HK$63.6 million represent three unquoted investments in plastic materials dyeing business in Mainland China. The valuations for these unquoted investments are performed by an independent firm of qualified valuers with qualifications and recent experiences in valuing similar assets, based on the International Valuation Standards, using the ratio of enterprise value to earnings before interest and tax ratio of comparable listed companies, adjusted for lack of marketability discount. Owing to the illiquid nature (i.e. lack of marketability) of these unquoted investments. The assessment of fair value necessitates significant and complex judgements made by the management. Inappropriate judgements made in the assessment of fair value, in particular, in respect of earnings multiples, illiquidity discount and the selection of comparable listed companies could have significant impact on the fair value of the unquoted investments.	We obtained and evaluated the valuation reports, together with the working spreadsheets and assumptions applied, for each of these unquoted investments. We assessed and challenged, with the assistance from our internal valuation specialists, the appropriateness of the valuation approach, by reference to HKAS 39 and International Valuation Standards, and key assumptions and the discount factor for lack of marketability of unquoted investments. In respect of the valuation model inputs, we checked the earnings and earnings multiples to the results of investee companies and comparable listed companies, and latest available management accounts of these investee companies, and other available information available from relevant external market sources. We checked the calculation of the valuation models used for determining the fair value of these unquoted investments at the year end. We also assessed the accounting treatment for the changes in the fair value of these unquoted investments in the consolidated statement of comprehensive income and the related disclosures for the unquoted investments made in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
(c) Recoverability of trade and bills receivables (refer to notes 2(l)(i), 3(b)(iii) and 22 to the consolidated financial statements) At 31 December 2016, the Group had trade and bills receivables of approximately HK$58.5 million. Recoverability of trade and bills receivables is a significant risk due to the material nature of these balances and the economic instability will expose the Group to the risk of bad debt. Determining impairment provisions against the trade and bills receivables is a judgmental area requiring significant judgmental estimates by management of the probability of default by the customers whose abilities to settle the trade debts may deteriorate after the year end. The Group's policy on making provision for receivable is disclosed in note 2(l)(i) to the consolidated financial statements.	We assessed the adequacy of the provision for impairment against trade and bills receivables. This included review of: – the Group's debt recovery actions taken to collect the overdue debts; – past settlement track records of the customers and cash received, on a sample basis, from the customers after year end and up to the audit opinion date; – ageing analysis for trade receivables by customers and update on the creditworthiness of the customers; and – any disputes with customers by comparing, on a sample basis, the discrepancies on the debtor confirmations directly obtained from the customers, correspondences with the customers and enquiries of the Group's external solicitors for identifying potential disputes with customers. We also assessed the Group's disclosures in respect of trade and bills receivables and provision for impairment made in the consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we were required to report the fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants

LEUNG Chun Wa
Practising Certificate Number: P04963

Hong Kong, 28 March 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	5	**318,616**	281,363
Cost of sales		**(173,683)**	(159,740)
Gross profit		**144,933**	121,623
Other revenue	6	**4,621**	4,952
Other net income	7	**13,254**	9,310
Distribution and selling expenses		**(5,745)**	(7,144)
Administrative expenses		**(46,684)**	(41,176)
Other operating expenses		**(21,335)**	(16,689)
Operating profit		**89,044**	70,876
Finance income	8	**3,036**	640
Finance costs	8	**(3,962)**	(2,799)
Finance costs – net	8	**(926)**	(2,159)
Share of profit of an associate	19	**3,985**	4,154
Profit before taxation	9	**92,103**	72,871
Income tax	12	**(5,985)**	(13,459)
Profit for the year		**86,118**	59,412
Attributable to:			
Owners of the Company		**61,947**	44,336
Non-controlling interests		**24,171**	15,076
		86,118	59,412
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	14	**2.10**	1.53

The notes on pages 82 to 162 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Profit for the year		**86,118**	59,412
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences			
– on translation of financial statements of overseas subsidiaries		**(41,277)**	(31,342)
– on translation of financial statements of overseas associate	19	**(1,109)**	(877)
– reclassification of translation reserve upon de-registration of an overseas subsidiary		**(29)**	–
Fair value changes on long-term equity investments	20	**(13,100)**	(8,300)
Tax effect relating to changes in fair value of long-term equity investments		**1,310**	830
Other comprehensive income for the year, net of income tax		**(54,205)**	(39,689)
Total comprehensive income for the year		**31,913**	19,723
Attributable to:			
Owners of the Company		**13,211**	9,274
Non-controlling interests		**18,702**	10,449
Total comprehensive income for the year		**31,913**	19,723

The notes on pages 82 to 162 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	**2016 HK$'000**	2015 HK$'000
Non-current assets			
Property, plant and equipment	15	**531,379**	527,884
Prepaid lease payments and deposit paid for land use rights	16(a), (b)	**118,447**	99,984
Goodwill	17	**33,000**	33,000
Interest in an associate	19	**18,236**	15,360
Long-term equity investments	20	**63,600**	76,700
		764,662	752,928
Current assets			
Inventories	21	**1,476**	1,042
Trade and bills receivables	22	**58,507**	46,857
Prepayments, deposits and other receivables	23	**26,782**	14,569
Prepaid lease payments for land use rights	16(a)	**3,084**	2,599
Pledged bank deposits	24	**9,606**	5,318
Cash and cash equivalents	24	**171,589**	175,805
		271,044	246,190
Current liabilities			
Bank borrowings	25	**75,549**	39,798
Trade and bills payables	26	**13,686**	4,251
Accrued liabilities and other payables	27	**107,687**	114,972
Deposits received from customers		**9,060**	3,621
Deferred government grants	28	**452**	447
Income tax payable	29(a)	**2,463**	9,436
		208,897	172,525
Net current assets		**62,147**	73,665
Total assets		**1,035,706**	999,118
Total assets less current liabilities		**826,809**	826,593

The notes on pages 82 to 162 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Bank borrowings	25	**2,793**	7,874
Other borrowing	30	**25,000**	30,000
Deferred government grants	28	**3,454**	3,790
Deferred tax liabilities	29(b)	**26,073**	25,157
		57,320	66,821
Net assets		**769,489**	759,772
Capital and reserves			
Share capital	31	**29,557**	29,557
Reserves	32	**657,728**	659,296
Equity attributable to owners of the Company		**687,285**	688,853
Non-controlling interests		**82,204**	70,919
Total equity		**769,489**	759,772

The notes on pages 82 to 162 are an integral part of these financial statements.

XI Yu
Chairman

SONG Yu Qing
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital HK$'000 (note 31)	**Share premium** HK$'000 (note 32(c)(i))	**Translation reserve** HK$'000 (note 32(c)(ii))	**Investment revaluation reserve** HK$'000 (note 32(c)(iii))	**Capital reserve** HK$'000 (note 32(c)(iv))	**Statutory reserve** HK$'000 (note 32(c)(v))	**Retained profits** HK$'000 (note 32(c)(vi))	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2015	27,557	333,774	28,749	20,800	4,795	23,120	189,743	628,538	72,715	701,253
Profit for the year	–	–	–	–	–	–	44,336	44,336	15,076	59,412
Other comprehensive income										
Exchange differences										
– on translation of financial statements of overseas subsidiaries	–	–	(26,715)	–	–	–	–	(26,715)	(4,627)	(31,342)
– on translation of financial statements of an overseas associate	–	–	(877)	–	–	–	–	(877)	–	(877)
Fair value changes on long-term equity investments, net of deferred tax	–	–	–	(7,470)	–	–	–	(7,470)	–	(7,470)
Total comprehensive income for the year	–	–	(27,592)	(7,470)	–	–	44,336	9,274	10,449	19,723
Issue of subscription shares, net of share issuance costs of HK$309,000	2,000	66,691	–	–	–	–	–	68,691	–	68,691
Acquisition of additional interest in subsidiaries from a shareholder	–	–	–	–	378	–	–	378	(2,578)	(2,200)
Transfer of reserves	–	–	–	–	–	9,021	(12,862)	(3,841)	3,841	–
Dividend relating to 2014	–	–	–	–	–	–	(14,187)	(14,187)	–	(14,187)
Dividend paid to non-controlling shareholders relating to 2014	–	–	–	–	–	–	–	–	(13,508)	(13,508)
At 31 December 2015 and 1 January 2016	29,557	400,465	1,157	13,330	5,173	32,141	207,030	688,853	70,919	759,772
Profit for the year	–	–	–	–	–	–	61,947	61,947	24,171	86,118
Other comprehensive income										
Exchange differences										
– on translation of financial statements of overseas subsidiaries	–	–	(35,808)	–	–	–	–	(35,808)	(5,469)	(41,277)
– on translation of financial statements of an overseas associate	–	–	(1,109)	–	–	–	–	(1,109)	–	(1,109)
– reclassification of translation reserve upon de-registration of an overseas subsidiary	–	–	(29)	–	–	–	–	(29)	–	(29)
Fair value changes on long-term equity investments, net of deferred tax	–	–	–	(11,790)	–	–	–	(11,790)	–	(11,790)
Total comprehensive income for the year	–	–	(36,946)	(11,790)	–	–	61,947	13,211	18,702	31,913
Release of capital reserve upon de-registration of a foreign subsidiary	–	–	–	–	(1)	–	–	(1)	1	–
Transfer to statutory reserve	–	–	–	–	–	3,339	(3,339)	–	–	–
Dividend relating to 2015	–	–	–	–	–	–	(14,778)	(14,778)	–	(14,778)
Distribution and dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(7,418)	(7,418)
At 31 December 2016	**29,557**	**400,465**	**(35,789)**	**1,540**	**5,172**	**35,480**	**250,860**	**687,285**	**82,204**	**769,489**

The notes on pages 82 to 162 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**92,103**	72,871
Adjustments for:		
Finance income	**(864)**	(1,142)
Finance costs	**3,962**	2,799
Dividends from long-term equity investments	**(4,199)**	(4,527)
Share of profit of an associate	**(3,985)**	(4,154)
Depreciation of property, plant and equipment	**34,632**	31,887
Amortisation of land use rights	**2,643**	2,413
Net loss on disposal of property, plant and equipment	**1,059**	193
Bad debts written off	**–**	508
Impairment loss on property, plant and equipment	**–**	2,159
Release of deferred government grants	**(467)**	(825)
Operating cash flows before movements in working capital	**124,884**	102,182
(Increase)/decrease in inventories	**(434)**	337
Increase in trade and bills receivables	**(11,650)**	(1,727)
(Increase)/decrease in prepayments, deposits and other receivables	**(12,213)**	2,046
Increase in trade and bills payables	**9,435**	2,099
(Decrease)/increase in accrued liabilities and other payables	**(7,285)**	16,922
Increase in deposits received from customers	**5,439**	2,720
Cash generated from operations	**108,176**	124,579
Net income tax paid	**(7,933)**	(9,486)
Dividend tax paid	**(2,416)**	(3,562)
Interest received	**864**	1,142
Net cash generated from operating activities	**98,691**	112,673

The notes on pages 82 to 162 are an in tegral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES		
Dividends received from an associate	–	6,881
Dividends received from long-term equity investments	4,199	4,527
Capital contribution to an associate	–	(2,208)
Payment for acquisition of remaining interest in a subsidiary	–	(2,200)
Proceeds from disposal of property, plant and equipment	550	62
Payments for purchases of property, plant and equipment	(73,693)	(84,084)
Payments for purchases of land use rights	(24,702)	–
Deposit paid for acquisition of land use rights	–	(9,580)
Receipt of government grants	404	192
Net cash used in investing activities	(93,242)	(86,410)
FINANCING ACTIVITIES		
Dividends paid to shareholders of the Company	(14,778)	(14,187)
Distribution and dividends paid to non-controlling interests	(7,418)	(13,508)
Proceeds from bank borrowings	80,691	34,498
Repayment of bank borrowings	(50,021)	(28,874)
Interest paid	(3,962)	(2,799)
Placement of pledged bank deposits for bank borrowings	(9,606)	(5,318)
Release of pledge on bank deposits	5,318	10,313
Repayment of other borrowings	(5,000)	(18,000)
Proceeds from issuance of ordinary shares	–	69,000
Expenses paid in relation to issuance of new shares	–	(309)
Net cash (used in)/generated from financing activities	(4,776)	30,816
NET INCREASE IN CASH AND CASH EQUIVALENTS	673	57,079
CASH AND CASH EQUIVALENTS AT 1 JANUARY	175,805	121,780
Effect of foreign exchange rate changes	(4,889)	(3,054)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	171,589	175,805

The notes on pages 82 to 162 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1. GENERAL INFORMATION

(a) New Universe Environmental Group Limited (the "Company", formerly known as New Universe International Group Limited) was incorporated on 12 November 1999 in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's issued shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 May 2000. Since 1 August 2016, the listing of the shares of the Company has been transferred from the GEM to the Main Board of the Stock Exchange ("Transfer of Listing").

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

(c) The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as follows:

(i) environmental treatment of hazardous industrial and medical wastes;

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

(iii) investments in plastic materials dyeing operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

A summary of the significant accounting policies adopted by the Group is set out below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basic used in the preparation of the financial statements is the historical cost convention except for the long-term equity investments (see note 2(h)) which are stated at their fair value.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3 to the financial statements.

(c) Changes in accounting policies

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations Disclosure Initiative
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(g) and 2(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated income statement of and the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not re-measured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates (continued)

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(l)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

– deferred tax assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employees Benefits* respectively:

– liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Business combination (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured to fair value at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e., the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(g) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored of internal management purposes and not larger than an operating segment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On the disposal of the relevant cash-generating unit during the year, any attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(h) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows.

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

– Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is re-measured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(u)(iii) and 2(u)(iv) respectively.

– Long-term investments in securities which do not fall into any of the above categories are categorised as available-for-sale securities. At the end of each reporting period, the fair value is re-measured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve. As an exception to this, investments in equity securities that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(l)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 2(u)(iii).

When the investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment losses (see note 2(l)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residue value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	20 years
Plant and machinery	3 – 10 years
Computers and equipment	3 – 5 years
Furniture and fixtures	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Construction in progress

Construction in progress represents buildings and structures under construction, which is stated at cost less impairment losses (see note 2(l)). Cost comprises the direct costs of construction and capitalised borrowing costs (see note 2(v)) during the periods of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases that do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates that write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(iv) Leasehold land for own use

When a lease includes both land and buildings elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as operating lease. Specifically, the minimum lease payments (including any lump sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment property. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates accounted for under the equity method in the consolidated financial statements (see note 2(e), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).
- For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets that are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

For available-for-sale securities which are stated at fair value, when a decline in the fair value has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- prepaid lease payments;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value-in-use (if determinable).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare interim financial report in compliance with HKAS 34, *Interim Financial Reporting*, in respect of first half of a financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would be at the end of the financial year (see notes 2(l)(i) and 2(l)(ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increased in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit and loss.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount for inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter measured at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(l)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value, and trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds (the "MPF") as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and other retirement benefit schemes, are recognised as an expense in profit or loss and when incurred.

Annual contributions to pension schemes operated by the government in the PRC are recognised as an expense in profit or loss as and when incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee benefits (continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date after taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognised restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing and amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from provision of services

Revenue from provision of waste and sewage treatment and related services are recognised in when the services are rendered.

(ii) Revenue from provision of industrial sewage and sludge treatment facilities and utilities

Revenue from provision of industrial sewage and sludge treatment facilities and utilities are recognised when facilities and utilities are provided and on a straight-line basis over the period of the relevant agreements.

(iii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grant/subsidy income

Government grant/subsidy income is recognised in the consolidated statement of financial position initially when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. Government grant/subsidy income that compensates the Group for expenses incurred is recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grant/subsidy income that compensates the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred; borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Translation of foreign currencies (continued)

On disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e., partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(x) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in note 2(x)(i).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties (continued)

(ii) An entity is related to the Group if any of the following conditions applies: (continued)

(7) A person identified in note 2(x)(i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments that are not individually material may be aggregated if they share a majority of these criteria.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Fair value of long-term equity investments

The Company has engaged an independent professional valuer to assess the fair market value of those long-term equity investments as disclosed in note 20 to the financial statements. The Directors of the Company made a review on the judgement of the independent professional valuer in selecting an appropriate valuation technique for the financial instruments not quoted in an active market. Valuation techniques applied by the independent professional valuer are commonly used by other market practitioners. The estimation of fair value of the long-term equity investments which are unlisted equity instruments includes the adoption of a market approach with some assumptions supported by observable market data or parameters deemed compatible to the operations of those investments.

(ii) Classification of Qingdao Huamei and Danyang New Huamei as long-term equity investments

Note 20 to the consolidated financial statements described that Qingdao Zhongxin Huamei Plastics Co., Limited ("Qingdao Huamei") and Danyang New Huamei Plastics Co., Limited ("Danyang New Huamei") are categorised as available-for-sale equity investments of the Group although the Group owns 28.67% and 24.5% equity interest in Qingdao Huamei and Danyang New Huamei, respectively. The Group has no significant influence over Qingdao Huamei and Danyang New Huamei by virtue of the contractual rights to appoint only one out of the six directors and one of the seven directors to the board of directors of Qingdao Huamei and Danyang New Huamei, respectively.

(iii) Functional currency of the Company

The Company is carrying out its operating activities and making management decisions in Hong Kong dollars, amongst others, on raising finance in Hong Kong dollars and has a significant degree of autonomy from its subsidiaries in the Mainland China in the way its business is managed. In the opinion of the Directors of the Company, its functional currency is Hong Kong dollars.

(iv) Included in the Group's property, plant and equipment and prepaid lease payments for land use rights were certain buildings and equipment facilities ancillary to sewage treatment and the leasehold land of the eco-plating specialized zone with an aggregate carrying amount of approximately HK$219,546,000 as at 31 December 2016 (2015: HK$216,710,000) that are leased to the customers for use in accordance with the arrangement of the master agreements made between the Group and these customers. As the industrial sewage services provided to these customers are significant to the arrangement as whole inside the eco-plating specialized zone which is owned, operated and managed by the Group, these relevant buildings and equipment facilities, and leasehold land are accounted for and classified under property, plant and equipment and prepaid lease payments for land use rights, respectively, instead of investment property in the consolidated financial statements.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 and 2015 was HK$33,000,000. Further details are set out in note 17 to the financial statements.

(ii) Impairment assessment and useful lives of property, plant and equipment and prepaid lease payments for land use rights

The Group's major operating assets represent property, plant and equipment. Management performs review for impairment of the property, plant and equipment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. Management considered there was no impairment indicator of property, plant and equipment for the year ended 31 December 2016.

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Impairment of trade and other receivables

The Group estimates the impairment allowance for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

As at 31 December 2016, the carrying amounts of trade and bill receivables and other receivables are HK$58,507,000 and HK$26,782,000 (2015: HK$46,857,000 and HK$14,569,000) respectively, which approximated to the present value of their respective estimated future cash flows.

No impairment was considered necessary in the consolidated financial statements at 31 December 2016 and 2015.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Sources of estimation uncertainty (continued)

(iv) Income taxes and deferred taxation

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred taxation provisions in the financial period in which such determination is made. Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences will affect the recognition of deferred tax and tax in the periods in which such estimate is changed.

4. SEGMENT INFORMATION

The Group manages its business by divisions which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Company's executive Directors, being the most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. These segments are managed separately. No operating segments have been aggregated to form the following reportable segments.

(i) provision of environmental waste treatment services;

(ii) provision of environmental industrial sewage treatment and facility services in an eco-plating specialised zone; and

(iii) investments in plastic materials dyeing business.

(a) Segment results, assets and liabilities

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

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

4. SEGMENT INFORMATION (continued)

(a) Segment results, assets and liabilities (continued)

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below:

For the year ended 31 December 2016

	Operating segments					
	Environmental waste treatment services HK$'000	Environmental sewage treatment and facility services HK$'000	Plastic dyeing investments HK$'000	Segment sub-total HK$'000	Head office and corporate HK$'000	Total HK$'000
Revenue from external customers	218,926	99,690	–	318,616	–	318,616
Other revenue	422	–	4,199	4,621	–	4,621
Reportable segment revenue	219,348	99,690	4,199	323,237	–	323,237
Reportable segment results	90,841	17,823	3,563	112,227	–	112,227
Other net income	12,240	1,014	–	13,254	–	13,254
Finance income	2,751	433	(176)	3,008	28	3,036
Finance costs	(959)	(1,391)	–	(2,350)	(1,612)	(3,962)
Depreciation and amortisation	(20,541)	(16,116)	–	(36,657)	(618)	(37,275)
Reportable segment assets	572,711	355,252	63,951	991,914	43,792	1,035,706
Additions to non-current segment assets	90,304	8,070	–	98,374	21	98,395
Reportable segment liabilities	137,966	76,129	60	214,155	52,062	266,217

4. SEGMENT INFORMATION (continued)

(a) Segment results, assets and liabilities (continued)

For the year ended 31 December 2015

	Operating segments					
	Environmental waste treatment services HK$'000	Environmental sewage treatment and facility services HK$'000	Plastic dyeing investments HK$'000	Segment sub-total HK$'000	Head office and corporate HK$'000	Total HK$'000
Revenue from external customers	184,702	96,661	–	281,363	–	281,363
Other revenue	425	–	4,527	4,952	–	4,952
Reportable segment revenue	185,127	96,661	4,527	286,315	–	286,315
Reportable segment results	66,068	14,848	3,903	84,819	–	84,819
Other net income	8,150	1,160	–	9,310	–	9,310
Finance income	282	464	(108)	638	2	640
Finance costs	(715)	(2,084)	–	(2,799)	–	(2,799)
Depreciation and amortisation	(19,025)	(14,801)	–	(33,826)	(474)	(34,300)
Impairment loss on property, plant and equipment	(2,159)	–	–	(2,159)	–	(2,159)
Reportable segment assets	458,592	375,699	76,987	911,278	87,840	999,118
Additions to non-current segment assets	80,978	10,282	–	91,260	2,404	93,664
Reportable segment liabilities	123,301	88,465	1,370	213,136	26,210	239,346

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

4. SEGMENT INFORMATION (continued)

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

	2016 HK$'000	2015 HK$'000
Revenue		
Consolidated revenue	**318,616**	281,363
Elimination of inter-segment revenue	**–**	–
Other revenue	**4,621**	4,952
Reportable segment revenue	**323,237**	286,315
Profit		
Reportable segment profit	**112,227**	84,819
Unallocated head office and corporate expenses, net	**(20,124)**	(11,948)
Consolidated profit before taxation	**92,103**	72,871
Assets		
Reportable segment assets	**991,914**	911,278
Unallocated head office and corporate assets	**43,792**	87,840
Consolidated total assets	**1,035,706**	999,118
Liabilities		
Reportable segment liabilities	**214,155**	213,136
Unallocated head office and corporate liabilities	**52,062**	26,210
Consolidated total liabilities	**266,217**	239,346

(c) Geographic information

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

(d) Major customers

For the years ended 31 December 2016 and 2015, there was no major customer accounted for more than 10% of the total revenue of the Group.

5. REVENUE

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

	2016 HK$'000	2015 HK$'000
Industrial and medical waste treatment services	**218,926**	184,702
Industrial sewage and sludge treatment services, related facilities and utilities	**99,690**	96,661
	318,616	281,363

6. OTHER REVENUE

	2016 **HK$'000**	2015 HK$'000
Dividend income from long-term equity investments	**4,199**	4,527
Scrap sales	**422**	425
	4,621	4,952

7. OTHER NET INCOME

	2016 **HK$'000**	2015 HK$'000
Refunds of VAT *(note (i))*	**11,797**	4,401
Government subsidies *(note (ii))*	**315**	3,208
Release of deferred government grants	**467**	825
Sundry	**675**	876
	13,254	9,310

Notes:

(i) Pursuant to the tax rules and regulations in the PRC with effect from 2015, entities that engage in the environmental operations, comply with the requirements in the PRC and pay Value-Added Tax ("VAT") are entitled to a refund to the extent of 70% of the VAT paid.

(ii) Government subsidiaries received by the Group from the PRC Government did not bear any unfulfilled conditions or contingencies for the relevant subsidiaries.

8. FINANCE INCOME AND COSTS

	2016 **HK$'000**	2015 HK$'000
Interest expenses on:		
Bank borrowings wholly repayable within five years	**2,917**	1,398
Other borrowings wholly repayable within five years	**1,045**	1,401
Total finance costs	**3,962**	2,799
Finance income from:		
Interest income on short-term bank deposits	**864**	1,142
Net foreign exchange gain/(loss) on financing activities	**2,172**	(502)
Total finance income	**3,036**	640
Net finance costs	**926**	2,159

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	2016 **HK$'000**	2015 HK$'000
Amortisation of land lease prepayments	**2,643**	2,413
Depreciation for property, plant and equipment	**34,632**	31,887
Operating lease charges: minimum lease payments		
– land and buildings in Hong Kong	**696**	696
– land and buildings in PRC	**1,595**	1,244
– landfill in PRC	**116**	98
	2,407	2,038
Net loss on disposal of property, plant and equipment	**1,059**	193
Impairment loss on property, plant and equipment	**–**	2,159
Bad debts written off	**–**	508
Auditor's remuneration:		
– audit service	**980**	900
– non-audit services	**370**	150
	1,350	1,050
Staff costs:		
– Directors' emoluments (note 10)	**3,543**	2,019
– salaries, wages and other benefits of employees other than Directors	**47,289**	39,279
– contributions to retirement benefits schemes	**5,334**	5,006
Total staff costs	**56,166**	46,304
Cost of sales (note)	**173,683**	159,740

Note:

Included in cost of sales were raw materials consumed of HK$34,944,000 (2015: HK$19,477,000), staff costs of HK$24,060,000 (2015: HK$23,471,000) and depreciation of HK$30,604,000 (2015: HK$27,533,000), and of which staff costs and depreciation have already been included in the respective total amounts disclosed above.

10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Director fee HK$'000	Salaries and allowance HK$'000	Benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2016					
Executive Directors					
Mr. XI Yu [(i)]	**26**	**1,186**	**–**	**14**	**1,226**
Mr. SONG Yu Qing	**–**	**600**	**–**	**18**	**618**
Ms. CHEUNG Siu Ling	**75**	**–**	**–**	**–**	**75**
Mr. LIAO Feng [(iii)]	**75**	**–**	**–**	**–**	**75**
Ms. LIU Yu Jie [(iv)]	**75**	**–**	**–**	**–**	**75**
Mr. HON Wa Fai	**–**	**1,000**	**–**	**18**	**1,018**
Non-executive Director					
Mr. SUEN Ki [(ii)]	**–**	**–**	**–**	**–**	**–**
Independent non-executive Directors					
Dr. CHAN Yan Cheong	**152**	**–**	**–**	**–**	**152**
Mr. YUEN Kim Hung, Michael	**152**	**–**	**–**	**–**	**152**
Mr. HO Yau Hong, Alfred	**152**	**–**	**–**	**–**	**152**
	707	**2,786**	**–**	**50**	**3,543**
Year ended 31 December 2015					
Executive Directors					
Mr. SONG Yu Qing	–	600	–	18	618
Ms. CHEUNG Siu Ling	6	–	–	–	6
Mr. LIAO Feng[(iii)]	–	–	–	–	–
Ms. LIU Yu Jie[(iv)]	–	–	–	–	–
Mr. HON Wa Fai	–	981	–	18	999
Non-executive Director					
Mr. SUEN Ki[(ii)]	–	–	–	–	–
Independent non-executive Directors					
Dr. CHAN Yan Cheong	132	–	–	–	132
Mr. YUEN Kim Hung, Michael	132	–	–	–	132
Mr. HO Yau Hong, Alfred	132	–	–	–	132
	402	1,581	–	36	2,019

Notes:

(i) Mr. XI Yu was appointed as executive Director with effect from 11 April 2016.

(ii) Mr. SUEN Ki resigned as non-executive Director with effect from 11 April 2016.

(iii) Mr. LIAO Feng was appointed as executive Director with effect from 5 May 2015.

(iv) Ms. LIU Yu Jie was appointed as executive Director with effect from 9 June 2015.

During the year, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the Directors has waived any emoluments for the years ended 31 December 2016 and 2015.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the hightest emoluments, two (2015: one) are Directors whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other three (2015: four) individuals during the year are as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	**938**	1,633
Discretionary bonuses	**3,326**	2,916
Retirement scheme contribution	**–**	–
	4,264	4,549

The emoluments of the three (2015: four) individuals with the highest emoluments fell within the following bands:

	2016 Number of individuals	2015 Number of individuals
Emolument bands (in HK dollar)		
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	3	4

During the year, no emoluments were paid by the Group to the above three (2015: four) individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

12. INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2016 HK$'000	2015 HK$'000
Current tax		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**8,814**	20,552
Income tax refunded for prior years under preferential policy	**–**	(2,238)
Over-provision in respect of prior years	**(5,055)**	(5,100)
	3,759	13,214
Deferred tax (note 29(b))	**2,226**	245
	5,985	13,459

12. INCOME TAX (continued)

(a) Taxation in the consolidated income statement represents: (continued)

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% (2015: 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 2016 and 2015.

(iii) On 19 April 2016, Yancheng NUHF Environmental Technology Limited ("Yancheng NUHF"), a subsidiary of the Group, obtained the consent from the relevant applicable tax authorities, for a preferential tax treatment that Yancheng NUHF is entitled to the exemption from PRC Enterprise Income Tax for three years, starting from 2014, following by a 50% tax exemption for the ensuring three years. The over-provision of income tax accrued at the tax rate of 25% by Yancheng NUHF in the last financial year 2015 of HK$5,055,000 was reversed and credited to the profit or loss for the year ended 31 December 2016.

(iv) The Company's subsidiaries in PRC are subject to a statutory Enterprise Income Tax at the rate of 25% (2015: 25%), except for the subsidiary which is qualified as the High and New Technology Enterprise in PRC that would be entitled to enjoy a preferential Enterprise Income Tax at the rate of 15% (2015: 15%).

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

	2016 HK$'000	2015 HK$'000
Profit before taxation	**92,103**	72,871
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdiction concerned	**25,110**	18,396
Tax effect of expenses not deductible for tax purpose	**1,476**	1,290
Tax effect of income not taxable for tax purpose	**(457)**	(2,844)
Tax effect of tax losses not recognised	**2,585**	5,913
Over-provision in relation to prior years	**(5,055)**	(5,100)
Tax effect of temporary differences recognised	**2,226**	245
Effect of income tax preferential policy in PRC	**(19,900)**	(4,441)
Tax expense for the year	**5,985**	13,459

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13. DIVIDENDS

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

	2016	2015
	HK$'000	HK$'000
Final dividend proposed after the end of the reporting period of HK$0.006 (2015: HK$0.005) per share	**17,734**	14,778

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

	2016	2015
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.0050 (2015: HK$0.0048) per share	**14,778**	14,187

14. 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$61,947,000 (2015: HK$44,336,000) and the weighted average number of 2,955,697,018 (2015: 2,901,998,388) ordinary shares of the Company in issue during the year.

(a) Profit attributable to owners of the Company

	2016	2015
	HK$'000	HK$'000
Earnings for the purpose of basic and diluted earnings per share	**61,947**	44,336

(b) Weighted average number of ordinary shares

	2016	2015
Ordinary shares in issue at 1 January	**2,955,697,018**	2,755,697,018
Effect of new shares issued	**–**	146,301,370
Weighted average number of ordinary shares at 31 December	**2,955,697,018**	2,901,998,388

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Computers and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 January 2015	269,736	159,056	152,474	4,675	569	6,450	592,960
Exchange adjustments	(17,230)	(5,997)	(9,574)	(266)	(35)	(371)	(33,473)
Additions	856	74,624	3,958	1,319	283	3,044	84,084
Disposals	(72)	–	(348)	(254)	–	(917)	(1,591)
Reclassification	102,328	(145,961)	42,982	651	–	–	–
At 31 December 2015 and 1 January 2016	355,618	81,722	189,492	6,125	817	8,206	641,980
Exchange adjustments	(24,107)	(4,878)	(12,647)	(374)	(55)	(443)	(42,504)
Additions	1,177	69,982	1,034	629	97	774	73,693
Disposals	(329)	–	(9,456)	(104)	(10)	(210)	(10,109)
Reclassification	40,751	(61,259)	20,188	258	62	–	–
At 31 December 2016	**373,110**	**85,567**	**188,611**	**6,534**	**911**	**8,327**	**663,060**
Depreciation and impairment							
At 1 January 2015	38,774	–	41,853	2,613	170	3,910	87,320
Exchange adjustments	(2,706)	–	(2,823)	(139)	(10)	(256)	(5,934)
Charge for the year	14,759	–	14,962	772	120	1,274	31,887
Impairment loss recognised in profit or loss	2,039	–	–	85	–	35	2,159
Eliminated on disposals	(28)	–	(236)	(225)	–	(847)	(1,336)
Reclassification	–	–	–	–	–	–	–
At 31 December 2015 and 1 January 2016	52,838	–	53,756	3,106	280	4,116	114,096
Exchange adjustments	(4,079)	–	(3,933)	(202)	(20)	(313)	(8,547)
Charge for the year	15,466	–	16,857	980	155	1,174	34,632
Eliminated on disposals	(226)	–	(7,994)	(73)	(8)	(199)	(8,500)
Reclassification	–	–	–	–	–	–	–
At 31 December 2016	**63,999**	**–**	**58,686**	**3,811**	**407**	**4,778**	**131,681**
Carrying amount							
At 31 December 2016	**309,111**	**85,567**	**129,925**	**2,723**	**504**	**3,549**	**531,379**
At 31 December 2015	302,780	81,722	135,736	3,019	537	4,090	527,884

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The buildings are situated in the PRC with leases held within 50 years.

As at 31 December 2016, certain property, plant and equipment with an aggregate carrying amount of approximately HK$51,232,000 (2015: HK$47,489,000) had been pledged to secure banking facilities granted to the Group (note 35).

At 31 December 2016, included in the Group's property, plant and equipment were certain buildings and equipment facilities ancillary to industrial sewage treatment erected on the leasehold land in the eco-plating specialised zone with an aggregate carrying amount of approximately HK$148,232,000 (2015: HK$142,208,000) that were leased to customers for use in accordance with the contractual arrangement of the master agreements made between the Group and the customers in the eco-plating specialised zone which is owned, operated and managed by the Group. As the industrial sewage services provided by the Group to the customers are significant to the arrangement as a whole inside the eco-plating specialised zone, these relevant buildings and equipment facilities are accounted for and classified under property, plant and equipment, instead of investment property in the consolidated financial statements.

In the last year ended 31 December 2015, impairment loss of HK$2,159,000 on property, plant and equipment arising from the relocation of these assets was recognised.

At the both reporting period ends, as further detailed in note 17, impairment test assessment on the cash generating unit ("CGU"), which comprises the goodwill and relevant property, plant and equipment, and prepaid lease payments for land use rights, was performed and no impairment loss on these assets of the CGU was recognised in the profit or loss for the year ended 31 December 2016.

16. PREPAID LEASE PAYMENTS AND DEPOSIT PAID FOR LAND USE RIGHTS

(a) Prepaid lease payments for land use rights

	HK$'000
Cost	
At 1 January 2015	108,020
Exchange adjustments	(1,776)
Additions	–
Disposals	–
At 31 December 2015 and at 1 January 2016	106,244
Exchange adjustments	(3,438)
Additions	24,702
Transfer from deposit for acquisition of land use rights	9,580
Disposals	–
At 31 December 2016	**137,088**
Amortisation	
At 1 January 2015	11,073
Exchange adjustments	(245)
Charge for the year	2,413
Eliminated on disposals	–
At 31 December 2015 and at 1 January 2016	13,241
Exchange adjustments	(327)
Charge for the year	2,643
Eliminated on disposals	–
At 31 December 2016	**15,557**
Carrying amount	
At 31 December 2016	**121,531**
At 31 December 2015	93,003

16. PREPAID LEASE PAYMENTS AND DEPOSIT PAID FOR LAND USE RIGHTS (continued)

(a) Prepaid lease payments for land use rights (continued)

Analysed for reporting purpose as:

	2016 HK$'000	2015 HK$'000
Current assets	**3,084**	2,599
Non-current assets	**118,447**	90,404
	121,531	93,003

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

	2016 HK$'000	2015 HK$'000
Remaining lease periods of over 50 years	**–**	–
Remaining lease periods between 10 to 50 years	**121,531**	93,003
	121,531	93,003

As at 31 December 2016, certain land use rights with an aggregate carrying amount of approximately HK$15,435,000 (2015: HK$14,515,000) had been pledged to secure banking facilities granted to the Group (note 35).

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

(b) Deposit paid for land use rights

	2016 HK$'000	2015 HK$'000
Non-current assets		
Deposit paid for acquisition of land use rights	**–**	9,580

The title to the land use rights had been obtained by the Group during the current year ended 31 December 2016.

17. GOODWILL

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	**33,000**	33,000
Impairment loss recognised in consolidated income statement	**–**	–
Carrying amount at 31 December	**33,000**	33,000

Goodwill is attributable to the business segment of environmental integrated waste treatment services that arose from the acquisition of 82% equity interest of NUET(JS) in 2007. NUET(JS), through its subsidiaries, is engaged in the provision of environmental waste integrated treatment services in the Jiangsu Province, PRC.

Impairment test assessment

Goodwill, together with related property, plant and equipment with carrying amount of HK$88,868,000 (2015: HK$100,844,000), and prepaid lease payments for land use rights with carrying amount of HK$11,823,000 (2015: HK$12,222,000), is allocated to an CGU under the operating segment of environmental waste treatment services.

As at 31 December 2016, the assessment on the recoverable amount of this CGU was determined by DTZ (2015: DTZ), an independent firm of professional valuers, on the basis of value-in-use calculations which use cash flow projections based on financial budgets approved by management covering a five-year period, that are discounted to their present values at a pre-tax discount rate of 19.1% (2015: 15.0%). Cash flows beyond the five-year period are extrapolated using an annual growth rate of 2% (2015: 2%) which does not exceed the long-term growth rate for the waste treatment industries. Other key assumptions for the value-in-use calculation relates to the estimated cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based the CGU's past performance, future business plan and management's expectations for the future market development.

The key assumptions used for value-in-use calculations are as follows:

	2016	2015
Gross profit margin	**56.6%**	47.4%
Compound annual growth rate in the initial five-year period	**4.0%**	4.0%
Growth rate used to extrapolate cash flows beyond the budget period	**2.0%**	2.0%
Pre-tax discount rate applied to the cash flow projections	**19.1%**	15.0%

Since the recoverable amount of the CGU, to which goodwill and related property, plant and equipment are allocated, exceeded the aggregate carrying amount of these assets of the CGU, no impairment loss on these assets was considered necessary for the two years ended 31 December 2016 and 2015.

Sensitivity analysis of unforeseen downsize effect to the recoverable amount of the CGU had been performed on each of the following scenarios with the assumptions of (i) gross profit margin down by 5% point, (ii) compound annual growth rate in the initial five-year period down by 2% point, or (iii) pre-tax discount rate applied to the cash flow projections up by 2% point, respectively. There was no impairment loss on the relevant assets of the CGU was considered necessary for the year ended 31 December 2016 in each of these scenarios.

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18. INTERESTS IN SUBSIDIARIES

The following is a list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group as at 31 December 2016:

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Fair Time International Limited ("Fair Time")	Hong Kong	Limited liability company	99,327,000 ordinary shares	100%	–	100%	Investment holding
HK Smartech Trading (Shenzhen) Limited* 港滙科貿易(深圳)有限公司	PRC	Wholly foreign owned enterprise	Registered and paid-up HK$500,000	100%	–	100%	Dormant
Jiangsu New Universe Environmental Engineering Management Limited* 江蘇宇新環保工程管理有限公司 ("Jiangsu New Universe Engineering", formerly named as Zhenjiang Sinotech Environmental Technology Limited* 鎮江華科環保科技有限公司)	PRC	Wholly owned domestic enterprise	Registered RMB12,000,000 and paid-up RMB4,600,000	100%	–	100%	Environmental technical consultancy and engineering services
New Sinotech Investments Limited ("NSIL")	British Virgin Islands/ Hong Kong	Limited liability company	5,000,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe (China) Investment Limited	British Virgin Islands/ Hong Kong	Limited liability company	1,800,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe (China) Limited	Hong Kong	Limited liability company	1,000,000 ordinary shares	100%	–	100%	Investment holding
New Universe Environmental Protection Investment Limited	British Virgin Islands/ Hong Kong	Limited liability company	4,000,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)")	Hong Kong	Limited liability company	21,640,000 ordinary shares	82%	–	82%	Investment holding
New Universe International Ecology Limited	British Virgin Islands/ Hong Kong	Limited liability company	10,000 ordinary shares of US$1 each	100%	–	100%	Investment holding

18. INTERESTS IN SUBSIDIARIES (continued)

The following is a list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group as at 31 December 2016: (continued)

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
New Universe International Group Limited (formerly named as "New Universe Environmental Engineering Management Limited")	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Dormant
New Universe International Holdings Limited	British Virgin Islands/ Hong Kong	Limited liability company	10,000 ordinary shares of US$1 each	100%	100%	–	Investment holding
New Universe Recyclable Investments Limited	British Virgin Islands/ Hong Kong	Limited liability company	10,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe Recyclables Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
Smartech International Group Limited	British Virgin Islands/ Hong Kong	Limited liability company	1,000,000 ordinary shares of US$1 each	100%	100%	–	Investment holding
Smartech Manufacturing Limited	Hong Kong	Limited liability company	70,380,000 ordinary shares	100%	–	100%	Investment holding
Smartech Plastic Moulding Limited	Hong Kong	Limited liability company	100 ordinary shares	100%	–	100%	Dormant
Smartech Services Limited ("Smartech Services")	Hong Kong	Limited liability company	2 ordinary shares	100%	–	100%	Provision of management services
Suqian New Universe Environmental Solid Waste Disposal Limited* 宿遷宇新固體廢物處置有限公司	PRC	Wholly foreign owned enterprise	Registered and paid-up HK$80,000,000	100%	–	100%	Environmental hazardous waste treatment services
Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe")	PRC	Wholly foreign owned enterprise	Registered and paid-up US$700,000	82%	–	100%	Environmental hazardous waste treatment services

18. INTERESTS IN SUBSIDIARIES (continued)

The following is a list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group as at 31 December 2016: (continued)

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Xiangshui New Universe Environmental Technology Limited ("Xiangshui New Universe")	PRC	Sino foreign joint equity enterprise	Registered and paid-up HK$50,750,000	65%	–	65%	Environmental hazardous waste treatment services
Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe")	PRC	Wholly foreign owned enterprise	Registered and paid-up US$700,000	82%	–	100%	Environmental hazardous waste treatment services
Yancheng NUHF Environmental Technology Limited* 鹽城新宇輝豐環保科技有限公司 ("Yancheng NUHF")	PRC	Sino foreign joint equity enterprise	Registered and paid-up HK$66,000,000	65%	–	65%	Environmental hazardous waste treatment services
Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe")	PRC	Wholly foreign owned enterprise	Registered and paid-up US$10,850,000	82%	–	100%	Environmental hazardous waste treatment services
Zhenjiang Sinotech Eco-Electroplating Development Limited ("Zhenjiang Sinotech")	PRC	Wholly foreign owned enterprise	Registered and paid-up US$32,900,000	100%	–	100%	Environmental industrial sewage and sludge treatment and facility provision services in an eco-plating zone

The following table lists out the financial information relating to each of the Group's subsidiaries that has material non-controlling interests ("NCI") is set out below. The summarised financial information presented below represents the amounts before any inter-company elimination.

* *For identification purpose only.*

18. INTERESTS IN SUBSIDIARIES (continued)

For the year ended 31 December 2016

	NUET(JS) Group (note (i)) HK$'000	Xiangshui NU HK$'000	Yancheng NUHF HK$'000
NCI percentage	18%	35%	35%
Current assets	82,873	4,370	38,760
Non-current assets	118,927	39,542	169,556
Current liabilities	(63,861)	(6,402)	(76,231)
Non-current liabilities	(5,587)	–	(2,793)
Net assets	132,352	37,510	129,292
Carrying amount of NCI	23,823	13,129	45,252
Revenue	128,380	9,807	80,739
Profit/(loss) for the year	58,505	828	37,458
Total comprehensive income	47,848	(1,697)	29,894
Profit allocated to NCI	10,244	290	13,637
Dividend paid to NCI	5,843	–	–
Cash flows generated from operating activities	63,809	3,417	9,550
Cash flows used in investing activities	(6,292)	(2,603)	(44,506)
Cash flows (used in)/generated from financing activities	(39,654)	(749)	22,486

18. INTERESTS IN SUBSIDIARIES (continued)

For the year ended 31 December 2015

	NUET(JS) Group (note (i)) HK$'000	Xiangshui NU HK$'000	Yancheng NUHF HK$'000
NCI percentage	18%	35%	35%
Current assets	70,640	7,346	21,764
Non-current assets	128,426	40,324	143,900
Current liabilities	(77,013)	(8,463)	(58,389)
Non-current liabilities	(4,627)	–	(7,874)
Net assets	117,426	39,207	99,401
Carrying amount of NCI	21,137	13,722	34,790
Revenue	109,852	–	74,863
Profit/(loss) for the year	34,923	(3,804)	30,071
Total comprehensive income	25,880	(6,110)	24,858
Profit allocated to NCI	6,286	–	10,525
Dividend paid to NCI	7,712	–	5,795
Cash flows generated from operating activities	53,160	1,422	72,504
Cash flows used in investing activities	(1,565)	(11,246)	(69,915)
Cash flows (used in)/generated from financing activities	(58,460)	2,983	(8,393)

Note:

(i) NUET(JS) Group comprises NUET(JS) as the holding company and its subsidiaries, Zhenjiang New Universe, Yancheng New Universe, Taizhou New Universe, and Zhenjiang New Universe Rubber Limited*, and its associate, Zhenjiang New District Solid Waste Disposal Limited*.

19. INTEREST IN AN ASSOCIATE

The following list contains only the particulars of the associate, which is unlisted corporate entity whose quoted market price is not available:

Name of associate	Place of incorporation and business	Form of business structure	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zhenjiang New District Solid Waste Disposal Limited* 鎮江新區固廢處置股份有限公司("Zhenjiang New District")	PRC	Joint equity enterprise	Registered and paid-up RMB36,000,000	24.60%	–	30%	Environmental hazardous waste landfill treatment services

The above associate is accounted for using the equity method in the consolidated financial statements.

* *For identification purpose only.*

19. INTEREST IN AN ASSOCIATE (continued)

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

Zhenjiang New District

	2016 HK$'000	2015 HK$'000
Gross amounts of the associate's		
Current assets	**35,332**	22,413
Non-current assets	**48,395**	55,204
Current liabilities	**(6,852)**	(8,964)
Non-current liabilities	**(16,090)**	(17,454)
Total equity	**60,785**	51,199
Revenue	**28,440**	29,271
Profit for the year	**13,284**	13,846
Other comprehensive income		
– Exchange difference on translation of financial statements	**(3,699)**	(2,923)
Total comprehensive income	**9,585**	10,923
Dividend received from the associate	**–**	6,881
Reconciliation to the Group's interest in the associate		
Gross amount of net assets of the associate	**60,785**	51,199
Group's share of net assets of the associate	**18,236**	15,360
Carrying amount in the consolidated financial statements	**18,236**	15,360
Aggregate amounts of the Group's share of the associate's		
Profit for the year	**3,985**	4,154
Other comprehensive income		
– Exchange difference on translation of financial statements	**(1,109)**	(877)
Total comprehensive income	**2,876**	3,277

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20. LONG-TERM EQUITY INVESTMENTS

	Note	2016 HK$'000	2015 HK$'000
Unlisted equity investments at fair value	(a)	**63,600**	76,700

	2016 HK$'000	2015 HK$'000
At 1 January	**76,700**	85,000
Net fair value change transfer to equity through statement of other comprehensive income	**(13,100)**	(8,300)
At 31 December	**63,600**	76,700

As at 31 December 2016, the Group has interests in the following long-term equity investments:

Name of investee	Place of incorporation and operations	Form of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Suzhou New Huamei Plastics Co., Limited ("Suzhou New Huamei") (note (a))	PRC	Sino foreign joint equity enterprise	Registered and paid-up US$5,000,000	18.62%	–	18.62%	Plastic materials dyeing
Danyang New Huamei Plastics Co., Limited ("Danyang New Huamei") (notes (a), (b))	PRC	Sino foreign joint equity enterprise	Registered and paid-up US$1,600,000	24.50%	–	24.50%	Plastic materials dyeing
Qingdao Zhongxin Huamei Plastics Co., Limited ("Qingdao Huamei") (notes (a), (b))	PRC	Sino foreign joint equity enterprise	Registered and paid-up US$1,000,000	28.67%	–	28.67%	Plastic materials dyeing

20. LONG-TERM EQUITY INVESTMENTS (continued)

Notes:

(a) The unlisted long-term equity investments carried at fair value represent investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei, which are principally engaged in plastic materials dyeing manufacturing business in Mainland China. As at 31 December 2016, the fair value of these unlisted equity investments was determined by reference to the valuation carried out by DTZ (2015: DTZ), an independent firm of professional valuers, using a market approach model based on the EBIT multiple of enterprise value to earnings before interest and tax ("EV/EBIT") of comparable listed companies in the same industry, after having taken into account of the discount for lack of marketability of 19% (2015: 16%) for these unlisted investments. Details of fair value hierarchy for these investments are disclosed in Note 39 below.

	EBIT		**Dividend yield** (note (i))		**Fair value** (note (ii))	
	2016 HK$'000	2015 HK$'000	**2016**	2015	**2016 HK$'000**	2015 HK$'000
Suzhou New Huamei *(note (iii))*	**3,763**	17,408	**15.6%**	6.2%	**12,300**	38,000
Danyang New Huamei	**8,071**	10,310	**3.0%**	5.2%	**16,700**	15,400
Qingdao New Huamei	**10,116**	8,662	**3.6%**	3.7%	**34,600**	23,300

Notes:

(i) Dividend yield represents the net dividend received (net of PRC dividend tax paid) from the unquoted equity investment during the reporting period in a ratio to the fair value of the unquoted equity investment of the Company at the end of that reporting period.

(ii) The fair value of each of the equity investments at the end of both reporting periods was based on the independent and professional valuation performed by DTZ.

(iii) Suzhou New Huamei temporarily scaled down its operations for enhancement of its environmental protection facilities on production during the year ended 31 December 2016, and has resumed its operations since November 2016.

(iv) In the opinion of the Directors of the Company, there was no impairment on each of the above unquoted investments at both reporting period ends and there was no impairment charge to the consolidated income statement for both years.

(b) Qingdao Huamei and Danyang New Huamei were not regarded as associates of the Group, because the Group could not exercise significant influence over their financial and operating policies and accordingly, the investments in Qingdao Huamei and Danyang New Huamei are accounted for as long-term equity investments.

21. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**1,476**	1,042

The analysis of the amount of inventories recognised as an expense and included in profit or loss is presented as follows:

	2016 HK$'000	2015 HK$'000
Carrying amount of inventories consumed	**34,944**	19,477

22. TRADE AND BILLS RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**35,673**	25,046
Less: allowance for impairment of trade receivables	**–**	–
	35,673	25,046
Bills receivable	**22,834**	21,811
	58,507	46,857

(a) Ageing analysis

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

	2016 HK$'000	2015 HK$'000
0 to 30 days	**33,301**	24,098
31 days to 60 days	**12,847**	11,330
61 days to 90 days	**5,872**	3,614
91 days to 180 days	**5,790**	5,233
181 days to 360 days	**697**	2,582
Over 360 days	**–**	–
	58,507	46,857

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

(b) Impairment losses of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for doubtful debts during the year is as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**–**	–
Impairment loss recognised	**–**	508
Uncollectible amounts written off	**–**	(508)
At 31 December	**–**	–

22. TRADE AND BILLS RECEIVABLES (continued)

(c) Analysis of trade receivables not being impaired

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

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**46,148**	35,428
Less than 30 days past due	**5,872**	3,614
More than 30 days but less than 120 days past due	**5,790**	5,233
More than 120 days but less than 360 days past due	**697**	2,582
	58,507	46,857

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Prepayments	**9,047**	6,940
Deposits paid for acquisition of property, plant and equipment	**2,755**	–
Refundable deposit paid for proposed acquisition *(note)*	**5,000**	–
Other receivables	**9,980**	7,629
	26,782	14,569

Note:

On 30 November 2016, the Group entered into a non-binding memorandum of understanding with an independent third party with a payment of deposit amounted to HK$5,000,000 for the intention to acquire the entire interests in Ever Champ (China) Limited, which in turn holds 30% equity interests in 南京化學工業園天宇固體廢物處置有限公司 (Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd.), a company incorporated in the PRC and principally engaged in the collection, storage and disposal of industrial hazardous wastes in Jiangsu Province, the PRC.

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24. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**134,292**	168,238
Time deposits	**46,903**	12,885
	181,195	181,123
Less: Pledged bank deposits for short term banking borrowings	**9,606**	5,318
Cash and cash equivalents in the consolidated statement of cash flow	**171,589**	175,805

The bank balances and time deposits carried interest at market rates within the range from 0.01% to 1.35% (2015: 0.01% to 2.60%) per annum for the year ended 31 December 2016. Cash at banks earns interest at floating rates on daily deposit rates. Short-term time deposits are placed for varying periods within 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are placed with creditworthy banks with no recent history of default.

25. BANK BORROWINGS

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

	2016 HK$'000	2015 HK$'000
Current liabilities		
Within 1 year or on demand	**75,549**	39,798
Non-current liabilities		
Between 1 year and 2 years	**2,793**	7,874
Between 2 years and 5 years	**–**	–
Over 5 years	**–**	–
	2,793	7,874
Total interest-bearing bank borrowings	**78,342**	47,672

25. BANK BORROWINGS (continued)

	2016 HK$'000	2015 HK$'000
– Unsecured	**45,502**	19,900
– Secured	**32,840**	27,772
	78,342	47,672

	2016 HK$'000	2015 HK$'000
Wholly repayable within 5 years	**78,342**	47,672
Wholly repayable after 5 years	**–**	–
	78,342	47,672

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

	2016 HK$'000	2015 HK$'000
Hong Kong dollar	**45,502**	33,475
Renminbi	**32,840**	14,197
	78,342	47,672

Notes:

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

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 40 to the financial statements.

As at 31 December 2016, no covenants relating to the drawn down facilities had been breached (2015: 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.

25. INTEREST-BEARING BANK BORROWINGS (continued)

Notes: (continued)

(b) As at 31 December 2016, unsecured bank loan of HK$5,000,000 (2015: HK$15,000,000) owed by the Company bore interest at variable rates ranging from 2.92% to 3.45% per annum in current year (2015: 2.92% per annum).

(c) As at 31 December 2016, bank loans of HK$3,000,000 (2015: HK$11,700,000) owed by the Company bore interest at variable rates ranging from 2.91% to 3.39% per annum in current year (2015: 3.16% to 3.30% per annum). The legal charge on all monies in the bank accounts of the Company amounted to HK$5,318,000 has been released by the bank in current year.

(d) As at 31 December 2016, bank loan of HK$37,502,000 (2015: Nil) owed by the Company bore interest at variable rates ranging from 3.41% to 3.60% per annum in current year (2015: Nil per annum).

(e) As at 31 December 2016, bank loans of approximately HK$32,840,000 (2015: HK$9,425,000) owed by the subsidiary, Yancheng NUHF were secured by pledge of land use rights and certain property, plant and equipment with an aggregate carrying amount of approximately HK$5,749,000 (2015: HK$6,279,000) and HK$26,041,000 (2015: HK$29,370,000) respectively. The bank loans bore interest at variable rates ranging from 4.8% to 6.9% per annum in current year (2015: 6.0% to 6.9% per annum).

26. TRADE AND BILLS PAYABLES

	2016 **HK$'000**	2015 HK$'000
Trade payables	**4,080**	4,251
Bills payable	**9,606**	–
	13,686	4,251

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

	2016 **HK$'000**	2015 HK$'000
0 to 30 days	**3,754**	3,916
31 days to 60 days	**67**	149
61 days to 90 days	**9**	14
Over 91 days	**250**	172
	4,080	4,251

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

27. ACCRUED LIABILITIES AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Salaries and bonuses payable	15,426	13,068
Accounts payable for acquisition of property, plant and equipment	35,260	52,878
Other payables and accruals	57,001	49,026
	107,687	114,972

28. DEFERRED GOVERNMENT GRANTS

Government grants were obtained by the subsidiaries, Zhenjiang New Universe and Zhenjiang Sinotech to subsidise the construction of their respective environmental energy saving and control of sewage discharge in the eco-plating specialised zone. The grants are recognised as other revenue over the estimated useful lives of the plant facilities.

	HK$'000
Receipt of grants	
At 1 January 2015	9,075
Exchange adjustments	(452)
Receipt for the year	192
At 31 December 2015 and at 1 January 2016	8,815
Exchange adjustments	(608)
Receipt for the year	404
At 31 December 2016	**8,611**
Release of grants	
At 1 January 2015	3,949
Exchange adjustments	(196)
Release for the year	825
At 31 December 2015 and at 1 January 2016	4,578
Exchange adjustments	(340)
Release for the year	467
At 31 December 2016	**4,705**
Carrying amount	
At 31 December 2016	**3,906**
At 31 December 2015	4,237

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28. DEFERRED GOVERNMENT GRANTS (continued)

Analysed for reporting purpose as:

	2016 HK$'000	2015 HK$'000
Current liabilities	**452**	447
Non-current liabilities	**3,454**	3,790
	3,906	4,237

29. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position:

	2016 HK$'000	2015 HK$'000
Provision of PRC Enterprise Income Tax for current year	**8,814**	16,990
Provision of PRC Enterprise Income Tax for prior years	**1,965**	2,458
Over provision of PRC Enterprise Income Tax relating to prior years	**–**	–
Exchange adjustments	**(383)**	(526)
Net income tax paid	**(7,933)**	(9,486)
	2,463	9,436

29. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustment on long-term equity investments HK$'000	Fair value adjustment of assets on business combination HK$'000	Undistributed profits of PRC subsidiaries HK$'000	Total HK$'000
At 1 January 2015	2,200	20,402	3,140	25,742
Charge to other comprehensive income	(830)	–	–	(830)
(Credit)/charge to profit or loss	–	(514)	759	245
At 31 December 2015 and 1 January 2016	1,370	19,888	3,899	25,157
Charge to other comprehensive income	(1,310)	–	–	(1,310)
(Credit)/charge to profit or loss	–	(513)	2,739	2,226
At 31 December 2016	**60**	**19,375**	**6,638**	**26,073**

(c) Deferred tax assets not recognised:

At the end of the reporting period, certain entities of the Group have unused tax losses amounted to approximately HK$50,036,000 (2015: HK$47,261,000) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams of the relevant group entities. The unused tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised:

At 31 December 2016 and 2015 there was no significant unrecognised deferred tax liability.

30. OTHER BORROWING

As at 31 December 2016, other borrowing of HK$25,000,000 (2015: HK$30,000,000) from an independent third party is unsecured, bearing interest at the rate of 4.0% (2015: 4.0%) per annum and repayable on 31 December 2018 (2015: repayable on 31 December 2017).

31. SHARE CAPITAL

		Number of shares		Share capital	
		2016	2015	**2016**	2015
	Note	**'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		**2,955,697**	2,755,697	**29,557**	27,557
Issue of new shares by way of subscription	(a)	**–**	200,000	**–**	2,000
At 31 December		**2,955,697**	2,955,697	**29,557**	29,557

Notes:

(a) New shares subscription in 2015

On 31 March 2015, the Company entered into a conditional subscription agreement with a subscriber, Ms. LIU Yu Jie (who became an executive Director of the Company with effect from 9 June 2015) in relation to the subscription of 200,000,000 new ordinary shares of the Company ("Subscription Shares 2015") at a subscription price of HK$0.345 per subscription share to be allotted and issued to the subscriber ("Subscription Agreement 2015") upon completion of the Subscription Agreement 2015. The completion of the Subscription Agreement 2015 took place on 9 April 2015. Pursuant to the Subscription Agreement 2015, the subscriber undertook to the Company that she would not, directly or indirectly: (i) in respect of 25% of the Subscription Shares 2015, during the period commencing from the completion date and ending on the date which is 12 months from the completion date; and (ii) in respect of the remaining 75% of the Subscription Shares 2015, during the period commencing from the completion date and ending on the date which is 36 months from the completion date, offer, pledge, charge, sell, dispose (in whatever ways, including through the securities agent) of any of the Subscription Shares 2015.

The aggregate nominal value of the Subscription Shares 2015 was HK$2,000,000, the net proceed of the Subscription Shares 2015 (after deduction of the related expenses) was approximately HK$68,691,000, and the net price per each Subscription Shares 2015 was approximately HK$0.3435.

(b) As at 31 December 2016, 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.

32. RESERVES

(a) The Group

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

(b) The Company

	Share premium HK$'000 (note (c)(i))	Retained profits HK$'000 (note (c)(vi))	Total HK$'000
At 1 January 2015	333,774	68,217	401,991
Profit for the year	–	34,295	34,295
Dividend relating to 2014	–	(14,187)	(14,187)
Issue of 200,000,000 new shares, net of share issuance costs of HK$309,000	66,691	–	66,691
At 31 December 2015 and at 1 January 2016	400,465	88,325	488,790
Profit for the year	–	21,477	21,477
Dividend relating to 2015	–	(14,778)	(14,778)
At 31 December 2016	**400,465**	**95,024**	**495,489**

(c) Nature and purpose of reserves and their movements

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The balance of share premium is distributable and for such use as permissible under the laws of Cayman Islands and the articles of association of the Company.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations. The reserve is dealt with in accordance with the accounting policies of translation of foreign currencies. The balance of this general reserve is distributable and available for such use as permissible under the laws of Cayman Islands and the articles of association of the Company. The reserve is dealt with in accordance with the accounting policies set in note 2(w) to the financial statements.

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32. RESERVES (continued)

(c) Nature and purpose of reserves and their movements (continued)

(iii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of long-term equity investments at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(h) and 2(l)(i) to the financial statements.

(iv) Capital reserve

On 17 February 2011, the Group's effective interest in NSIL was increased from 38% to 98%, and NSIL Group became 98% indirectly owned subsidiaries of the Company, and the excess of fair value of net assets acquired over cost of acquisition of 98% equity interests in NSIL Group of HK$4,185,000 (after deduction of acquisition related costs) was recognised as deemed contribution from the transferors, New Universe Enterprises Limited and Mr. CHAN Son Neng, in their capacity as shareholders of the Company and fully credited as capital reserve in the equity of the Group.

On 7 October 2015, the Group's effective interest in NSIL was increased from 98% to 100%, and the excess of carrying value of net assets acquired over cost of acquisition of the remaining 2% equity interests in NSIL Group of HK$378,000 (after deduction of acquisition related costs) was recognised as deemed contribution from the transferor, Mr. CHAN Son Neng, in his capacity as shareholder of the Company and fully credited as capital reserve in the equity of the Group.

(v) Statutory reserve

In accordance with the relevant regulations in the PRC, the Company's subsidiaries established in the PRC are required to transfer a certain percentage of its profits after tax to reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiary's articles of association, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

(vi) Distributability of reserves

At 31 December 2016, the Company had reserves available for distribution to its owners in the amount of HK$495,489,000 (2015: HK$488,790,000).

33. OPERATING LEASES COMMITMENTS

The Group as lessee

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

	2016 **HK$'000**	2015 HK$'000
Office premises	**422**	518
Plant premises	**536**	573
Landfill	**–**	12
	958	1,103

As at 31 December 2016, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 **HK$'000**	2015 HK$'000
Within 1 year	**958**	1,031
After 1 year but within 5 years	**–**	72
After 5 years	**–**	–
	958	1,103

The Group as lessor

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

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

	2016 **HK$'000**	2015 HK$'000
Within 1 year	**43,974**	43,518
After 1 year but within 5 years	**164,440**	173,521
After 5 years	**140,933**	173,445
	349,347	390,484

34. CAPITAL COMMITMENTS

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

	2016 HK$'000	2015 HK$'000
Capital expenditure in respect of property, plant and equipment – contracted for but not provided for	**79,707**	14,113

35. PLEDGE OF ASSETS AND AVAILABLE UNUSED CREDIT FACILITIES

(a) Pledge of assets

At 31 December 2016, the following assets were pledged as collaterals for banking facilities granted to the Group by certain banks.

	2016 HK$'000	2015 HK$'000
Pledged bank deposits	**9,606**	5,318
Property, plant and equipment	**51,232**	47,489
Prepaid lease payments for land use rights	**15,435**	14,515
	76,273	67,322

(b) Unused credit facilities

At 31 December 2016, the total banking facilities of the Group amounted to HK$150,743,000 (2015: HK$128,712,000), which were utilised to the extent of secured bank loans of HK$45,502,000 (2015: HK$19,900,000) and unsecured bank loans of HK$32,840,000 (2015: HK$27,772,000) and the available unutilised banking facilities amounted to HK$72,401,000 (2015: HK$81,040,000). The unused stand-by loan facilities amounted to HK$500,000,000 granted by the shareholder of the Company was lapsed on 14 July 2016.

36. SHARE OPTION SCHEME AND EMPLOYEE RETIREMENT BENEFITS

(a) Share option scheme

The share option scheme of the Company previously adopted by the Company's shareholders at the general meeting on 10 December 2003 had expired on 9 December 2013 ("Lapsed Share Option Scheme"). As at 31 December 2016, no option was granted or was outstanding under the Lapsed Share Option Scheme.

The Company has a new share option scheme which was adopted by the Company's shareholders at the general meeting held on 5 May 2015 ("New Share Option Scheme"). The total number of shares of the Company which might be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme on 5 May 2015 ("Scheme Mandate Limit") unless the Company obtains an approval by its shareholders at its general meeting to refresh the Scheme Mandate Limit. Further, the maximum number of shares of the Company which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and options which may be granted and yet to be exercised under any other share option schemes of the Company shall not exceed 30% of the total number of the Company's shares in issue from time to time. Based on the issued share capital of 2,955,697,018 shares of the Company on 5 May 2015, the Scheme Mandate Limit was 295,569,701 shares of the Company.

As at 31 December 2016, no option was granted or was outstanding under the New Share Option Scheme.

(b) Employee retirement benefits

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution benefit schemes (the "Schemes") organised by the relevant local government authorities in Jiangsu Province, whereby the Group is required to make contributions to the Schemes at certain percentage of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligation payable to the retired employees.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2015: HK$30,000). Contributions to the plan vest immediately. The Group has no other material obligation for the payment of pension benefits associated with the MPF Scheme beyond the annual contributions described above.

37. RELATED PARTY TRANSACTIONS

(a) List of related parties

For the years ended 31 December 2016 and 2015, the Directors are of the view that the following entities and persons are related parties to the Group:

Name of the related party	Relationship
New Universe Enterprises Limited ("NUEL")	A shareholder interested in 36.26% of the issued share capital of the Company, and the Company's Directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are also the directors of NUEL.
CM International Capital Limited ("CMIC Cayman")	A shareholder interested in 27.07% of the issued share capital of the Company, and the Company's Director, Mr. LIAO Feng is also the directors of CMIC Cayman.
Sun Ngai International Investment Limited ("Sun Ngai")	100% owned subsidiary of New Universe Holdings Limited ("NUHL"), and the Company's Director, Mr. XI Yu and Ms. CHEUNG Siu Ling are the directors of Sun Ngai and NUHL.
Mr. XI Yu	A shareholder of NUEL who is interested in 83.66% of the issue share capital of NUEL. On 6 April 2016, Mr. XI Yu was appointed director of NUEL, NUHL and Sun Ngai.
Zhenjiang New District (note 19)	An associate of the Group, of which the Company holds 24.6% effective equity interest.

37. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	Note	**2016 HK$'000**	2015 HK$'000
Recurring transactions			
Rental expenses			
– Sun Ngai	(i)	**600**	600
Consultancy fees			
– Mr. XI Yu	(ii)	**36**	144
Charges on hazardous waste landfill disposal			
– Zhenjiang New District	(iii)	**9,000**	920

Notes:

(i) Rental expenses were charged by Sun Ngai for leasing office premises of the Group in Hong Kong. The leases runs for a period of one year and the monthly rent was determined in commensurate with the market rate.

(ii) The Company has appointed Mr. XI Yu as a consultant to the Group during the period from 22 August 2014 to 31 March 2016.

(iii) The charges on hazardous waste landfill disposal paid by two subsidiaries in PRC of the Group to Zhenjiang New District was 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.

The Directors of the Company 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.

(c) Guarantee

As at 31 December 2015, the Group's bank borrowings of HK$4,900,000 were secured by personal guarantee provided by Ms. CHEUNG Siu Ling, the executive Director of the Company as disclosed in note 25 to the financial statements. The Directors of the Company considered that the fair value of the personal guarantee to be negligible as the risk of default by the Group was minimal at 31 December 2015. The bank borrowings were fully repaid on 14 March 2016 and the personal guarantee was released accordingly. There was no financial guarantee as at 31 December 2016.

37. RELATED PARTY TRANSACTIONS (continued)

(d) Arrangement on standby loan facility

On 14 July 2015, the Company accepted and agreed to a commitment letter issued by CMIC Cayman for a standby loan facility in the amount of HK$500,000,000 to support new establishment and merger and acquisition of appropriate environmental project(s) of the Company. Within an availability of period of one year, loan(s) to be drawn down under the standby facility shall bear interest at 7% per annum, and for each drawdown the Company shall enter into a loan agreement in the form acceptable to both parties, including the provision of credit enhancement that CMIC Cayman may request for at its discretion. The standby loan facility was lapsed in current year on 14 July 2016 without any drawdown or loan being made during the availability of period.

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group and the Company, including amounts paid to the Directors of the Company as disclosed in note 10 and certain of the highest paid individual as disclosed in note 11 to the financial statements, is presented as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**12,056**	7,530
Retirement scheme contributions	**119**	86
Discretionary bonuses	**3,326**	4,411
	15,501	12,027

38. FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments include loans and receivables, long-term equity investments, and liabilities measured at amortised cost. The carrying amount of each category of the Group's financial assets and liabilities recognised at 31 December 2016 and 2015 are as follows.

The carrying amounts of the financial assets and liabilities by category as at the end of the reporting period are as follows:

		2016 HK$'000	2015 HK$'000
(i)	Financial assets		
	Loans and receivables		
	Trade and bills receivables	**58,507**	46,857
	Refundable deposits and other receivables	**14,980**	7,629
	Pledged bank deposits	**9,606**	5,318
	Cash and cash equivalents	**171,589**	175,805
	Available-for-sale financial assets		
	Long-term equity investments	**63,600**	76,700
	Total financial assets	**318,282**	312,309
(ii)	Financial liabilities		
	Financial liabilities at amortised cost		
	Bank borrowings	**78,342**	47,672
	Other borrowings	**25,000**	30,000
	Trade and bills payables	**13,686**	4,251
	Financial liabilities included in accrued liabilities and other payables	**107,687**	114,972
	Deposits received from customers	**9,060**	3,621
	Total financial liabilities	**233,775**	200,516

Details of the financial instruments are disclosed in the respective notes to the financial statements.

39. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonable approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Long-term equity investments *(note 20)*	**63,600**	76,700	**63,600**	76,700

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in accrued liabilities and other payables, deposits received from customers, amounts due from/to subsidiaries approximately to their carrying amounts largely due to the short term maturity of these instruments. The Directors consider the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The carrying amount of financial assets and financial liabilities at amortised cost of the Group is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable markets transactions.

The fair values of non-current portion of interest-bearing bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for the instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings and other borrowings as at 31 December 2016 was assessed to be insignificant.

The fair values of unlisted long-term equity investment have been estimated based on assumption that are not supported by observable market prices or rates. The valuation requires the Directors to make estimates using the enterprise value to earnings before interest and tax ratio of comparable listed companies adjusted for lack of marketability discount. The Directors believe that the estimated fair value resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable and they were appropriate values at the end of the reporting period.

39. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments that are measured at fair value at the end of the reporting period on recurring basis, which categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market date are available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	2016				2015			
	Fair value at 31 December 2016 HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	Fair value at 31 December 2015 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Long-term equity investments *(note 20)*	**63,600**	**–**	**–**	**63,600**	76,700	–	–	76,700

During the year ended 31 December 2016, there were no transfers between level 1 and Level 2, or transfer into or out of Level 3 (2015: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

39. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Information about Level 3 fair value measurements:

	Valuation techniques	Significant unobservable inputs	Key data applied 2016	2015
Unlisted long-term equity investments	Market comparable companies	Discount for lack of marketability	**19%**	16%
		EV/EBIT	**14.7%**	10.5%

The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2016, it was estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by HK$4,000,000 (2015: HK$4,600,000).

The movements during the year in the balance of Level 3 fair value measurements are follows:

	2016 HK$'000	2015 HK$'000
Unlisted long-term equity investments:		
At 1 January	**76,700**	85,000
Net unrealised decrease in fair value recognised in other comprehensive income	**(13,100)**	(8,300)
At 31 December	**63,600**	76,700

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise bank loans and other interest-bearing loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from the Group's operations.

The Group's activities expose it to risks associated with the financial instruments include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management of the Company and its subsidiaries coordinates with the board of Directors at its headquarter in Hong Kong that monitors and manages the risk exposures and provides written policies to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not actively engage in the trading of financial instruments for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are summarised below.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Foreign currency risk

The Group adopted Hong Kong dollars (HK$) as the currency for presentation purposes. The functional currencies of the Company and its PRC subsidiaries are HK$ and RMB respectively.

Some of the trading transactions of the Group were denominated in United States dollar (US$). The Group's exposure to currency risk arises from financial instruments that are monetary items or from financial instruments denominated not in the functional currencies of the respective entities within the Group, which are HK$ and RMB. For the years ended 31 December 2016 and 2015, no sales of the Group were denominated in foreign currencies other than the functional currencies of the Group.

At the end of the reporting period, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities translated into Hong Kong dollars at the closing rate are as follows:

	2016	2015
	US$'000	US$'000
Monetary financial assets		
Other receivables	**10**	10
Cash and cash equivalents	**454**	1,163
	464	1,173
Monetary financial liabilities	**–**	–
Current net exposure	**464**	1,173

Sensitivity analysis of currency risk

The management considered that the currency risk to be low as the exchange rates of US$ relative to HK$ or RMB were not significant for both 2016 and 2015. Therefore, no hedging or similar measures have been implemented by the Group. At 31 December 2016 and 2015, the impact of the Group's exposure to currency risk was minimal. Accordingly, no sensitivity analysis was presented.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Interest rate risk

The Group is exposed to the risk of changes in market interest rate in relation to variable-rate bank borrowings (note 25 to the financial statements for details of these borrowings) and bank balances (note 24 to the financial statements for details of these deposits) and fair value interest rate risk in relation to fixed-rate borrowings (note 30 to the financial statements). It is the Group's policy to manage its interest costs using a mix of fixed and variable rate debts, and to minimise fair value interest rate risk in relation to fixed-rate borrowings. At 31 December 2016, approximately 56.0% (2015: 56.9%) of the Group's bank borrowings and other borrowing, bore interest at fixed rates. The Group has no significant interest-bearing assets apart from bank balances with their interest rate profile disclosed in note 24 to the financial statements. The interest rate profiles of the bank borrowings and other borrowings are disclosed in notes 25 and 30 to the financial statements respectively.

Sensitivity analysis of interest rate risk

The following table details the Group's sensitivity to a reasonably possible change of interest rates, with all other variables held constant, for 100 basis points ("bp", whereas 1 bp is equivalent 0.01%) increase and decrease in interest rate as the sensitivity rate, assuming that the financial instruments outstanding at the end of the reporting period had been outstanding for the whole year. A positive number below indicates an increase in post-tax profit and total equity where interest rates generally decreased by 100 bp. For an increase in 100 bp, there would be an equal and opposite impact on the profit and total equity and the balances below would be negative.

	+ 100 bp impact		**– 100 bp impact**	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
(Decrease)/increase in profit after tax	**(783)**	(476)	**783**	476
(Decrease)/increase in total equity	**(783)**	(476)	**783**	476

The sensitivity to interest rates of the Group decreased during the current year mainly due to the decrease in variable rate borrowings. The sensitivity to interest rates of the Company has increased during the current year mainly due to the increase in variable rate borrowings of the Company. The analysis has been presented on the same basis for both years.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Other price risk

The Group is exposed to equity price risk through its equity investments classified as long-term equity investments as set out in note 20 to the financial statements.

The Group's long-term equity investments are unlisted equity investments held for long-term strategic purposes, which are concentrated on equity ventures operating in plastic materials dyeing industry section in the Mainland China, and have risk and return profiles different from the core operations of the Group. Their performance has been monitored by delegates of the Directors of the board of the Company, and is assessed by independent professional valuer at least semi-annually by referring to the performance of other listed entities with similar business operations, comparing with the financial data of those investments available to the Group, and adjusted for the marketability of the Group's investments relative to the benchmark data available in the market.

Sensitivity analysis of other price risk

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. The following table illustrates the sensitivity if the prices of the respective equity investments had been 5% (2015: 5%) higher/lower, as a result of the changes in the multiple of enterprise value to earnings before interest and tax of comparable listed companies in the same industry, at the reporting date. A positive number below indicates an increase in post-tax profit and total equity where price of the equity investments increased by 5%. For a decrease in 5%, there would be an opposite impact on the profit and total equity and the balances below would be negative.

	+ 5% impact		**– 5% impact**	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Increase/(decrease) in profit after tax	**–**	–	**–**	–
Increase/(decrease) in total equity	**2,862**	3,452	**(2,862)**	(3,452)

The Group's sensitivity to long-term equity investments has applied the same basis for both years.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. As at 31 December 2016, the Group's exposure to credit risk which will cause financial loss to the Group if failure to discharge an obligation by the counterparties is arising from the carrying amount the respective financial assets included in the consolidated statement of financial position as summarised below by key geographical locations:

	By geographical locations					
	Mainland China		Other countries (including Hong Kong)		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Classes of financial assets						
Trade and bills receivables	**58,507**	46,857	**–**	–	**58,507**	46,857
Other receivables	**9,980**	7,629	**–**	–	**9,980**	7,629
Pledged bank deposits	**9,606**	–	**–**	5,318	**9,606**	5,318
Cash and cash equivalents	**132,405**	72,943	**39,184**	102,862	**171,589**	175,805
	210,498	127,429	**39,184**	108,180	**249,682**	235,609

All receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The management of the Company and all its subsidiaries continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used.

The Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Group's financial assets is secured by collateral or other credit enhancements.

The credit risk on cash and cash equivalents is limited because the counter parties are reputable banks with high quality external credit ratings.

The Group's concentration of credit risk by geographical locations is mainly in the Mainland China, which accounted for 100% (2015: 100%) of the total receivables (being the total classified under "Trade and bills receivables" and "Other receivables") as at 31 December 2016.

As at 31 December 2016, the Group had certain concentration of credit risk as 13.6% (2015: 2.3%) and 33.8% (2015: 2.4%) of the Group's trade receivables classified under "Trade and bills receivables" were due from the Group's largest customer and the five largest customers, respectively.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk

The Group manages its liquidity through maintaining a balance between continuity of funding and flexibility through the use of bank borrowings, banking facilities, and other interest-bearing borrowings. In management of the liquidity risk, the Group maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group regularly monitors its liquidity requirements and its compliance of financial covenants, and ensures sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms. The Group has secured banking facilities of approximately HK$48,701,000 (2015: HK$31,040,000) and unsecured banking facilities of approximately HK$23,700,000 (2015: HK$50,000,000) which have not yet been drawn down by the Group as at 31 December 2016 respectively.

Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly. Funding for long-term liquidity needs will be considered when there is any potential investment identified. For term loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the following table shows the cash outflow based on the contractual repayment schedule and, separately, the impact of the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The following table details the remaining contractual maturities at the end of the reporting period for the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	As at 31 December 2016						
	Carrying amount HK$'000	Total undiscounted cash flows HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000
Financial liabilities							
Bank borrowings							
– at variable rate	45,502	45,502	4,166	–	41,336	–	–
– at fixed rates	32,840	33,066	–	2,234	27,813	3,019	–
Other borrowing							
– at fixed rate	25,000	27,000	–	–	–	27,000	–
Trade and bills payables	13,686	13,686	250	9,682	3,754	–	–
Accrued liabilities and other payables	107,687	107,687	67,839	1,753	38,095	–	–
Deposits received from customers	9,060	9,060	9,060	–	–	–	–
	233,775	236,001	81,315	13,669	110,998	30,019	–

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

	As at 31 December 2015						
	Carrying amount HK$'000	Total undiscounted cash flows HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000
Financial liabilities							
Bank borrowings							
– at variable rate	33,475	33,475	6,700	1,325	25,450	–	–
– at fixed rates	14,197	24,058	–	–	15,509	8,549	–
Other borrowing							
– at fixed rate	30,000	32,400	–	–	–	32,400	–
Trade payables	4,251	4,251	186	149	3,916	–	–
Accrued liabilities and other payables	114,972	114,972	75,484	2,314	37,174	–	–
Deposits received from customers	3,621	3,621	3,621	–	–	–	–
	200,516	212,777	85,991	3,788	82,049	40,949	–

The undiscounted cash flows of the other borrowings and the current portions of bank borrowings, trade payables, accruals, other payables, and deposits received are approximate to their carrying amount, as the impact of discounting is not significant.

Capital management

The Group's capital management objectives are:

(i) to safeguard the Group's ability to continue as a going concern;

(ii) to provide returns for shareholders and benefits for other stakeholders;

(iii) to maintain an optimal capital structure to reduce the cost of capital;

(iv) to support the Group's sustainable growth; and

(v) to provide capital for the purpose of potential mergers and acquisitions.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain and adjust the capital structure, the Group will adjust the dividend payment to shareholders, issue new shares, buy back its shares, issue new debts or redeem existing debts.

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Capital management (continued)

There were no changes in the objectives, policies or process for managing the capital during the years ended 31 December 2016 and 2015.

The Group monitors its capital using gearing ratio. The Group expects to maintain its gearing ratio at less than 50%. The gearing ratios as at 31 December 2016 and 2015 were as follows:

	2016 HK$'000	2015 HK$'000
Current liabilities		
Bank borrowings	**75,549**	39,798
Trade and bills payables	**13,686**	4,251
Accrued liabilities and other payables	**107,687**	114,972
Deposits received from customers	**9,060**	3,621
	205,982	162,642
Non-current liabilities		
Bank borrowings	**2,793**	7,874
Other borrowing	**25,000**	30,000
	27,793	37,874
Total liabilities (excluding government grants and taxes)	**233,775**	200,516
Less: Cash and cash equivalents	**171,589**	175,805
Net debt	**62,186**	24,711
Total equity	**769,489**	759,772
Total equity and net debt	**831,675**	784,483
Gearing ratio	**7.5%**	3.1%

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Interests in subsidiaries		**526,196**	493,025
Current assets			
Amount due from subsidiaries		**35,845**	–
Prepayments		**811**	320
Pledged bank deposits		**–**	5,318
Cash and cash equivalents		**33,322**	76,680
		69,978	82,318
Current liabilities			
Bank borrowings		**45,502**	26,700
Accrued liabilities and other payables		**626**	296
		46,128	26,996
Net current assets		**23,850**	55,322
Total assets		**576,174**	575,343
Total assets less current liabilities		**550,046**	548,347
Non-current liabilities			
Other borrowing		**25,000**	30,000
		25,000	30,000
Net assets		**525,046**	518,347
Capital and reserves			
Share capital	31	**29,557**	29,557
Reserves	32	**495,489**	488,790
Total equity		**525,046**	518,347

XI Yu
Chairman

SONG Yu Qing
Chief Executive Officer

42. ENVIRONMENTAL CONTINGENCIES

For the year ended 31 December 2016, the Group's subsidiaries have provided regulated medical waste treatment services to hospitals and medical clinics, and provided hazardous industrial waste treatment services and industrial sewage treatment services in Jiangsu Province. The related operations require valid operating permission licences for specific categories of hazardous waste and/or regulated medical waste and industrial sewage treatment services issued by the Environmental Protection Bureau or Department of the Jiangsu Province, PRC. To the best knowledge of the Company's Directors, each of the Group's subsidiaries which carries out treatment operations for hazardous industrial waste treatment and/or regulated medical waste and industrial sewage treatment services has complied with the relevant regulations to ensure continuous renewal of the licences concerned with best efforts, or otherwise, the subsidiary would cease its operations temporarily until the relevant licence(s) is being issued.

For the year ended 31 December 2016 and up to the date of this report, the Group's subsidiaries in the PRC have not incurred significant expenditures for environmental remediation and have not currently involved in any significant environmental remediation. In addition, the Company and the Group's subsidiaries in the PRC have not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, the management believes that there are no probable liabilities that will have a material adverse effect to the financial position or operating results of the Group.

43. EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors of the Company proposed a final dividend. Further details are disclosed in note 13 to financial statements.

44. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2016, and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKAS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[2]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2019

44. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

HKFRS 9 Financial Instruments

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

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

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

44. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

HKFRS 9 Financial Instruments (continued)

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The Directors of the Company do not anticipate that the application of the HKFRS 9 hedge accounting requirements will have a material impact of the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

44. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

HKFRS 16 Leases

As disclosed in note 2(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lease.

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

HKFRS 16 will primarily affect the Group's accounting as a lessee for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease. As disclosed in note 33, at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$958,000, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of the amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

44. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates or Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specially, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payment.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a "net settlement feature", such an arrangement should be classified as equity-settled in its entirely, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

   (i) the original liability is derecognised;

   (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

   (iii) any difference between the carrying amount of the liability at the modification date and amount recognised in equity should be recognised in profit or loss immediately.

   The Directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

44. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financial activities will be provided on application.

The amendments provide guidance on how an entity determines, in accordance with HKAS 12 Income Taxes, whether to recognise a deferred tax asset in relation to unrealised tax losses of a debt instrument that is categorised as an available-for-sale financial asset in accordance with HKAS 39 Financial Instruments: Recognition and Measurement under certain specific facts and circumstances.

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors of the Company on 28 March 2017.