NEW UNIVERSE ENVIRONMENTAL GROUP LIMITED

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

Corporate Information

PLACE OF INCORPORATION
Cayman Islands

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

Independent Non-Executive Directors
Prof. 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
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

LEGAL ADVISERS
As to Hong Kong Law
Lau, Horton & Wise LLP

As to PRC Law
Beijing Sinobridge PRC Lawyers

FINANCIAL ADVISER
OCTAL Capital Limited

INDEPENDENT AUDITOR
Crowe (HK) CPA Limited

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
HSBC Bank (China) Company Limited
Bank of Communications (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Cathay Bank, Hong Kong Branch
The Bank of East Asia, Limited
Bank of Jiangsu

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

CORPORATE WEBSITE
www.nuigl.com

Note:

Ms. ZHANG Shuo was appointed as executive director of the Company with effect from 26 February 2019.

Contents

Chairman's Statement

I am pleased to present the audited consolidated results of New Universe Environmental Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

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

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

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

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

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

CHAIRMAN'S STATEMENT

Final Dividend

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

Business Prospects

Entering 2019, the Group continues to strengthen its environmental operations and upholds the governance on emission, standards of waste management and strict compliance of national standards of our plants and facilities for hazardous waste treatment in China. Leveraging on our experience for over 10 years on hazardous waste treatment and disposal services and our well-built facilities with a total disposal capacity of over 165,000 tonnes per annum as at 31 December 2018, the Group is confident of maintaining our leading position as one of the best service providers in environmental hazardous waste disposal in Jiangsu Province, China. Looking forward, apart from the continuing betterment of our management of the increasing numbers of environmental project companies of the Group, we have started to establish new hazardous waste disposal facilities situated at Liuzhou in Guangxi and Yangzhou in Jiangsu with the construction expected to be completed by 2020. The Group will also explore prudently for new opportunities in the environmental industry. We commit to continuously improve our safety management and cost efficiency for our existing facilities and operations. Barring any uncertain economic factors, we expect the growth of our environmental operations in China would be sustainable in long run.

Our Acknowledgment

I would like to express my gratitude to our shareholders, business partners, customers, suppliers and financiers for their continuous support to the Group. I would also like to extend my thanks and appreciation to the management team and all colleagues of our Group for their efforts working toward our results in 2018, and I trust our united effort will present a better result in 2019.

XI Yu
Chairman and Chief Executive Officer

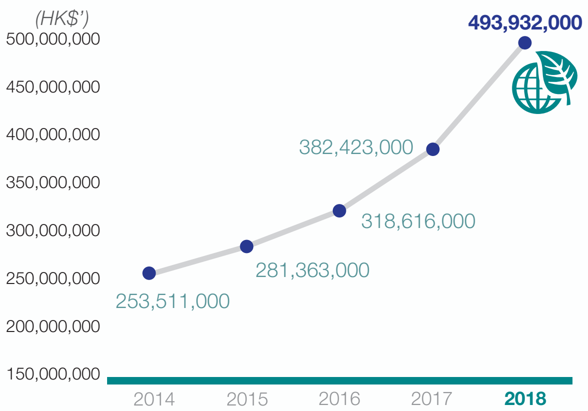
Hong Kong, 22 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

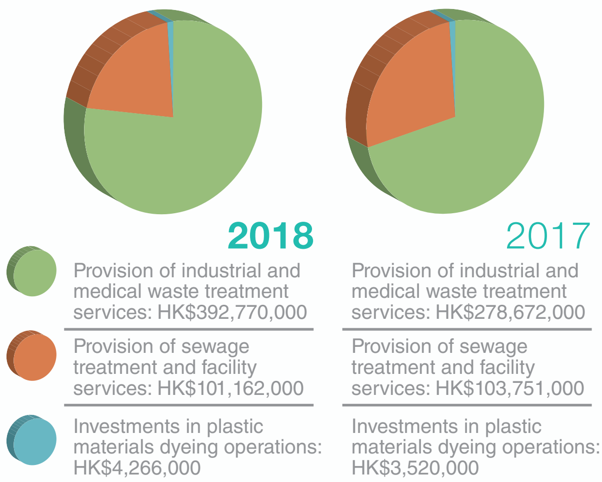
- **Group revenue up 29.2% to HK$493,932,000.**
- **Profit attributable to owners of the Company down 11.0% to HK$74,386,000.**
- **EBITDA of the Company down 4.5% to HK$181,116,000.**
- **Equity attributable to owners of the Company was HK$906,377,000 at 31 December 2018.**
- **Cash and cash equivalents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

5-Year Group Revenue*

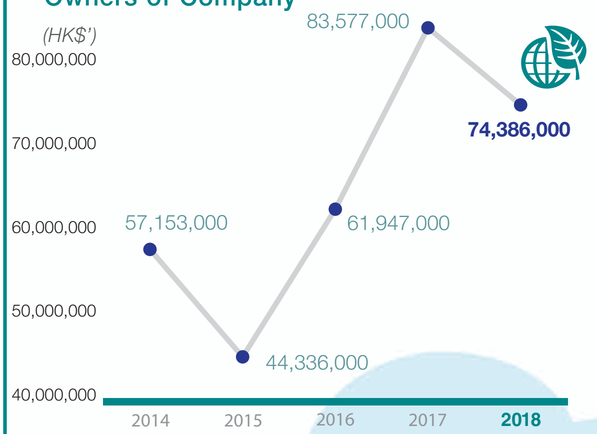


* *Group revenue represents the consolidated revenue from all environmental related operations of the Group but excludes the other revenue and other net income that being included in the segment revenue.*

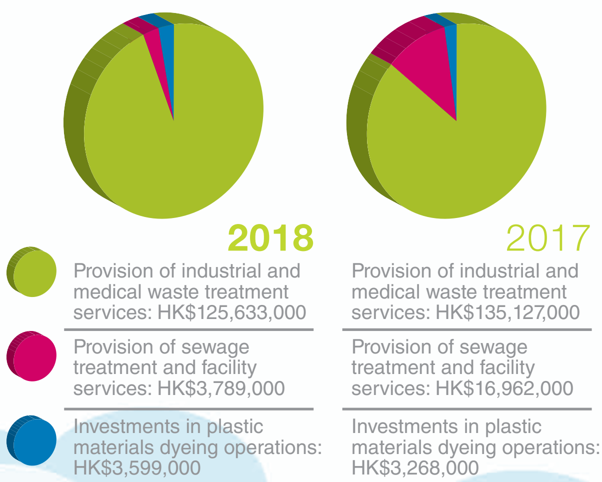
Segment Revenue



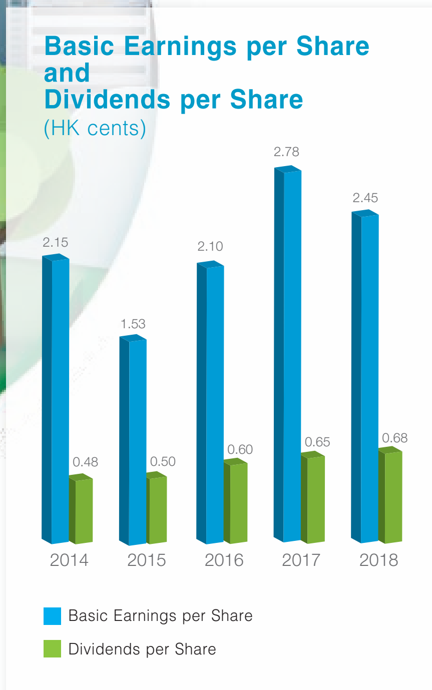
5-Year Net Profit Attributable to Owners of Company



Segment Results (Pre-tax)



MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

Environmental Treatment and Disposal Services for Industrial and Medical Wastes

For the year ended 31 December 2018, the Group had collected from external customers for treatment and disposal in aggregate of approximately 64,972 metric tons (2017: 52,383 metric tons) of hazardous industrial waste, 7,649 metric tons (2017: 7,234 metric tons) of regulated medical waste, and 7,435 metric tons (2017: 2,358 metric tons) of general industrial waste from various cities in Jiangsu Province, China. For the year ended 31 December 2018, the total segment revenue from the provision of environmental treatment and disposal services for industrial and medical wastes was approximately HK$392,770,000 (2017: HK$278,672,000) of which the revenue from treatment of hazardous industrial waste, medical waste and general industrial waste were HK$351,853,000, HK$34,473,000 and HK$6,444,000 (2017: HK$244,667,000, HK$31,780,000 and HK$2,225,000) respectively and the segment profit margin (pre-tax) was approximately 32.0% (2017: 48.5%).

MANAGEMENT DISCUSSION AND ANALYSIS

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

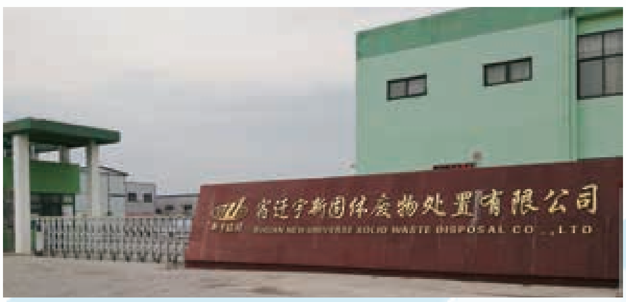
	Note	**31 December 2018 Annual capacity metric tons**	31 December 2017 Annual capacity metric tons
Licensed hazardous waste incineration facilities	(i)	**98,400**	111,400
Licensed epidemic medical waste incineration facilities		**6,080**	6,000
Licensed epidemic medical waste detoxification treatment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

Notes:

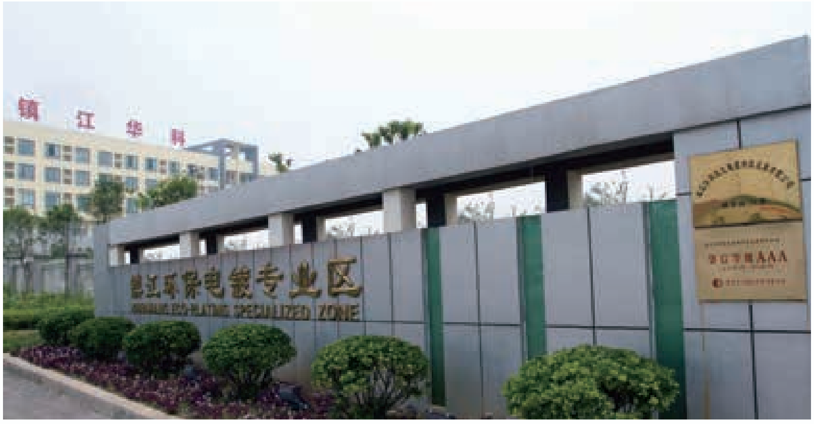
(i) Net decrease in total incineration capacity in 2018 was mainly attributable to the renewal of hazardous waste operating permission licence for the facilities with an annual capacity of 40,000 metric tons located in Suqian, Jiangsu Province which has been under progress after the licence was expired in November 2018.

(ii) The operating permission licence for the detoxification facilities of handling regulated epidemic medical waste located in Taizhou, Jiangsu Province with an annual capacity of 2,560 metric tons has not yet been planned for further renewal after the licence was expired in December 2018.

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



MANAGEMENT DISCUSSION AND ANALYSIS



Environmental Plating Sewage Treatment Services in Eco-plating Specialised Zone

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

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

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

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

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

Investments in Plastic Materials Dyeing Business

The Group holds the equity interests in three manufacturing entities that principally engaged in plastic materials dyeing in China as equity investments. For the year ended 31 December 2018, the profit margins (pre-tax) of Suzhou New Huamei Plastics Company Limited ("Suzhou New Huamei"), Danyang New Huamei Plastics Company Limited ("Danyang New Huamei") and Qingdao Zhongxin Huamei Plastics Company Limited ("Qingdao Huamei") were 3.3%, 1.6% and 3.0% (2017: 2.5%, 1.7% and 3.1%) respectively.

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

MANAGEMENT DISCUSSION AND ANALYSIS

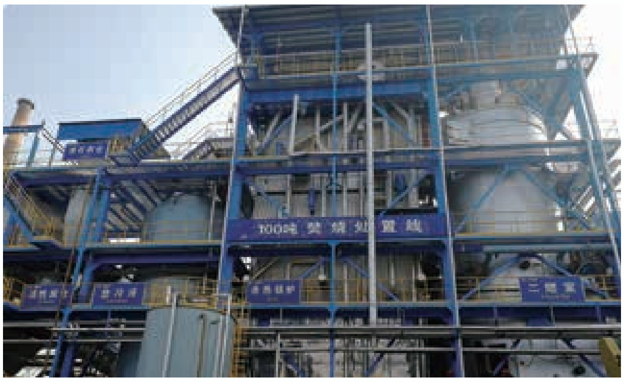
Compensation on Profit Guarantee for the Acquisition of 30% Equity Interest in NCIP

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS



Outlook

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

Summary of annual results

(Expressed in HK$'000 unless indicated otherwise)

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

Summary of interim results

(Expressed in HK$'000 unless indicated otherwise)

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

Summary of interim results

(Expressed in HK$'000 unless indicated otherwise)

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

Notes:

1. Net increase in total revenue for the year ended 31 December 2018 was mainly attributable to the net increase in total quantities of industrial hazardous waste collected for innocuity treatment and disposal after the commencement of operations of the new facilities at Suqian, Jiangsu Province in January 2018.

2. Decrease in gross profit margin of the Group for the year ended 31 December 2018 was mainly attributable to increase in direct costs for the newly built incineration facilities.

3. Net increase in other revenue for the year ended 31 December 2018 was mainly attributable to increase in dividends received from the equity investments in 2018.

4. Net decrease in other net income for the year ended 31 December 2018 was mainly attributable to decrease in net refund of China value-added tax ("VAT") paid on the environmental-related operations under tax preferential policy in China entitled by the Group in 2018.

5. Net increase in distribution and selling expenses for the year ended 31 December 2018 was mainly attributable to increase in market development expenses in 2018 for newly built facilities.

6. Net increase in administrative expenses for the year ended 31 December 2018 was mainly attributable to the increase in administrative staff costs for additional headcounts recruited by the Group in 2018.

7. Net increase in other operating expenses for the year ended 31 December 2018 was mainly attributable to increase in research and development costs of the Group in 2018.

8. Net increase in finance income for the year ended 31 December 2018 was mainly attributable to the increase in exchange gain arisen on financing activities during the year.

9. Net increase in finance costs for the year ended 31 December 2018 was mainly attributable to increase in interests on increasing bank borrowings in 2018.

10. Net decrease in profit shared from the associates for the year ended 31 December 2018 was mainly attributable to operating loss recorded by the associate located in Nanjing caused by the increased downtime for repairs and maintenance and upgrading of its phase I incineration facilities and the longer than expected time for testing and carrying out trial-runs of the newly constructed phase II incineration facilities before the new operating permission licence with enlarged capacity for phase I and phase II was granted by the Department of Ecology and Environment of Jiangsu Province in November 2018.

11. Net results of loss shared from the newly established joint venture was attributable to share of its preliminary expenses in setting up the project located in Liuzhou, Guangxi, China.

12. Net increase in income tax for the year ended 31 December 2018 was mainly attributable to increase in payment of China Corporate Income Tax ("CIT") under-provided for prior years.

13. For the year ended 31 December 2018, net decrease in profit and decrease in profit attributable to owners of the Company were mainly attributable to:

    (i) decrease in gross profits owing to increase in direct costs on operating all incineration facilities in China;

    (ii) decrease in net refund of VAT paid under tax preferential policy in China; and

    (iii) increase in under-provision of China Corporate Income Tax paid for prior years.

14. Decrease in earnings per shares ("EPS") was directly attributable to the decrease in net profit in 2018.

15. The Company uses the profit for the reporting period before deduction of interest, taxation, depreciation and amortisation ("EBITDA") to measure the operating results of the Group. Decrease in EBITDA for the year ended 31 December 2018 was mainly attributable to the decrease in net profit of the Group in 2018.

Seasonality of operations

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Capital expenditure

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

Commitments

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

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

Liquidity, financial resources and gearing

For the year ended 31 December 2018, the Group financed its operations with internally generated cash flows, banking facilities and other borrowings. The Group remained stable in its financial position with equity attributable to owners of the Company amounted to HK$906,377,000 as at 31 December 2018 (31 December 2017: HK$887,438,000) and total assets amounted to HK$1,567,975,000 as at 31 December 2018 (31 December 2017: HK$1,538,917,000).

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

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

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

Key Performance indicators

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

The Group monitors the proportion of its profits that being converted to cash flows through cash conversion rate. The cash conversion rate of the Group being the net cash generated from operating activities as a percentage of the consolidated operating profit was 157% for the year ended 31 December 2018 (2017: 166%).

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure

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

Material acquisitions and disposals of subsidiaries and affiliated companies

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

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

Significant investments held and their performance

According to the valuation report dated 22 March 2019 issued by an independent professional valuer, CBRE Limited ("CBRE") (2017: DTZ Cushman & Wakefield Limited ("DTZ")), the fair value attributable to the Group's interests in the equity investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei as at 31 December 2018 were HK$38,600,000, HK$14,900,000 and HK$38,700,000 (31 December 2017: HK$29,900,000, HK$11,540,000 and HK$38,560,000) respectively. The changes in fair value of the equity investments for the year end 31 December 2018 were recognised as other comprehensive income and accounted for in the investment revaluation reserve of the Group.

Impairment testing on goodwill

Goodwill was related to Zhenjiang New Universe Solid Waste Disposal Company Limited, Yancheng New Universe Solid Waste Disposal Company Limited, and Taizhou New Universe Solid Waste Disposal Company Limited which were acquired in 2007 and identified as a cash-generating unit. As at 31 December 2018, the assessment on the recoverable amount of this cash-generating unit, which is principally engaged in environmental waste treatment and disposal services in China, was determined with reference to the valuation report dated 22 March 2019 issued by the independent professional valuer, CBRE (2017: DTZ), based on reasonable assumptions, including but not limited to the cash flows projection covering a five-year period with an annual growth rate at 2% (2017: 2%) of that cash-generating unit of the Group and the pre-tax discount rate of 16.66% (2017: 18.48%) which reflects the risks for the industries. No impairment loss to the goodwill was considered necessary for the year end 31 December 2018 and 2017.

Impairment testing on interest in an associate, NCIP

As at 31 December 2018, the assessment on the recoverable amount of the Group's interest in NCIP, which is principally engaged in environmental waste treatment and disposal services in China was conducted with reference to the valuation report dated 22 March 2019 issued by the independent professional valuer, CBRE (2017: DTZ), based on reasonable assumptions, including but not limited to the cash flows projection of NCIP covering a five-year period with an annual growth rate at 2% (2017: 3%) of NCIP, and the pre-tax discount rate of 16.41% (2017: 19.28%) which reflects the risks for the business of NCIP. No impairment loss to the Group's interest in NCIP was considered necessary for the year end 31 December 2018 and 2017.

* *For identification purpose only*

Impairment testing on interest in a subsidiary, Yancheng NUHF

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

As at 31 December 2018, the assessment on the recoverable amount of the Group's interest in Yancheng NUHF, which is principally engaged in environmental industrial and medical waste treatment and disposal services in China, was conducted with reference to the valuation report dated 22 March 2019 issued by the independent professional valuer, CBRE, based on reasonable assumptions, including but not limited to the cash flows projection of Yancheng NUHF covering a five-year period with an annual growth rate at 2%, and the pre-tax discount rate of 15.83% which reflects the risks for the business of Yancheng NUHF. No impairment loss to the Group's interest in Yancheng NUHF was considered necessary for the year end 31 December 2018.

Charges on assets

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

Contingent liabilities

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

Employee information

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

Exposure to fluctuations in exchange rates

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

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

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

Principal risks and uncertainties

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

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

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

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

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

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

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

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

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

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

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

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

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

7. The Group faces various financial risks that have been disclosed in note 43 to the financial statements on pages 191 to 197 of this report.

5-YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**493,932**	382,423	318,616	281,363	253,511
Cost of sales	**(311,859)**	(214,778)	(173,683)	(159,740)	(139,529)
Gross profit	**182,073**	167,645	144,933	121,623	113,982
Other revenue	**4,266**	3,520	4,621	4,952	4,601
Other net income	**18,512**	28,539	13,254	9,310	27,198
Distribution and selling expenses	**(9,987)**	(4,682)	(5,745)	(7,144)	(8,799)
Administrative expenses	**(55,624)**	(50,553)	(46,684)	(41,176)	(36,726)
Other operating expenses	**(21,752)**	(20,622)	(21,335)	(16,689)	(17,058)
Gain on bargain purchase	**–**	7,200	–	–	–
Operating profit	**117,488**	131,047	89,044	70,876	83,198
Finance income	**5,152**	(184)	3,036	640	1,539
Finance costs	**(14,302)**	(9,129)	(3,962)	(2,799)	(2,817)
Finance costs, net	**(9,150)**	(9,313)	(926)	(2,159)	(1,278)
Share of results of associates, net	**2,510**	11,716	3,985	4,154	2,555
Share of results of a joint venture	**(820)**	–	–	–	–
Profit before taxation	**110,028**	133,450	92,103	72,871	84,475
Income tax	**(23,602)**	(20,916)	(5,985)	(13,459)	(12,596)
Profit for the year	**86,426**	112,534	86,118	59,412	71,879
Profit for the year attributable to:					
Owners of the Company	**74,386**	83,577	61,947	44,336	57,153
Non-controlling interests	**12,040**	28,957	24,171	15,076	14,726
	86,426	112,534	86,118	59,412	71,879
Dividend declared for the results of the year	**20,643**	19,732	18,214	14,778	14,187

5-YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**762,574**	754,897	531,379	527,884	505,640
Prepaid lease payments for land use rights	**132,402**	139,670	118,447	99,984	94,236
Goodwill	**33,000**	33,000	33,000	33,000	33,000
Interests in associates	**170,802**	183,520	18,236	15,360	16,756
Interest in a joint venture	**25,181**	–	–	–	–
Equity investments at fair value through other comprehensive income (recycling)	**–**	80,000	63,600	76,700	85,000
Equity investments at fair value through other comprehensive income (non-recycling)	**92,200**	–	–	–	–
	1,216,159	1,191,087	764,662	752,928	734,632
Current assets					
Inventories	**3,573**	2,460	1,476	1,042	1,379
Trade and bills receivables	**37,726**	69,175	58,507	46,857	45,638
Prepayments, deposits and other receivables	**16,942**	34,500	26,782	14,569	16,615
Contract assets	**1,469**	–	–	–	–
Prepaid lease payments for land use rights	**3,657**	3,811	3,084	2,599	2,711
Financial asset at fair value through profit or loss	**6,210**	–	–	–	–
Pledged bank deposits	**–**	–	9,606	5,318	10,313
Cash and cash equivalents	**282,239**	237,884	171,589	175,805	121,780
	351,816	347,830	271,044	246,190	198,436
Total assets	**1,567,975**	1,538,917	1,035,706	999,118	933,068

5-YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES (continued)

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current liabilities					
Bank borrowings	**168,809**	137,677	75,549	39,798	40,788
Other borrowing	**25,000**	–	–	–	–
Trade and bills payables	**10,254**	6,226	13,686	4,251	2,152
Accrued liabilities and other payables	**159,391**	196,967	107,687	114,972	98,050
Deposits received from customers	**–**	5,117	9,060	3,621	901
Contract liabilities	**14,033**	–	–	–	–
Considerations payable for acquisition of subsidiaries	**49,600**	35,200	–	–	–
Deferred government grants	**949**	504	452	447	455
Income tax payable	**3,428**	6,074	2,463	9,436	9,796
	431,464	387,765	208,897	172,525	152,142
Non-current liabilities					
Bank borrowings	**85,680**	45,000	2,793	7,874	1,260
Other borrowing	**–**	25,000	25,000	30,000	48,000
Considerations payable for acquisition of subsidiaries	**–**	49,600	–	–	–
Deferred government grants	**6,592**	3,637	3,454	3,790	4,671
Deferred tax liabilities	**33,710**	30,348	26,073	25,157	25,742
	125,982	153,585	57,320	66,821	79,673
Total liabilities	**557,446**	541,350	266,217	239,346	231,815
Net current (liabilities)/assets	**(79,648)**	(39,935)	62,147	73,665	46,294
Net assets	**1,010,529**	997,567	769,489	759,772	701,253
Share capital	**30,357**	30,357	29,557	29,557	27,557
Reserves	**876,020**	857,081	657,728	659,296	600,981
Equity attributable to owners of the Company	**906,377**	887,438	687,285	688,853	628,538
Non-controlling interests	**104,152**	110,129	82,204	70,919	72,715
Total equity	**1,010,529**	997,567	769,489	759,772	701,253

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

XI Yu ("Mr. XI", aged 61)

Chairman, Chief Executive Officer and Executive Director

Mr. XI was appointed as executive Director and nominated as the Chairman of the Board on 11 April 2016. He was appointed as the Chief Executive Officer of the Company on 16 October 2018. He is the chairman of the executive committee of the Board. Mr. XI is the director and legal representative of various major subsidiaries of the Group in China.

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 has been a 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 a director and shareholder personally holding 83.66% equity interests in New Universe Enterprises Limited ("NUEL"), which beneficially owns 1,071,823,656 shares of the Company, representing approximately 35.31% of the issued share capital of the Company. Mr. XI is also the director of New Universe Holdings Limited and the director of its subsidiary, China (HK) Chemical & Plastics Company Limited, which is principally engaged in trading of plastic resins.

SONG Yu Qing ("Mr. SONG", aged 70)

Executive Director

Mr. SONG was re-designated as executive Director on 12 June 2012. He is a member of the executive committee of the Board.

Before the re-designation as an executive Director, Mr. SONG was the vice-chairman of the Board and non-executive Director from 15 June 2010 to 12 June 2012. He was the Chairman of the Board from 18 August 2014 to 11 April 2016. He was the Chief Executive Officer of the Company from 12 June 2012 to 16 October 2018.

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 57)

Executive Director, 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 major 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 a director and shareholder personally holding 6.07% equity interests in NUEL. She is a director of China (HK) Chemical & Plastics Company Limited since January 1992 and a director of its holding company, New Universe Holdings Limited since July 1995.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

ZHANG Shuo ("Ms. ZHANG", aged 32)

Executive Director

Ms. ZHANG was appointed as executive Director on 26 February 2019. She is a member of the executive committee of the Board.

Ms. ZHANG obtained a Bachelor of Laws degree from the East China Normal University (華東師範大學) in China in 2009 and a Master of Laws degree from the University of Xiamen (廈門大學) in China in 2012. Ms. ZHANG is currently a senior legal counsel of CMIG Asia Asset Management Co. Ltd. (中民投亞洲資產管理有限公司) since September 2017. Ms. ZHANG worked as a legal officer in SWS MU Fund Management Co. Ltd. (申萬菱信基金管理有限公司) from September 2015 to September 2017 and practiced as a lawyer at Junhe Law Offices (君合律師事務所) in China from July 2012 to September 2015. She is currently also a non-executive director of Link Holdings Limited (stock code: 8237, a company whose shares are listed on GEM of the Stock Exchange).

LIU Yu Jie ("Ms. LIU", aged 54)

Executive Director

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 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) and an independent non-executive director of Zhongyu Gas Holdings Limited (stock code: 3633, a company whose shares are listed on the Stock Exchange.).

HON Wa Fai ("Mr. HON", aged 58)

Executive Director, Company Secretary, Financial Controller 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 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 is 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.

CHAN Yan Cheong ("Prof. CHAN", aged 65)

Independent Non-Executive Director

Prof. 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.

Prof. 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 the 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. Prof. 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 expertise includes electronic product reliability and electronic packaging, failure analysis, and reliability engineering. His current research interests include reliability of healthcare technologies and devices. Prof. 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.

YUEN Kim Hung, Michael ("Mr. YUEN", aged 57)

Independent Non-Executive Director

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 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 is currently providing accounting, secretarial and taxation services in Hong Kong. Mr. YUEN is currently also 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

HO Yau Hong, Alfred ("Mr. HO", aged 61)

Independent Non-Executive Director

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.

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 part-time professor in accounting and auditing at Algonquin College, Ottawa, Canada from September 1990 to April 1995. He was 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 tutor in taxation at the Open University of Hong Kong from 12 March 2006 to September 2007. 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. 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.

Notes:

(a) Ms. ZHANG, Prof. 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 143 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.

SENIOR MANAGEMENT

WONG Lai Wa ("Ms. Iris WONG", aged 48)

Deputy General Manager of the Company
Supervisor of Zhenjiang Sinotech Eco-electroplating Development Limited
Supervisor of Zhenjiang New Universe Solid Waste Disposal Company Limited
Supervisor of Jiangsu New Universe Environmental Engineering Management Limited
Supervisor of Jiangsu Xin Yu Environmental Technologies Company Limited

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

LIU Yuan ("Ms. LIU Yuan", aged 48)

Vice President of the Company
Director & General Manager of Zhenjiang New Universe Solid Waste Disposal Company Limited
Director of Jiangsu New Universe Environmental Engineering Management Limited
Director of Yancheng NUHF Environmental Technology Limited
Director of Xiangshui New Universe Environmental Technology Limited
General Manager of Jiangsu Xin Yu Environmental Technologies Company Limited
Chairman & Director of Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited

Ms. LIU Yuan was appointed as vice president of the Company in August 2018. She is currently the director and/or the general manager of various major subsidiaries of the Group in China. Ms. LIU Yuan was appointed finance manager of Zhenjiang New Universe Solid Waste Disposal Company Limited in April 2003 and then promoted to deputy general manager in September 2005. She was appointed as director and general manager of Zhenjiang New Universe Solid Waste Disposal Company Limited in January 2009. 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 China in May 2001.

GU Lin ("Mr. GU Lin", aged 49)

Chief Engineer of the Company
Deputy General Manager of Zhenjiang New Universe Solid Waste Disposal Company Limited
Deputy General Manager of Jiangsu Xin Yu Environmental Technologies Company Limited
Chief Engineer of Jiangsu New Universe Environmental Engineering Management Limited

Mr. GU Lin was appointed as chief engineer of the Company and deputy general manager of Jiangsu Xin Yu Environmental Technologies Company Limited* (江蘇新宇環保科技有限公司) in December 2018. Mr. GU Lin is the deputy general manager of Zhenjiang New Universe Solid Waste Disposal Company Limited since October 2007. Mr. GU Lin obtained a Bachelor of Science degree from the Jilin University, China, in chemical engineering in 1991. He was conferred the professional qualification of senior engineer (specialised in petrochemical engineering) in China in October 2012.

HE Ling Yun ("Mr. HE", aged 47)

General Manager of Jiangsu New Universe Environmental Engineering Management Limited
Director & General Manager of Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited

Mr. HE was appointed 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) in September 2015. Mr. HE was a manager in the R&D department of Zhenjiang New Universe Solid Waste Disposal Company Limited from February 2012 to September 2015. Mr. HE graduated from the Sichuan Joint University, China (now renamed as Sichuan University) in the professional study of chemical equipment and machinery in July 1996. 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 China in November 2016.

* *For identification purpose only*

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Note:

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

	2018 Number of individuals	2017 Number of individuals
Emolument bands (in HK dollar)		
Nil to HK$500,000	**–**	–
HK$500,001 to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	1
	4	5

Scope and Reporting Year

This is the fourth ESG report of New Universe Environmental Group Limited (the "Company") 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 Main Board 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 100% of the Group's consolidated revenue in 2018) in Jiangsu Province, Mainland China from 1 January 2018 to 31 December 2018, unless otherwise stated.

– Yancheng NUHF Environmental Technology Ltd, which owns hazardous waste warehouses, detoxification machineries, incinerators and landfill, 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 Specialised Zone")

– Xiangshui New Universe Environmental Technology Ltd, which owns hazardous waste warehouses, detoxification machineries and incinerators, to collect, store and handle industrial hazardous waste ("Xiangshui New Universe")

– Suqian 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 general industrial waste ("Suqian New Universe")*

* additional scope, comparing to 2017 ESG report.

Total building area for the Key Operations was 322,493 m^2 with additional 87,695m^2 as approved and regulated hazardous landfill site. A total of 69,727 tonnes of hazardous and medical waste (11% increase comparing with 2017), 640,674 m^3 of wastewater, 7,709 m^3 of sludge were handled and treated by the Key Operations during the reporting year. Overall, there was an increase in the treatment amount of hazardous waste from 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement and Materiality

Considering the potential impacts stakeholders may bring to the Group's businesses, the Company maintains close communication through various channels with key internal and external stakeholders including shareholders, employees, suppliers, business partners, government and regulators, customers and local communities, to understand their concerns and expectations, most of all, significant issues which may pose risks to the business operations. During the reporting year, the Group has specifically engaged board members, senior management, frontline staff and external consultant to gain further insights on material aspects and challenges via meetings, focus groups and questionnaires. Aspects recognized as key material issue included:

1. Water;
2. Air Emission;
3. Waste and Effluent;
4. Other Material Use (including packaging materials); and
5. Occupational Health and Safety.

The Board is committed to closely monitoring the above aspects and will continue to identify areas of improvement. The Group aims to keep close communication with its stakeholders and continues improving its ESG performance and management on ESG-related risks and strategy.

Stakeholders' Feedback

The Company welcomes stakeholders' feedback on the environmental, social and governance approach and performance of the Group. Any stakeholder could give the suggestions or share the views with the Company via email at comsec@nuigl.com or newuniverse@prchina.com.hk.

The Company's Mission and Vision on Sustainability Commitment

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 hospitals and medical establishments of different sizes situated at Zhenjiang, Yancheng in Jiangsu Province, China, and is responsible for collecting and handling infectious medical hazardous waste with a mission to protect citizens by preventing spreading infectious diseases within community.

The Group also has constructed, developed and managed the Eco-Plating Specialised Zone which consists of sewage and sludge treatment plants specialised 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.

Changes

Major changes during the reporting year included:

– Exclusion of Taizhou New Universe in reporting scope as there was only minimal operation in the reporting year and its environmental and social impacts, by comparison, were insignificant. The management of the Group is currently reviewing the operation's business strategy and is planning for its future development;

– Inclusion of Suqian New Universe in the reporting scope as its incineration facility has fully commenced operation; and

– At Xiangshui New Universe, the second phase of comprehensive incineration project has started operation, which brought in incinerator with additional waste processing capacity to treat hazardous waste.

Overall, with China's rapid digital development and innovation, Key Operations of the Group are going in the direction of intelligent control administrative system, not only it can replace paper works and time consumed for human resources and procurement processes, it also assists the overall monitoring of environmental parameters, safety alertness, job tasks allocation and streamline the management process.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental

The Key Operations of the Group have 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 (with an approved annual capacity up to 3,300 tonnes for HW01 (detoxification), 6,080 tonnes for HW01 (incineration), and up to 98,400 tonnes for other types of waste).

A1. Emissions

During the reporting period, the Group did not note any cases of material non-compliance relating to air and greenhouse gas ("GHG") emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations.

The Group adopts environmental management system and strictly complies with national and local laws and regulations related to environmental protection and pollution control, including but not limited to the followings:

- Environmental Protection Law of the People's Republic of China ("PRC")
- Air Pollution Prevention and Control Law of the PRC
- Water Pollution Prevention and Control Law of the PRC
- Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes
- Law of the PRC on Prevention and Control of Pollution by Environmental Noise

To monitor the impacts of activities on the environment and natural resources, the Key Operations of the Group regularly engages qualified professionals to conduct environmental assessment and provides monitoring reports on surface water quality, groundwater quality, drinking water quality, soil quality, waste gas emission, wastewater discharge, residue content from incineration and noise pollution to ensure compliance with standards and emission limits. No significant exceedances were reported during the reporting year.

A1.1 Air Emissions

During the reporting year, nitrogen oxides (NO_x), sulphur oxides (SO_x) and respiratory suspended particles (PM) were emitted from fuel consumption of incinerators and company vehicles. The Group will continue take steps to further decrease the dependence on fossil fuels and reduce air emissions.

Gaseous Fuel Consumption

During the reporting year, natural gas was used for operations in Key Operations of the Group for incinerators except the Eco-Plating Specialised Zone, contributing to 627 kg of NO_x emission and 3 kg of SO_x emission.

Vehicle Operation

Passenger car, light goods vehicles and other mobile machinery (such as fork lifters) using diesel and petrol were utilised during the reporting year, that resulted in 2,067 kg of NO_x emission, 8 kg of SO_x emission, 68 kg of PM emission.

A1.2 Greenhouse Gas Emissions

Scope of Greenhouse Gas Emissions	Emission Sources	Emission (in tonnes of CO_2e)	Total Emission (in percentage)
Scope 1 Direct Emission			
Combustion of fuel for stationary source	Diesel	1,675	37%
	Fuel oil	2,004	
	Natural Gas	6,158	
Combustion of fuel for mobile sources	Diesel	407	
	Petrol	1,034	
Refrigerants		62	
Scope 2 Indirect Emission			
Purchased electricity		16,908	62%
Purchased natural gas		1,934	
Scope 3 Other Indirect Emission			
Paper waste disposed at landfills		10	1%
Water consumption		339	
Business air travel		13	
Total		**30,544**	

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: Combined margin emission factor of 0.7029 tCO_2/MWh was used for purchased electricity in Mainland China.

Note 3: Emission for the combustion of natural gas, fuel oil and diesel for stationary source were calculated with emission factors from Greenhouse Gas Protocol Tool for Energy Consumption in China, provided by the Greenhouse Gas Protocol.

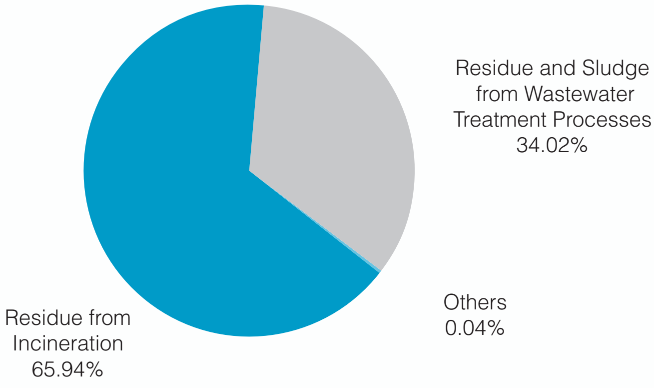
Note 4: 36 kg of R-410A were used for air-conditioning systems in Yancheng NUHF during the reporting year

Throughout the reporting year, apart from the continuous increase of scale of the Key Operations of the Group, better channel in collecting, tracing and monitoring ESG data and information has been established to monitor the total amount of GHG emission caused by the waste treatment operations. There were 30,544 tonnes tonnes of carbon dioxide equivalent (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emitted in the reporting year.

A1.3 Hazardous Waste

Hazardous waste from Key Operations of the Group included residue from incineration, residue and sludge from electroplating and on-site wastewater treatment facilities, contaminated activated carbon, waste oil and solutions, and other miscellaneous waste (contaminated solutions bottles and filters). A total amount of 27,159 tonnes of hazardous waste was generated during the reporting year.

Type of Hazardous Waste Generated



A1.4 Non-hazardous Waste

A total amount of 5,909 tonnes of non-hazardous waste was generated from operations in Yancheng NUHF, Suqian New Universe and Eco-Plating Specialised Zone. It was mainly domestic waste in nature with small amount of commercial waste from office and employee residence, as well as disinfected and shredded medical waste. In additional, a total of 2 tonnes of paper and cardboard was estimated to be disposed at landfills (under the assumption that all paper, whether being stored or purchased within the organization boundary, would eventually be disposed at landfills unless collected and recycled).

A1.5 Measures to Mitigate Emissions

During the reporting year, the increase in consumption of natural gas and fuel oil was mainly due to increasing demand and additional incinerating capacity for handling hazardous waste. Nonetheless, Key Operations of the Group have planned to adopt cleaner fuel such as natural gas to replace conventional fossil fuels for incineration processes in the future.

In terms of vehicle fuel, the Group has developed system to monitor and regulate the fuel consumption, to conduct routine maintenance on vehicles, and encourages employees to use of public transport. The Group will also consider parameters such as vehicle emission standards, fuel efficiency and cost effectiveness when the need for purchasing vehicles to replace existing ones arises.

Business Air Travel

The Group keeps tracks of employees' business travels and their relative carbon emission throughout the reporting year. Site visits were often needed due to business nature, nonetheless the Group shall encourage employees to make use of teleconferencing or videoconferencing systems to reduce carbon footprint on business air travel.

A1.6 Wastes Handling and Reduction Initiatives

Hazardous Waste

Hazardous waste generated from Key Operations of the Group were disposed at either on-site licensed hazardous waste landfill or collected by qualified waste collectors to dispose the hazardous waste to nearby designated hazardous waste landfill. Comparing to last reporting year, the Group has generated 56% more hazardous waste during the reporting year. The increase was due to several factors: greater demand from the society, increased waste treatment handling capacity and better waste record tracking system. Yet, with the Group's upgraded facilities at Xiangshui New Universe and the facilities newly put into operation at Suqian New Universe, a total of 247 tonnes of waste including residue and sludge from on-site wastewater treatment facilities, waste activated carbon, waste oil and solutions were fed back to the on-site incineration devices during the reporting year, thus such waste were diverted from landfill.

The Group continues adopting three core principles prior to hazardous waste disposal: source reduction, toxicity elimination and recycling. With strict control on waste material matching and temperature during combustion processes, the Group was also able to achieve lower generation amount of residue from incineration processes.

Non-hazardous Waste

Non-hazardous waste was mainly collected by qualified waste collectors and sent to the nearby incinerators for further handling. The amount of waste generated was similar to last reporting year. Recycling bins marked with labels and instructions are provided for effective collection of waste paper and cardboards. The Group also promotes the use of Enterprise Resource Planning (ERP) system to improve management quality and work efficiency, so that paper waste is only generated when necessary.

A2. Use of Resources

The Group has implemented policies on energy saving measures at both production and daily office operations, and monthly assessment is carried out to monitor water and electricity performance at operation sites.

A2.1 Energy Consumption

Energy Consumption Sources	Consumption (in kWh) 2018	Consumption (in kWh) 2017
Natural Gas	32,283,145	21,008,958
Fuel Oil	7,478,782	863,136
Diesel	7,742,098	9,940,496
Petrol	3,400,719	778,094
Electricity	24,056,911	41,205,471

The Group's business operations resulted in a total energy consumption of 74,961,655 kWh (2017: 73,796,155 kWh) from the use of natural gas, fuel oil, diesel, petrol and electricity, with an overall energy intensity of 1,047 kWh/tonne (2017: 723 kWh/tonne) of treated hazardous and medical waste and 3 kWh/m^2 (2017: 44 kWh/m^2) of treated wastewater.

Combustion of fuel for stationary source (natural gas, fuel oil and diesel)

3,266,836 m^3 of natural gas, 695,989 litres of fuel oil and 625,646 litres of diesel were used for expanded operations for incinerators, stabilization of incineration process and control of hazardous emission.

Combustion of fuel for mobile sources (petrol and diesel)

Passenger car, light goods vehicles and other mobile machinery (such as fork lifters) were utilised during the reporting year, contributing to a total consumption of 148,693 litres of diesel and 383,757 litres of petrol.

Purchased Electricity

Electricity consumption by the Key Operations was 24,056,911 kWh, with an energy intensity of 318 kWh/tonne (2017: 204 kWh/tonne) of treated hazardous and medical waste at Yancheng NUHF, Zhenjiang New Universe and Xiangshui New Universe and Suqian New Universe and 3 kWh/m^3 (2017: 44.09 kWh/m^3) of treated wastewater at Eco-Plating Specialised Zone.

A2.2 Water Consumption

Fresh water consumption by the Key Operations was 843,183 m^3 (2017: 1,279,352 m^3) with water intensity of 5 m^3/tonne (2017: 4 m^3/tonne) of treated hazardous and medical waste at Yancheng NUHF, Zhenjiang New Universe, Xiangshui New Universe and Suqian New Universe and 0.76 m^3/m^3 (2017: 2 m^3/m^3) of treated wastewater at Eco-Plating Specialised Zone.

A2.3 Energy Use Efficiency Initiatives

With increasing demand and additional incinerating capacity, demand for electricity has generally increased. For the Eco-Plating Specialized Zone, its energy intensity has reduced due to renovation and maintenance to upgrade facility during the reporting year. The Key Operations of 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. The Group also benefits from individual energy saving by installing frequency converters for motors at most of the equipment with rotating parts at Suqian New Universe.

When purchasing equipment for administrative offices, priority is given to those with higher energy efficiency and relatively low environmental impacts. Employees at office were advised to adjust air conditioning to optimal temperatures during summer and winter months for energy saving purposes. Petrol and diesel meeting the latest national standards are used for all Group-owned vehicles and rental vehicles at the Eco-Plating Specialised Zone.

The Group also provides sustainable commute option such as shuttle bus for employees to travel together from cities to remote plant locations, and helps reducing carbon emission and promoting sustainable commuting.

A2.4 Water Use Efficiency Initiatives

Water was mainly supplied by the private water supply companies/industrial parks where the Key Operations of the Group are situated. There was no issue in sourcing water that is fit for purpose. With increasing demand and additional incinerating capacity, demand for fresh water has generally increased from 2017. For the Eco-Plating Specialized Zone, its water intensity has reduced due to renovation and maintenance for facility upgrade.

The Key Operations has provided clear instructions on water saving practice and shall continue enforce water conservation measures in every major aspect in operations. At Xiangshui New Universe, the second phase of comprehensive hazardous waste incineration project has commissioned during the reporting year, which included facility upgrade with steam condensing system. The water collected from the system can be recycled to the boiler, which helps reducing fresh water consumption.

Wastewater Discharge

All operating plants have equipped with on-site wastewater treatment facilities to carry out pre-treatment prior to discharge to wastewater treatment plant within the industrial park or close proximity (except for Eco-Plating Specialised Zone which has its own wastewater treatment plant and has commenced facility upgrade to discharge treated water aiming to meet national standard, Emission Standard of Pollutants for Electroplating (GB21900-2008) Table 3 standard). No significant exceedances were reported during the reporting year.

For the wastewater treatment plant facility at Eco-Plating Specialised Zone, regular technical improvement works are provided in order to maintain a stable and effective capacity to serve the growing demand from clients within the zone. In addition to the existing technologies on real-time monitoring of wastewater discharges and effective removal of chemical oxygen demand (COD) and heavy metals, the Group was about to start the second phase of electroplating wastewater treatment upgrade during the reporting year. However, new changes from the government on the requirements of electroplating wastewater discharge standards has led to retendering of such upgrade, hence construction progress has been delayed and is expected to commission around second quarter of next reporting year.

A2.5 Packaging Material

During the reporting year, 25 tonnes of packaging materials were used for transferring waste from customers to the Group's operating plants and for storing treated residue (fly ash and slag) before sending off to hazardous waste landfill. They were mainly metal drums and bags made of polypropylene, polyethylene, tetrafluoroethylen, polyvinyl chloride with some recycled contents, which were provided by suppliers. According to the Key Operations' standard procedure, contaminated packaging materials are disinfected, incinerated or deposited at designated hazardous waste landfill depending on the waste content. Non-contaminated ones will be reused internally as much as possible.

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

With the business nature, the Group vigorously assisted the government and the surrounding communities to handle and treat hazardous waste in a responsible way, hence the associated environmental impacts can be significantly reduced. In order to minimise the Key Operations' impacts to the environment and natural resources, annual environmental management objectives and targets are set in accordance with the latest environmental laws and regulations, as well as the implementation of management systems on personnel responsibility on pollution prevention and monitoring system on material environmental factors and activities.

The Group will continue invest on better incinerating technology with higher standards and capacity to meet future demand. The Group will also strengthen the control measures on air emissions from incineration and detoxication processes, to meet more stringent pollutant emission standards and further minimize environmental impacts by its Key Operations. At Xiangshui New Universe, the second phase of comprehensive hazardous waste incineration project has commissioned during the reporting year, and the design and construction of the project's third phase will begin in the next reporting year.

B. Social

1. Employment and Labour Practices

B1. Employment

The Group did not note any cases of material non-compliance in relation to employment during the reporting period, and strictly complies with national and local laws and regulations, including but not limited to the followings:

– Labour Law of the PRC

– Labour Contract Law of the PRC

– Employment Promotion Law of the PRC

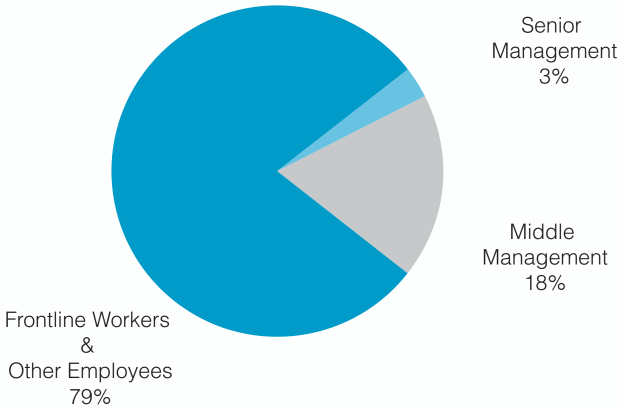
– Social Insurance Law of the PRC

– Law of the PRC on the Prevention and Control of Occupational Diseases

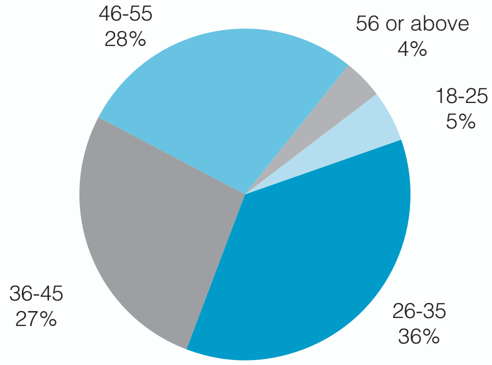
The Key Operations of the Group had a total number of 543 (2017:407) employees as of 31 December 2018, in which all employees were from various provinces in the PRC. 99% of them was full-time employees and 1% of them on part-time basis. The increase in workforce, comparing to 2017, was mainly due to additional inclusion of Suqian New Universe in the reporting scope and increased production capacity at Xiangshui New Universe.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

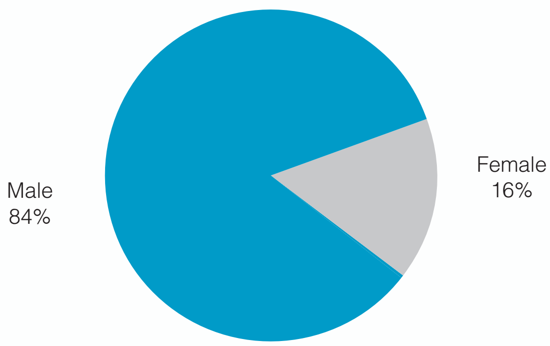
Workforce by Employment Type



Workforce by Age Group



Workforce by Gender



During reporting year, there was no major changes in management measures relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity and anti-discrimination for all Key Operations. With the growing demand from clients and the municipal government, the Key Operations have adopted mobile application and other intelligent control administrative system to encourage better utilization of information technology in human resources management.

Competitive Compensation and Benefits Package

Employees of the Key Operations 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 compensation 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 review on work capability, attitude, and quality of work on a point scoring system. Employees are encouraged to discuss their goals regarding 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

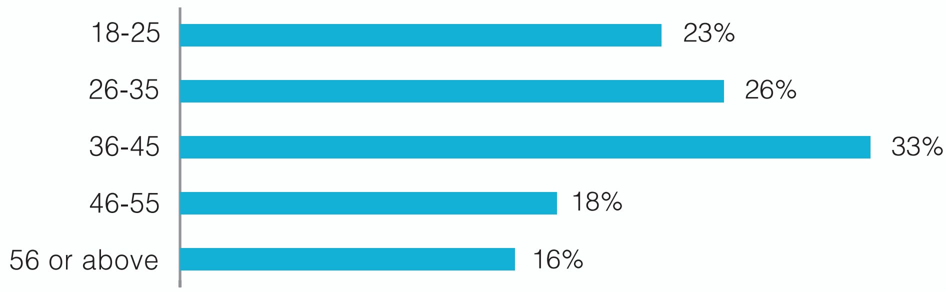
The Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, termination, compensation and benefits. Recruitment channel by the Key Operations includes recruitment webpage, staff referral, platform on Department of Human Resources and Social Security. 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. Grievance procedures are developed to ensure transparency and fairness at workplace.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Turnover

During the reporting year, the overall annual turnover rate is 25% with 101 employees left the Key Operations of the Group. Turnover rate was higher comparing to last reporting year due to various reasons such as internal transfer, adjustment in staffing, adaption to work environment, workforce aging, etc. All of them were from the PRC. For staff retention, the Group will review existing practice and strategies on staff salary and welfare, health and safety protection, internal engagement and caring activities. The annual turnover rate (categorized by age group and gender) in the reporting year are as follows:

ANNUAL TURNOVER RATE BY AGE GROUP



ANNUAL TURNOVER RATE BY GENDER

B2. Employee Health and Safety

During the reporting year, there was no major changes in policies related to providing safe working environment and protecting employees from occupational hazards and did not note any cases of material non-compliance in relation to health and safety laws and regulations. The Group strictly complies with national and local laws and regulations, including but not limited to the followings:

– Law of the PRC on the Prevention and Control of Occupational Diseases

– Production Safety Law of the PRC

– Emergency Response Law of the PRC

Group's Health and Safety Policy

Key Operations of the Group commit to:

- Establish health and safety management system and operational procedures according to law, regulations, guidelines, standard document as promulgated

- 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 signs and labelling related to health and safety are clearly visible at working areas

- 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.

Emergency Contingency Plans

For all Key Operations, emergency contingency plans have been developed and reviewed annually in response to service disruptions due to natural disasters or equipment failure and drills are carried out on annual basis to ensure staff to stay alert with working environment and its potential hazards.

Fire distinguishing installation at the chemical receipt pit at Zhenjiang New Universe has been upgraded during the reporting year, in which emergency button has been placed on site and at control centre. Carbon dioxide and foam will be released immediately shall the button is pressed.

Providing a Safe and Hygienic Working Environment

Key Operations receive and handle various type of hazardous, infectious and toxic waste on daily basis. According to standard procedures, different type of waste must be labelled properly, and they must be transferred, handled and stored separately from the loading areas at client's sites to off-loading areas at treatment facilities. Once waste is received at the facilities, they are processed immediately on the same day. Long term storage of contaminated waste is prohibited. Also, it is in daily work procedure that regular disinfection of facilities handling hazardous waste must be carried out to ensure the overall hygiene of working environment. For facilities with comparatively higher concentration of indoor pollutants, work duration of employees in those areas will be reduced.

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. The assessment results on occupational health and safety meet the standards of permissible level per GBZ 2.1-2007 and GBZ 2.2-2007.

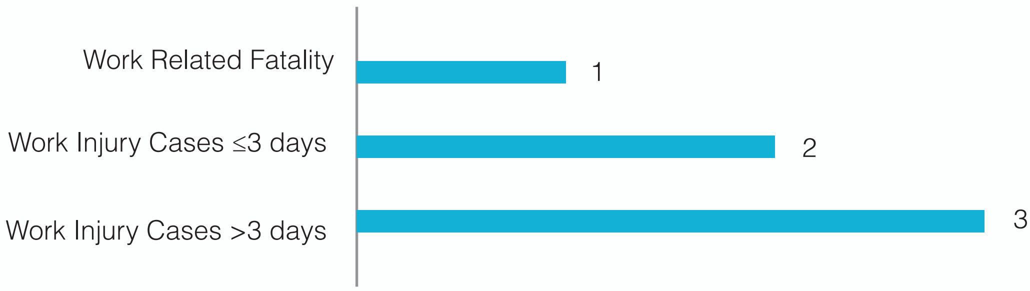
Work-related Fatality and Injury

One work-related fatality, with 1 employee deceased and 1 employee injured, was recorded in Xiangshui New Universe during the reporting year. It was due to an accidental drop of accumulated slag with high temperature to the cooling water tank, and the deceased was exposed to the sudden explosion of steam. Immediately after the accident, the concerned device was shut down and cooled down, so that investigation can be carried out promptly. It was found that there was malfunction of the slag discharge device and misjudgement from operating employees. Review meetings were organized to discuss accident prevention and rectification measures. More inspection and training were provided to reinforce employees' safety awareness and the ability to deal with emergencies.

222 working days were lost due to self-reported work injury cases at the Key Operations (see graph below), and the concerned employees were provided with immediate medical attention.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

NUMBER OF WORK-RELATED FATALITY AND WORK INJURY CASES



B3. Development and Training

During the reporting year, there was no major changes in management measures on improving employee's knowledge and skills for discharging duties at work. The Group offers training opportunities to all employees and sets annual training plan on environmental aspects and monthly training plan on safety. Top management of the Group regularly reviews training needs based on three aspects:

– Industry-related – how the Group's operations fit into the environmental industry and market trend

– Job-related – professional and operational skills required to foster an error-free operating environment at incineration and de-toxification processes

– Task-related – other knowledge and skills for adding business value or to streamline workflow

In addition to compulsory induction training, internal trainings for employees generally fall in the following categories: work safety, fire safety, occupational health, environmental protection, use of equipment, waste management, 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 incinerator operation, welder certification, electrician permit, on-site health and safety certification.

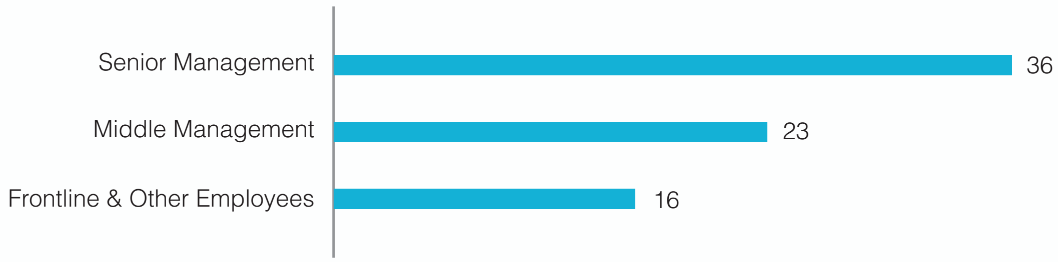
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting year, more training sessions have been conducted with the consideration of the inclusion of employees from different job positions and various levels of management. Comparing to last year in which the average percentage of employees trained by employee category was 69%, it has significantly increased to 94% in this reporting year.

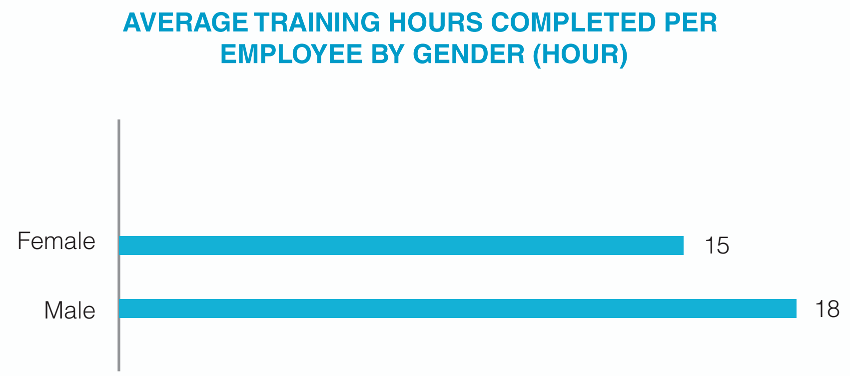
PERCENTAGE OF EMPLOYEES TRAINED BY EMPLOYEE CATEGORY

PERCENTAGE OF EMPLOYEES TRAINED BY GENDER

AVERAGE TRAINING HOURS COMPLETED PER EMPLOYEE BY EMPLOYEE CATEGORY (HOUR)



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



B4. Labour Standards

During the reporting year, there was no major changes in management measures and the Group did not note any cases of material non-compliance relating to preventing child and forced labour. The Group's Key Operations follow the Labour Law of the PRC, the Labour Contract Law of the PRC and other related national laws of the PRC 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. Background check on identity verification is conducted to ensure no child labour. The Group embeds the principles of voluntarily commitment and equal treatment at workplace. Job candidates are well-informed of the job nature, working environment, work intensity and potential occupational hazards, and on certain occasions, they are invited to do a site visit prior starting their jobs, thus forced labour is prevented and strictly prohibited. In case of any violation of labour standards, the Group shall strictly follow the administrative punishment measures as stated in the Group's employee handbook and corporate's procedures to carry out corresponding penalties.

2. Operating Practices

B5. Supply Chain Management

During reporting year, there was no major changes in policies on managing environmental and social risks of the supply chain. The Group's Key Operations have engaged 286 suppliers for packaging, raw materials for operation processes, printing suppliers, engineering related equipment supplies, hospitality and office supplies, general equipment supplies, spare parts supplies and wastewater treatment solutions are all from Mainland China.

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.

As always, quality, price and liability are the top screening criteria for selecting qualified suppliers. The Group's Key Operations will continue improving the procurement procedure and strengthening on-site inspection upon receipt of procured goods. 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.

Furthermore, the Group's Key Operations have established various management procedures and standards to manage and monitor the supplier's environmental performance, such as standards on packaging materials for hazardous and medical waste, standards on wastes entering the operations, and requirements on suppliers to perform in accordance with national environmental laws.

B6. Service Responsibility

During the reporting year, there is no major changes in management measures and the Group did not note any cases of material non-compliance regarding service responsibility as required by related laws and regulations. For business operations in Yancheng NUHF, Zhenjiang New Universe, Xiangshui New Universe and Suqian New Universe, the Group have received no product or service-related complaints. For business operation in Eco-Plating Specialised Zone, 126 (2017: 111) service-related complaints have been received in 2018, and all complaints have been followed up and resolved. In order to manage the industrial park customer service in systematic way, the Eco-plating Specialised Zone has established complaint hotline and handling procedure to effectively handle any enterprises' concerns or problems in a timely manner. Responsible parties shall be identified and notified within 1 hour of complaint received, and the status or the result of the case shall be reported back to complainant within 24 hours of complaint received. 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.

Intellectual Property

The Group invests in technology advancement and introduces more efficient service with better performance in the hazardous waste treatment industry. Correspondingly, the Group pays great attention to protect its intellectual property (IP) rights, and have established a confidentiality system for all employees and non-disclosure agreement with business partners to protect IP rights, confidential information and trade secrets that are related to business development and interests. During the reporting year, the Group has applied 37 utility model patents and 3 invention patents.

B7. Anti-corruption

During reporting year, there was no major changes in policies relating to bribery, extortion, fraud and money laundering and there were no concluded legal cases regarding corrupt practices. 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.

B8. Community Investment

During reporting year, there was no major changes in management measures on community engagement to understand the needs of the communities where the Key Operations operate and to ensure their activities take into consideration the communities' interests. Due to the business nature, the Key Operations of the Group are required to maintain specified distance from residential areas, thus they are generally located remotely from local communities.

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 developing policies related to interaction and integration with the communities and customers it serves.

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.

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.

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" together with its subsidiaries collectively referred to as the "Group") and the management are committed to upholding good corporate governance practices and business ethics. The Company believes that maintenance of high standard of business ethics and good corporate governance is essential for effective management, healthy business growth and fostering a contemporary corporate culture, which drives the Group to growing sustainably and safeguarding the interests of the shareholders of the Company (the "Shareholder(s)").

CORPORATE GOVERNANCE CODE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible to determine the appropriate corporate governance practices applicable to the Company's operations and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance policies applicable to employees and Directors of the Company;

5. to monitor and mitigate any adverse impact arisen from any deviation from the CG Code to the Company s policies and practices on corporate governance; and

6. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPOSITION OF THE BOARD

As at the date of this report, the Board currently comprises nine members, consisting of six executive Directors and three independent non-executive Directors as follows:

Executive Directors

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

Independent non-executive Directors

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

Note: Ms. ZHANG Shuo was appointed as executive Director on 26 February 2019 and the resignation of Ms. ZHANG Ying as executive Director was effective on the same date.

Biographical details of the Directors of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 23 to 28 of this annual report.

CORPORATE GOVERNANCE REPORT

ROLE AND FUNCTION OF THE BOARD

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for the day-to-day management and operations of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the executive committee (the "Executive Committee") (collectively referred to as the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

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 2018:

	Number of meetings attended/held			
Board member	**Regular Board meeting**	**Non-regular Board meeting**	**Directors' meeting pursuant to CG Code A.2.7**	**Annual general meeting**
Executive director				
Mr. XI Yu	**4/4**	**4/4**	**1/1**	**1/1**
Mr. SONG Yu Qing	**3/4**	**4/4**	**–**	**0/1**
Ms. CHEUNG Siu Ling	**4/4**	**4/4**	**–**	**1/1**
Ms. LIU Yu Jie	**3/4**	**4/4**	**–**	**0/1**
Mr. HON Wa Fai	**4/4**	**4/4**	**–**	**1/1**
Ms. ZHANG Ying *(note)*	**3/4**	**4/4**	**–**	**0/1**
Independent non-executive director				
Prof. CHAN Yan Cheong	**4/4**	**4/4**	**1/1**	**1/1**
Mr. YUEN Kim Hung, Michael	**4/4**	**4/4**	**1/1**	**1/1**
Mr. HO Yau Hong, Alfred	**4/4**	**4/4**	**1/1**	**1/1**

Note: Ms. ZHANG Ying resigned as executive Director on 26 February 2019.

Board meetings and procedures

The Board conducts regular 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 is primarily responsible for drawing up and approving the agenda for each Board meeting. He takes into account, where appropriate, any matter proposed by the other Directors for inclusion in the agenda for regular Board meetings. The Chairman delegates this responsibility to the company secretary of the Company appointed under Rule 3.28 of the Main Board Listing Rules ("Company Secretary").

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 Board meeting with all Directors be present in person 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 Main Board 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 among Board members

Each of Mr. XI Yu and Ms. CHEUNG Siu Ling is a director and shareholder of the Company's substantial shareholder, New Universe Enterprises Limited ("NUEL"), which currently holds approximately 35.31% of the issued share capital of the Company.

Mr. XI Yu and Ms. CHEUNG Siu Ling are directors of Sun Ngai International Investment Limited ("Sun Ngai"), which is the landlord of the office premises leased by the Group as head office in Hong Kong for the year ended 31 December 2018.

Mr. XI Yu and Ms. CHEUNG Siu Ling 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 and Ms. CHEUNG Siu Ling 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.

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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and the CEO of the Company should be carried out by different individuals that have been clearly defined.

Mr. SONG resigned as the CEO of the Company with effect from 16 October 2018 and continues to hold the position of the executive Director of the Company. Mr. XI was appointed as the CEO of the Company with effect from 16 October 2018 at the same time.

After Mr. XI became the CEO of the Company on 16 October 2018, Mr. XI performs both of the roles as the Chairman and the CEO of the Company. This deviates from code provision A.2.1 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules, which requires that the roles of Chairman and the CEO of the Company should be separated and should not be performed by the same individual. After evaluation of the current situation of the Group and taking into account of the experience and past performance of Mr. XI, the Board is of the opinion that it is appropriate and in the best interest of the Company at the present stage to vest the roles of the Chairman and the CEO of the Company on the same person as it helps to facilitate the execution of the Group's business strategies and maximizes the effectiveness of its operations.

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

Mr. XI Yu is the Chairman of the Company since 11 April 2016. The Chairman provides leadership and strategic direction for the Board. The Chairman ensures that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner.

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 2018, the Chairman has held a meeting once with the 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 appropriate steps are taken to provide effective communication with the 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.

Mr. SONG was the CEO of the Company from 12 June 2012 to 16 October 2018. After the resignation of Mr. SONG with effective from 16 October 2018, Mr. XI assumed the role of CEO. The CEO is responsible for strategic planning and implementation, sourcing, meeting with potential business partners, exploring for business opportunities for the Group, client development, recruiting senior management, staff development, collaboration across the affiliated company network, enhancing best practices, and timely reporting to the Board regarding the Group's overall progress.

INDEPENDENT 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 2018, two of the independent non-executive Directors of the Company have the appropriate professional qualifications of accounting or related financial management expertise.

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.

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

Based on the annual written confirmation given by each of Prof. 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 Prof. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is independent.

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 2019. Prof CHAN Yan Cheong has signed the renewed letters of appointment for tenure of twenty four months commencing on 1 April 2019.

Prof. 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 Prof. 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 annual general meeting of the Company.

The letters of appointment signed by each of the independent non-executive Directors with the Company are 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.

In order to achieve a diversity of perspectives among members of the Board, it is the policy of the Company to consider a wide range of criteria when deciding on appointments to the Board and the continuation of those appointments. The Board considers gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service to be relevant to the Company's business. Prof. Chan Yan Cheong is a Chartered Electrical Engineer. Both Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred are accountants. Mr. HO Yau Hong, Alfred is also a fellow of the Taxation Institution of Hong Kong. Each of Prof. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred brings to the Board via their professional qualifications and experiences expertise in financial matters and other technical skill set. The professional qualification, skills, knowledge, experience as well as length of service of each of Prof. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred provides the Board with a range of perspectives, insights and challenge that enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of the Group, and support succession planning and development of the Board.

RESPONSIBILITIES OF DIRECTORS

Every Director knows his/her responsibilities as a Director of the Company and its conduct, business activities and development. Independent non-executive Directors have the same duties of care and skill and fiduciary duties as executive Directors 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, semi-annual and quarterly 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.

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
Mr. XI Yu	Chairman, CEO and executive Director	– Leading the Board – Developing vision and strategies of the Group – Developing long term mission of the Group – Ensuring good corporate governance functions and practices – Formulating strategic planning and direction – Developing corporate goals, targets and objectives of the Group – Investors relations
Mr. SONG Yu Qing	Executive Director	– Advising on strategic direction and development of the Group
Ms. 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
Ms. ZHANG Ying *(note)*	Executive Director	– Advising on corporate finance of the Company – Advising on investment opportunities for the Group
Ms. LIU Yu Jie	Executive Director	– Advising on corporate finance of the Company – Advising on investment opportunities for the Group
Mr. HON Wa Fai	Executive Director, financial controller, and Company Secretary	– Overseeing financial control, accounting, treasury, and compliance functions of the Company – Formulating merger and acquisition exercises – Investors relations

Note: Ms. ZHANG Ying resigned on 26 February 2019, and her function was taken up by the newly appointed executive director, Ms. ZHANG Shuo at the same time.

Independent non-executive Directors

Name	Independence	Current Function/Experience
Prof. 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, performances, 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
Mr. 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, performances, accountancy, taxation, 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
Mr. 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, performances, accountancy, taxation, 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

CORPORATE GOVERNANCE REPORT

Continuing Professional Development of Directors

All Directors are aware of their responsibilities to the shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group.

Every newly appointed Director shall receive a formal, comprehensive and tailored induction to ensure that he or she has a proper understanding of the business and operations of the Group and that he or she is fully aware of his or her duties and responsibilities as a director under applicable statutory and regulatory rules and requirements.

All Directors are provided with regular updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

The Company encourages the Directors and senior executives to enroll professional development courses and seminars relating to the Main Board Listing Rules, companies ordinance/act, corporate governance practices and other laws and regulations organised by professional bodies or in-house trainings provided by the Company so that they can continuously update and further improve their relevant knowledge and skills.

According to the records maintained by the Company, each of the Directors has received continuing professional development for the year ended 31 December 2018 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	✓	✓	–	–
Ms. ZHANG Ying	✓	✓	–	–
Ms. LIU Yu Jie	✓	–	–	–
Mr. HON Wa Fai	✓	✓	✓	✓
Independent non-executive director				
Prof. CHAN Yan Cheong	✓	✓	–	–
Mr. YUEN Kim Hung, Michael	✓	✓	✓	✓
Mr. HO Yau Hong, Alfred	✓	✓	✓	✓

Board Diversity Policy

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Company has adopted a written board diversity policy and made necessary revision according to the CG Code 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.

During the year ended 31 December 2018 and up to the date of this report, the Nomination Committee of the Company has reviewed and assessed the composition of the Board and made recommendations to the Board on change of CEO, change of board member, and re-election of Directors of the Company having regard to the merit of candidates in accordance with the policy.

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

Disclosure Policy

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 ("SFO") 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 SFO).

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.

BOARD COMMITTEES

The Company established four Board Committees. The table below provides membership information of these committees on which each Board member served for the year ended 31 December 2018 as follows:

	Audit Committee	**Nomination Committee**	**Remuneration Committee**	**Executive Committee**
XI Yu				C
SONG Yu Qing				M
CHEUNG Siu Ling				M
ZHANG Ying				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

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference adopted in alignment with the Rule 3.21 of Main Board Listing Rules and the paragraph C.3 of CG Code. The Audit Committee is to serve as a focal point for communication among other Directors, the external auditor, and the management in relation to functions of financial and other reporting, statutory audits, risk management and internal control systems; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal control systems and as to the efficiency of independent audits of the Company.

Composition of Audit Committee

Prof. 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 ended 31 December 2018:

Committee member	**Number of meetings attended/held**
Prof. CHAN Yan Cheong *(chairman of committee)*	4/4
Mr. YUEN Kim Hung, Michael	4/4
Mr. HO Yau Hong, Alfred	4/4

A summary of principal works and duties performed by the Audit Committee during the year ended 31 December 2018, amongst others, is set out as follows:

(i) reviewed the annual report for the year ended 31 December 2017;

(ii) discussed and reviewed the interim results for 6 months ended 30 June 2018 as reviewed by the independent accountants, Crowe (HK) CPA Limited;

(iii) reviewed the quarterly unaudited results for 3 months ended 31 March and 9 months ended 30 September 2018 respectively;

(iv) reviewed semi-annually the independent valuation reports prepared by the independent professional valuers engaged by the Company in relation to the fair value of the equity investments, impairment testing on goodwill arisen on the environmental operations of the Group acquired in 2007 and the fair value of the 30% equity investment of an associate acquired in 2017;

(v) site-visited the key operations and facilities of the Group in China; and

(vi) reviewed the risk management and internal control systems by referring to the reports prepared by independent professional advisers engaged by the Company to review and report on the risk management and internal control systems of the Group.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the CG Code.

Composition of Remuneration Committee

Mr. HO Yau Hong, Alfred *(committee chairman)*
Prof. 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 ended 31 December 2018:

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

A summary of principal works and duties performed by the Remuneration Committee during the year ended 31 December 2018, amongst others, is set out as follows:

(i) reviewed and made recommendation to the Board on the remuneration of executive Directors and senior management for the years ended 31 December 2017 and 2018;

(ii) reviewed and advised on the compensation of new CEO appointed to the Board in 2018; and

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

NOMINATION COMMITTEE

The Company has established Nomination Committee with written terms of reference adopted in compliance with paragraph A.5 of the CG Code.

The Nomination Committee assists the Board in making recommendations to the Board on the appointment of directors and succession planning for directors. The Nomination Policy provides the key selection criteria and principles of the Nomination Committee in making any such recommendations.

Selection Criteria

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

- Reputation for integrity;
- Relevant skills and experience in the environmental protection industry and other relevant sectors;

- Commitment in respect of sufficient time, interest and attention to the Company's business;

- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge;

- Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive director; and

- Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Company's Articles of Association and other applicable rules and regulations.

Nomination Procedures

The Secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration.

In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.

In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

The Nomination Committee shall refer to the "Procedures for shareholders to propose candidates for election as Directors" of the Company in relation to the nomination of any Shareholder of any proposed candidate for election as a Director.

The Nomination Committee shall review and monitor the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board on an annual basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Board shall have the final decision on all matters relating to recommendation of candidates to stand for election at a general meeting.

Review of the Nomination Policy

The Nomination Committee will review the Nomination Policy periodically in line with the Company's strategy and recommend any proposed changes to the Board for approval.

Composition of Nomination Committee

Mr. YUEN Kim Hung, Michael *(committee chairman)*
Prof. 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 ended 31 December 2018:

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

A summary of principal works and duties performed by the Nomination Committee during the year ended 31 December 2018, amongst others, is set out as follows:

(i) reviewed the composition of the Board;

(ii) reviewed and advised on the change of the CEO of the Company in 2018;

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

(iv) reviewed and suggested for the revision of the Board Diversity Policy of the Company; and

(v) discussed, reviewed and made recommendations pursuant to the Board Diversity Policy of the Company.

EXECUTIVE COMMITTEE

The Company has established Executive Committee with written terms of reference, pursuant to which the Board delegates its powers and authorities to the committee(s) and management 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
Ms. ZHANG Ying *(resigned on 26 February 2019)*
Ms. LIU Yu Jie
Mr. HON Wa Fai

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)*	2/2
Mr. SONG Yu Qing	–
Ms. CHEUNG Siu Ling	4/4
Ms. ZHANG Ying	–
Ms. LIU Yu Jie	–
Mr. HON Wa Fai	4/4

For the year ended 31 December 2018, the principal works and duties performed by the Executive Committee were mainly for the consideration and approval of authorised transactions within the terms of reference of the committee, and the execution of resolutions and directions of the Board. The Executive Committee took the following role and function of which the decisions made have been reviewed, confirmed and adopted by the Board:

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

(c) ensure all the relevant management personnel of the Group and the Company Secretary of the Company would 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.

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 is obliged to supply the Board and 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 the 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 2018 and 2017, the remuneration paid/payable to the independent auditor of the Company in respect of their audit and non-audit services was as follows:

	2018 **HK$'000**	2017 HK$'000
Audit services	**1,230**	1,130
Non-audit services	**170**	170

ACCOUNTABILITY AND AUDIT

The Audit Committee has reviewed with the Board on the Company's financial statements for the year ended 31 December 2018. The Directors acknowledge their responsibility of 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 (HK) CPA Limited (formerly known as 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 2018.

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

During the year ended 31 December 2018, the Group has complied with the principle C.2 of the CG Code by establishing appropriate and effective systems of risk management and internal control systems of the Group. 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 each subsidiary of the Group, maintains, monitors and implements the risk management and internal control systems on an ongoing basis.

The Group adopts a risk management system which manages the risk associated with its business and operations comprised of the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

The Company has in place an internal control system with a framework enabling the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations comprised of the following components:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosure, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

The risk management and 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.

Notwithstanding the Company has not established its own internal audit function, the Company has established a project controlling team nominated by the Board comprising the deputy general manager and vice-president of the Company, the project assistants, and the supervisors nominated by the Company to take up the responsibilities of monitoring the day-to-day operational 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 and control process, identifying any risk 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.

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 an ongoing basis. For the years ended 31 December 2017 and 2018, 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 for internal controls, to carry out independent review on the risk management and internal control systems of the key operations of the Group and the corporate governance functions of the Company. 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 function and internal control system.

For the year ended 31 December 2018, based on the review of the effectiveness of the risk management and internal control systems being conducted, the Board considered the risk management and internal control systems of the Company 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 review covered the adequacy of resources, qualification/experience of staff of the Group's accounting and financial reporting function, and their training and budget.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of and the Main Board Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements is not false or misleading as to a material fact, nor false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

Mr. HON Wa Fai is the Company Secretary appointed by the Board, who is also an executive Director and the financial controller of the Company. He is 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 2018.

DIVIDEND POLICY

Pursuant to code provision E.1.5 of the CG Code, the Company should have a policy on payment of dividends. During the year ended 31 December 2018, the Board recommended the payment of final dividend only when the annual results of the Company, as confirmed by the independent auditor, were approved by the Board and the recommendation of dividend would be subject to the approval of the Shareholders of the Company.

The Board has adopted a dividend policy (the "Dividend Policy") in considering the payment of dividends, which is to allow Shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Company's future growth. The Board shall consider the following factors before declaring or recommending dividends:

- the Company's actual and expected financial performance;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity and debt gearing position, and the relevant financial covenants;
- the retained earnings and distributable reserves of the Company and each of the member companies of the Group;
- general economic conditions, business cycle of the Group's operation and other internal or external factors that may have an impact on the business, financial performance and position of the Company; and
- other factors that the Board deems relevant and appropriate.

Any distribution of dividends shall be in accordance with the Articles of Association of the Company and the distribution shall achieve continuity, stability and sustainability. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

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 auditor's 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 at www.nuigl.com 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.

Procedures for nominating a person for election as a director in general meeting

The Company has 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 in general meeting.

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 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	:	Room 2109, 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 has 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, 22 March 2019

REPORT OF THE DIRECTORS

The directors ("Directors") of New Universe Environmental Group Limited ("Company") are pleased to present their report together with the audited consolidated financial statements for the year ended 31 December 2018.

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 treatment and disposal services for industrial and medical wastes;

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

(c) investments in plastic materials dyeing business.

BUSINESS REVIEW

A business and financial review of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018 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 section headed "Management Discussion and Analysis" on pages 4 to 19 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The "Environmental, Social and Governance Report" of the Company for the year ended 31 December 2018 is set out on pages 29 to 49 of this annual report.

For the year ended 31 December 2018, the Group's key business operations make continuous effort and investment on managing and monitoring environmental parameters, to equip the existing facilities on meeting regulatory environmental requirements and national standards, as well as current and future demand for handling hazardous and medical waste. No significant environmental exceedances were recorded and there was no material non-compliance in relation to environmental, social or governance aspects. Engagement with stakeholders has resulted in raised concerns on key material issues, which include: Water, Air Emission, Waste and Effluent, Other Material Use (including packaging materials) and Occupational Health and Safety. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders for advancing ESG management.

The Company has engaged with an independent consultant firm, Ascent Partners Advisory Service Limited, to review the Company's overall performance in the environmental, social and governance of the key business operations of the Group for the preparation of the Environmental, Social and Governance Report of the Company for the years ended 31 December 2018 and 2017 with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Main Board Listing Rules.

CORPORATE GOVERNANCE

Information on the principal corporate practices of the Company for the year ended 31 December 2018 and significant subsequent events, if any, up to the date of this report is set out in the section headed "Corporate Governance Report" on pages 50 to 73 of this annual report.

RESULTS AND FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2018 and the state of the Group's affairs as at that date are set out in the financial statements on pages 95 to 200 of this annual report.

DIVIDENDS AND APPROPRIATIONS

The dividend of HK$0.0065 per share totally amounted to approximately HK$19,732,000 paid on 31 July 2018 was made in respect of the year ended 31 December 2017.

On 22 March 2019, the Directors recommended the payment of a final dividend of HK$0.0068 per share in respect of the year ended 31 December 2018 amounting to approximately HK$20,643,000 which is subject to approval of the shareholders at the forthcoming annual general meeting:

Annual general meeting date	:	Friday, 24 May 2019
Book close date for final dividend	:	Tuesday, 25 June 2019 to Friday, 28 June 2019
Record date for final dividend	:	Friday, 28 June 2019
Final dividend payment date	:	Wednesday, 31 July 2019

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years ended 31 December 2018, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 20 to 22 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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 34 to the financial statements.

REPORT OF THE DIRECTORS

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

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

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.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 99 of this annual report.

Details of the movement in the reserves of the Company during the year are set out in note 35 to the financial statements.

At 31 December 2018, the distributable reserves of the Company amounted to HK$594,098,000 (2017: HK$568,824,000) 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.

BORROWINGS

Particulars of bank and other borrowings of the Group and the Company as at 31 December 2018 are set out in notes 26 and 33 to the financial statements.

INTEREST CAPITALISED

The Group did not capitalise any interest during the year (2017: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

Information on the Group's sales and purchases attributable to the major customers and suppliers during the year is set out as follows:

	Percentage of the Group's total			
	Sales		**Purchases**	
	2018	2017	**2018**	2017
The largest customer	**4.0%**	4.1%		
Five largest customers in aggregate	**15.1%**	18.3%		
The largest supplier			**17.2%**	12.0%
Five largest suppliers in aggregate			**39.8%**	40.6%

At no time during the years ended 31 December 2018 and 2017 did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

At no time during the years ended 31 December 2018 and 2017 have the Directors, their respective close 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 as follows:

Executive Directors:

Mr. XI Yu
Mr. SONG Yu Qing
Ms. CHEUNG Siu Ling
Ms. ZHANG Shuo (appointed on 26 February 2019)
Ms. LIU Yu Jie
Mr. HON Wa Fai
Ms. ZHANG Ying (resigned on 26 February 2019)

Independent Non-Executive Directors:

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

In accordance with Article 83 of the Company's Articles of Association, Ms. ZHANG Shuo, an executive Director who was appointed as a Director on 26 February 2019 shall retire at the forthcoming annual general meeting and, being eligible, offer herself for re-election.

In accordance with Article 84 of the Company's Articles of Association, Prof. 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.

REPORT OF THE DIRECTORS

DIRECTORS OF THE SUBSIDIARIES

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

Name of subsidiary	**Director(s) of the subsidiary**					
Ever Champ (China) Limited	A	B				
Fair International Investment Enterprise Limited	A	B				
Fair Industry Waste Recyclables Limited	A	B				
Fair Time International Limited	A	B				
Jiangsu New Universe Environmental Engineering Management Limited* (江蘇宇新環保工程管理有限公司)	C					
Jiangsu Xin Yu Environmental Technologies Limited* (江蘇新宇環保科技有限公司)	A					
New Sinotech Investments Limited	B					
New Universe (China) Investment Limited	B					
New Universe (China) Limited	A	B				
New Universe Environmental Protection Investment Limited	B					
New Universe Environmental Technologies (Jiang Su) Limited	A	B				
New Universe International Ecology Limited	B					
New Universe International Group Limited	A	B				
New Universe International Holdings Limited	B					
New Universe Recyclable Investments Limited	B					
New Universe Recyclables Limited	A	B				
Smartech International Group Limited	B					
Smartech Manufacturing Limited	A	B				
Smartech Plastic Moulding Limited	A	B				
Smartech Services Limited	A	B				
Suqian New Universe Solid Waste Disposal Company Limited* (宿遷宇新固體廢物處置有限公司)	A					
Taixing Xin Xin Resources Recycling Company Limited* (泰興新新資源再生利用有限公司)	A					
Taizhou New Universe Solid Waste Disposal Company Limited	A	D	E	F		
Xiangshui New Universe Environmental Technology Limited	A	B	C[1]	G	H	I[2]
Yancheng New Universe Solid Waste Disposal Company Limited	A					
Yancheng NUHF Environmental Technology Limited* (鹽城新宇輝豐環保科技有限公司)	A	B	C[1]	G	H	I[2]
Yangzhou Yangyu Solid Waste Disposal Company Limited* (揚州揚宇固廢處置有限公司)	A					
Zhenjiang New Universe Solid Waste Disposal Company Limited	A	C	D	E	F	
Zhenjiang Sinotech Eco-Electroplating Development Limited	A					

* *For identification purpose only*

Name of the directors of the Company's subsidiary undertakings:

A: Mr. XI Yu
B: Ms. CHEUNG Siu Ling
C: Ms. LIU Yuan
D: Mr. YIN Yong Xiang
E: Mr. SUN Jia Qing
F: Mr. LIU Lai Gen
G: Mr. ZHONG Han Gen
H: Mr. JI Zi Hua
I: Mr. LI Qi

Notes:

(1) Ms. LIU Yuan was appointed as director of Xiangshui New Universe Environmental Technology Limited and Yancheng NUHF Environmental Technology Limited* on 1 April 2018.

(2) Mr. Li Qi resigned as director of Xiangshui New Universe Environmental Technology Limited and Yancheng NUHF Environmental Technology Limited* on 1 April 2018.

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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Each of Prof. 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 annual general meeting. The Board considers each of Prof. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 23 to 28 of this annual report.

* *For identification purpose only*

CHANGE IN DIRECTORS' INFORMATION

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

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

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

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

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

Save as disclosed therein, there is no other significant change in details of the Directors' information since the date of last annual report of the Company for the year ended 31 December 2017.

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

CHANGE IN INFORMATION OF MANAGEMENT

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

(a) Ms. LIU Yuan was appointed as a vice-president of the Company on 28 August 2018. During the year ended 31 December 2018, she was appointed as the director of the subsidiaries, Yancheng NUHF Environmental Technology Limited* and Xiangshui New Universe Environmental Technology Limited with effect from 1 April 2018, and she was also appointed the chairman of the board and legal representative of the Sino-foreign joint venture, Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited* with retrospective effect from the date of its incorporation on 26 December 2017.

(b) Mr. HE Ling Yun was appointed as director and general manager of the Sino-foreign joint venture, Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited* with retrospective effect from the date of its incorporation on 26 December 2017.

(c) Mr. LI Qi resigned as the director of the two subsidiaries, Yancheng NUHF Environmental Technology Limited* and Xiangshui New Universe Environmental Technology Limited with effect from 1 April 2018. He also resigned as the general manager of Yancheng NUHF Environmental Technology Limited* with effect from 1 May 2018.

* *For identification purpose only*

EMOLUMENTS OF 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 Company is set out by the Remuneration Committee on the basis of the employees' 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 BENEFIT PLANS

The Group operates a Mandatory Provident Fund scheme for all employees in Hong Kong. Particulars of the retirement benefit plans of the Group are set out in note 39 to the financial statements.

SHARE OPTION SCHEME

The Company has adopted a share option scheme with terms duly passed by the Company's shareholders at the general meeting held on 5 May 2015 ("Share Option Scheme"). The terms of the Share Option Scheme are in accordance with the provisions set out in Chapter 17 of the Main Board Listing Rules.

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

As at 31 December 2018, no option was granted or was outstanding under the 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 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Hong Kong Stock Exchange Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 ("Model Code") of the Main Board Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

The Company

Long positions in shares and underlying shares of the Company

	Number of ordinary shares of HK$0.01 each		
Name of Director	**Capacity in which ordinary shares were held**	**Number of ordinary shares held**	**Approximate percentage of total shares in issue**
Mr. XI Yu *(note)*	Interests of a controlled corporation	1,071,823,656	35.31
Ms. LIU Yu Jie	Beneficial owner	202,400,000	6.67

Associated corporation

Long positions in ordinary shares of NUEL

	Number of ordinary shares of US$1.00 each of NUEL		
Name of Director	**Capacity in which ordinary shares were held**	**Number of ordinary shares held**	**Approximate percentage of total shares in issue**
Mr. XI Yu *(note)*	Interests of a controlled corporation	16,732	83.66
Ms. CHEUNG Siu Ling *(note)*	Beneficial owner and Interests of spouse	2,428	12.14

Note: New Universe Enterprises Limited ("NUEL") is beneficially interested in 1,071,823,656 shares of the Company, representing approximately 35.31% of the issued share capital of the Company. NUEL is directly owned as to 83.66% by Mr. XI Yu. Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of NUEL.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive 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 entered in the register referred to therein as required pursuant to section 352 of the SFO or required, to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed 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 executive 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 2018, the interests or short positions of those persons, other than the directors or the chief executives of the Company whose interests has been disclosed therein above, in the shares of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and or underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO are as follows:

	Long Positions in shares and underlying shares of the Company		
Name of shareholder	**Capacity in which ordinary shares were held**	**Number of shares held**	**Approximate percentage of total shares in issue**
Mr. XI Yu (i)	Interests of a controlled corporation	1,071,823,656	35.31
NUEL(i)	Beneficial owner	1,071,823,656	35.31
China Minsheng Investment Group Corporation Ltd (中國民生投資股份有限公司) ("中民投") (ii)	Interests of a controlled corporation	800,000,000	26.35
中民投亞洲資產管理有限公司 ("CMIG-Asia") (ii)	Interests of a controlled corporation	800,000,000	26.35
CMI Financial Holding Corporation ("CMIF-BVI") (ii)	Interests of a controlled corporation	800,000,000	26.35
CMIG International Capital Limited ("CMIG-Hong Kong") (ii)	Interests of a controlled corporation	800,000,000	26.35
CM International Capital Limited ("CMIC-Cayman") (ii)	Beneficial owner	800,000,000	26.35
Ms. LIU Yu Jie (iii)	Beneficial owner	202,400,000	6.67

REPORT OF THE DIRECTORS

Notes:

(i) NUEL is directly owned as to 83.66% by Mr. XI Yu. The interest disclosed by Mr. XI as a shareholder deemed interested in the 1,071,823,656 shares of the Company is the same interest as disclosed by him being a Director of the Company.

(ii) CMIC-Cayman is 100% directly owned by CMIG-Hong Kong. CMIG-Hong Kong is 31.5% directly owned by 中民投 and 68.5% directly owned by CMIF-BVI. CMIF-BVI is 100% directly owned by CMIG-Asia. CMIG-Asia is 100% directly owned by 中民投. CMIG-Hong Kong, CMIF-BVI, CMIG-Asia and 中民投 are all deemed interested in the 800,000,000 shares of the Company beneficially owned by CMIC-Cayman.

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

Save as disclosed above, as at 31 December 2018, so far as is known to the Directors, the Company has not been notified of any other interests or short positions in the shares and underlying shares which had been 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 subsisted during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under "Directors' and Chief Executive's Interests and/or Short Positions in Shares and Underlying Shares, and Debenture of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporation", at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company of a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS

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

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT

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

* *For identification purpose only*

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

On 12 December 2017, the Company accepted a banking facility letter (the "Facility Letter C") issued by a bank ("Bank C") in Hong Kong. Pursuant to the Facility Letter C, Bank C granted an unsecured term loan facility of up to HK$50,000,000 (the "Facility C") to the Company. The final maturity date of the Facility C is at the end of five years from the date of the first drawdown. In accordance with the Facility Letter C, the proceeds of Facility C shall be used to finance the capital expenditure of the Group in relation to environmental industrial treatment, medical waste treatment and/or environmental sewage treatment project. As at 31 December 2018, the outstanding unsecured bank loan under Facility C was HK$45,000,000 (2017: HK$50,000,000).

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

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

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

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

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

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

REPORT OF THE DIRECTORS

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

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 and the related party transactions entered into by the Group during the year as set out in note 40 to the financial statements, no transaction, arrangement or contract of significance to which the Company, any of its holding company, subsidiaries, or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

PERMITTED INDEMNITY PROVISION

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.

Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, losses, damages and expenses which any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Company.

PUBLIC FLOAT

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

SUBSEQUENT EVENTS

Significant subsequent events occurred after the reporting period are set out in note 46 to the financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

During the year ended 31 December 2018, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITOR

The financial statements of the Company and the Group for the years ended 31 December 2018 were audited by Crowe (HK) CPA Limited ("Crowe (HK)", formerly known as Crowe Horwath (HK) CPA Limited). Crowe (HK) retire and, being eligible, offer themselves for re-appointment and a resolution for the re-appointment of Crowe (HK) as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

XI Yu
Chairman

Hong Kong, 22 March 2019

INDEPENDENT AUDITOR'S REPORT

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

To the 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") and its subsidiaries ("the Group") set out on pages 95 to 200, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 2018 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 disclosure requirements of 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.

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
(a) Impairment assessment of goodwill and Yancheng NUHF (refer to notes 2(l)(ii), 3(a)(v), 3(a)(vii), 17 and 18(d) to the consolidated financial statements) As disclosed in note 17 to the consolidated financial statements, at 31 December 2018, the Group had an identified cash-generating unit, which is NUET (JS) Group (as defined in note 18(b) to the consolidated financial statements), with a goodwill of approximately HK$33 million acquired in 2007. As disclosed in note 18(b) and (d) to the consolidated financial statements, Yancheng NUHF, an indirect 65%-owned subsidiary of the Company, incurred a loss of approximately HK$26.0 million (2017: profit of HK$39.6 million) and adjusted EBITDA of approximately HK$10.9 million (2017: HK$59.8 million) for the year ended 31 December 2018. Its net assets amounted to approximately HK$145.9 million at 31 December 2018. There is a risk that the performance of the identified cash-generating units, to which the goodwill of NUET (JS) Group and assets of Yancheng NUHF are allocated, will result in impairment to their carrying values. This could be due to weaker than forecast demand, increasingly stricter governmental regulations and policies in Mainland China and/or other factors. The recoverable amounts of these identified cash-generating units, to which the goodwill of NUET (JS) Group and assets of Yancheng NUHF are allocated, are 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 amounts of these identified cash-generating units, to which the goodwill of NUET (JS) Group and assets of Yancheng NUHF are allocated, are discount rates, long-term growth rates, revenue growth and profit margins. As the impairment review process involves estimation uncertainty and significant judgements made by management, this gives rise to inherent subjectivity in the carrying value of the identified cash-generating units.	Our audit procedures in this area included: – Performing certain procedures to identify indicators for impairment of the identified cash-generating units, to which goodwill of NUET (JS) Group and assets of Yancheng NUHF are allocated. These included physical inspection of the title documents and conditions of property, plant and equipment and the leasehold land of the identified 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 relevant operating licences related to environmental treatment of industrial hazardous and medical wastes in which the identified cash-generating units are engaged, and enquiring management as to whether they are aware of any indicators of impairment of the identified cash-generating units; – Assessing the external valuers' independence, competence, capabilities and objectivity; – Assessing the appropriateness of valuation methodology used and allocation of cash flows of identified cash-generating units, being consistent year on year; – Checking the projections of cash flows of the identified cash-generating units in the valuation model 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 model 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 assessment of key estimates and assumptions used to estimate the discount rate, revenue, growth rates and profit margins of the identified cash-generating units, and challenging the management judgements on these estimates and key assumptions; and

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
(a) Impairment assessment of goodwill and Yancheng NUHF (continued) No impairment on the goodwill of NUET (JS) Group and assets of Yancheng NUHF are required at the reporting period end.	– 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) Valuation of equity investments at fair value through other comprehensive income (non-recycling) (refer to notes 2(h), 3(a)(i), 21 and 42 to the consolidated financial statements) The long-term equity investments of approximately HK$92.2 million represent three unquoted investments in plastic materials dyeing business in Mainland China, which are held for strategic purposes and designated at fair value through other comprehensive income. The valuations for these unquoted investments are performed by an independent firm of qualified valuers with qualifications and recent experiences in valuing similar assets, 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 assessed the external valuers' independence, competence, capabilities and objectivity. We obtained and evaluated the valuation reports, together with the working spreadsheets and assumptions applied, for each of these unquoted investments. We assessed valuation model methodology against industry practice and valuation guidelines. We assessed and challenged the appropriateness of the valuation approach 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 profit or loss and other comprehensive income and the related disclosures for the unquoted investments made in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
(c) Impairment assessment of interest in an associate (refer to notes 3(a)(vi) and 19(c) to the consolidated financial statements) At 31 December 2018, the carrying amount of the Group's 30% equity interest in 南京化學工業園天宇固體廢物處置有限公司 "Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd" ("NCIP") was approximately HK$150,566,000 and the Group's share of loss of NCIP for the year was approximately HK$2,512,000. The recoverable amount of the Group's 30% equity interest in NCIP is the higher of value-in-use and fair value less costs of disposal. At 31 December 2018, impairment assessment on the carrying amount of the Group's 30% equity interests in NCIP was performed by management by reference to the valuation of NCIP, as an identified cash-generating unit, conducted by an independent professional valuer with experiences and qualifications in valuing similar assets. The impairment assessment on the carrying value of the Group's equity interest in NCIP at the reporting period end involves significant judgements made by management of the Group and estimation uncertainty.	Our audit procedures on this area included: – Performing an audit on the financial statements of NCIP for the two years ended 31 December 2017 and 2018; – Assessing the independent professional valuer's independence, competence, capabilities and objectivity; – Evaluating the appropriateness for the valuation methodologies used at the acquisition date and at reporting period end; – Checking the projection of cash flows of NCIP in the valuation models to the detailed forecasts prepared by management of NCIP and evaluating the reasonableness of key assumptions underlying the cash flow projection; – Assessing the reasonableness of the discount rate and long-term growth rate in the valuation models not exceeding the industry data at public domains; – Challenging the key assumptions in the valuation model made by management of NCIP and the independent valuer; – Evaluating management's sensitivity analysis on the key assumptions used, including assessment of effect of a reasonably possible change in growth rate, cash flow projections and discount rate.

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 disclosure requirements of 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.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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 (HK) CPA Limited
Certified Public Accountants

LEUNG Chun Wa
Practising Certificate Number: P04963

Hong Kong, 22 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	5	**493,932**	382,423
Cost of sales		**(311,859)**	(214,778)
Gross profit		**182,073**	167,645
Other revenue	6	**4,266**	3,520
Other net income	7	**18,512**	28,539
Distribution and selling expenses		**(9,987)**	(4,682)
Administrative expenses		**(55,624)**	(50,553)
Other operating expenses		**(21,752)**	(20,622)
Gain on bargain purchase		**–**	7,200
Operating profit		**117,488**	131,047
Finance income	8	**5,152**	(184)
Finance costs	8	**(14,302)**	(9,129)
Finance costs – net	8	**(9,150)**	(9,313)
Share of results of associates	19	**2,510**	11,716
Share of results of a joint venture	20	**(820)**	–
Profit before taxation	9	**110,028**	133,450
Income tax	12	**(23,602)**	(20,916)
Profit for the year		**86,426**	112,534
Attributable to:			
Owners of the Company		**74,386**	83,577
Non-controlling interests	18(b)	**12,040**	28,957
		86,426	112,534
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	14	**2.45**	2.78

The notes on pages 102 to 200 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Profit for the year		**86,426**	112,534
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences			
– on translation of financial statements of overseas subsidiaries		**(42,527)**	57,335
– on translation of financial statements of overseas associates	19	**(8,698)**	13,122
– on translation of financial statements of an overseas joint venture	20	**(519)**	–
Fair value changes on equity investments	21, 42	**–**	16,400
Deferred tax effect relating to changes in fair value of equity investments	32(b)	**–**	(1,640)
Items that are not subsequently recycled to profit or loss:			
Fair value changes on equity investments	21, 42	**12,200**	–
Deferred tax effect relating to changes in fair value of equity investments	32(b)	**(1,801)**	–
Other comprehensive income for the year, net of income tax		**(41,345)**	85,217
Total comprehensive income for the year		**45,081**	197,751
Attributable to:			
Owners of the Company		**38,671**	161,567
Non-controlling interests		**6,410**	36,184
Total comprehensive income for the year		**45,081**	197,751

The notes on pages 102 to 200 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	**2018 HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**762,574**	754,897
Prepaid lease payments for land use rights	16	**132,402**	139,670
Goodwill	17	**33,000**	33,000
Interests in associates	19	**170,802**	183,520
Interest in a joint venture	20	**25,181**	–
Equity investments at fair value through other comprehensive income	21	**92,200**	80,000
		1,216,159	1,191,087
Current assets			
Inventories	22	**3,573**	2,460
Trade and bills receivables	23	**37,726**	69,175
Prepayments, deposits and other receivables	24	**16,942**	34,500
Contract assets	24(b)	**1,469**	–
Prepaid lease payments for land use rights	16	**3,657**	3,811
Financial assets at fair value through profit or loss	7(iii), 30(e)	**6,210**	–
Cash and cash equivalents	25	**282,239**	237,884
		351,816	347,830
Current liabilities			
Bank borrowings	26	**168,809**	137,677
Other borrowing	33	**25,000**	–
Trade payables	27	**10,254**	6,226
Accrued liabilities and other payables	28	**159,391**	196,967
Deposits received from customers		**–**	5,117
Contract liabilities	29	**14,033**	–
Considerations payable for acquisition of subsidiaries	30	**49,600**	35,200
Deferred government grants	31	**949**	504
Income tax payable	32(a)	**3,428**	6,074
		431,464	387,765
Net current liabilities		**(79,648)**	(39,935)
Total assets		**1,567,975**	1,538,917
Total assets less current liabilities		**1,136,511**	1,151,152

The notes on pages 102 to 200 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Bank borrowings	26	**85,680**	45,000
Other borrowing	33	**–**	25,000
Considerations payable for acquisition of subsidiaries	30	**–**	49,600
Deferred government grants	31	**6,592**	3,637
Deferred tax liabilities	32(b)	**33,710**	30,348
		125,982	153,585
Net assets		**1,010,529**	997,567
Capital and reserves			
Share capital	34	**30,357**	30,357
Reserves	35	**876,020**	857,081
Equity attributable to owners of the Company		**906,377**	887,438
Non-controlling interests	18(b)	**104,152**	110,129
Total equity		**1,010,529**	997,567

The notes on pages 102 to 200 are an integral part of these financial statements.

XI Yu
Chairman

CHEUNG Siu Ling
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital HK$'000 (note 34)	Share premium HK$'000 (note 35(c)(i))	Translation reserve HK$'000 (note 35(c)(ii))	Investment revaluation reserve HK$'000 (note 35(c)(iii))	Capital reserve HK$'000 (note 35(c)(iv))	Statutory reserve HK$'000 (note 35(c)(v))	Retained profits HK$'000 (note 35(c)(vi))	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	29,557	400,465	(35,789)	1,540	5,172	35,480	250,860	687,285	82,204	769,489
Profit for the year	–	–	–	–	–	–	83,577	83,577	28,957	112,534
Other comprehensive income										
Exchange differences										
– on translation of financial statements of overseas subsidiaries	–	–	50,108	–	–	–	–	50,108	7,227	57,335
– on translation of financial statements of overseas associates	–	–	13,122	–	–	–	–	13,122	–	13,122
Fair value changes on equity investments, net of deferred tax	–	–	–	14,760	–	–	–	14,760	–	14,760
Total comprehensive income for the year	–	–	63,230	14,760	–	–	83,577	161,567	36,184	197,751
Issue of consideration shares *(note 34(a))*	800	56,000	–	–	–	–	–	56,800	–	56,800
Transfer to statutory reserve	–	–	–	–	–	23,510	(23,510)	–	–	–
Dividend relating to 2016	–	–	–	–	–	–	(18,214)	(18,214)	–	(18,214)
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(8,259)	(8,259)
At 31 December 2017 and 1 January 2018	30,357	456,465	27,441	16,300	5,172	58,990	292,713	887,438	110,129	997,567
Profit for the year	–	–	–	–	–	–	74,386	74,386	12,040	86,426
Other comprehensive income										
Exchange differences										
– on translation of financial statements of overseas subsidiaries	–	–	(36,897)	–	–	–	–	(36,897)	(5,630)	(42,527)
– on translation of financial statements of overseas associates	–	–	(8,698)	–	–	–	–	(8,698)	–	(8,698)
– on translation of financial statements of an overseas joint venture	–	–	(519)	–	–	–	–	(519)	–	(519)
Fair value changes on equity investments, net of deferred tax	–	–	–	10,399	–	–	–	10,399	–	10,399
Total comprehensive income for the year	–	–	(46,114)	10,399	–	–	74,386	38,671	6,410	45,081
Transfer to statutory reserve	–	–	–	–	–	7,207	(7,207)	–	–	–
Dividend relating to 2017	–	–	–	–	–	–	(19,732)	(19,732)	–	(19,732)
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(12,387)	(12,387)
At 31 December 2018	**30,357**	**456,465**	**(18,673)**	**26,699**	**5,172**	**66,197**	**340,160**	**906,377**	**104,152**	**1,010,529**

The notes on pages 102 to 200 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**110,028**	133,450
Adjustments for:			
Interest income	8	**(2,410)**	(1,244)
Interest expenses	8	**14,302**	9,129
Dividends from equity investments	6, 21	**(4,266)**	(3,520)
Share of results of associates	19	**(2,510)**	(11,716)
Share of results of a joint venture	20	**820**	–
Depreciation of property, plant and equipment	15	**58,384**	43,399
Amortisation of land use rights	16	**3,554**	3,414
Net loss on disposal of property, plant and equipment	9	**953**	600
Fair value gain on compensation receivable profit guarantee	7	**(6,210)**	–
Gain on bargain purchase	30(a)	**–**	(7,200)
Release of deferred government grants	31	**(1,195)**	(489)
Operating cash flows before movements in working capital		**171,450**	165,823
Increase in inventories		**(1,113)**	(984)
Decrease/(increase) in trade and bills receivables		**31,449**	(10,668)
Decrease in prepayments, deposits and other receivables		**29,289**	2,483
Increase/(decrease) in trade and bills payables		**4,028**	(7,460)
(Decrease)/increase in accrued liabilities and other payables		**(37,576)**	86,376
Increase/(decrease) in deposits received from customers		**8,916**	(3,943)
Cash generated from operations		**206,443**	231,627
Net income tax paid	32(a)	**(20,105)**	(11,206)
Dividend tax paid		**(4,347)**	(3,766)
Interest received	8	**2,410**	1,244
Net cash generated from operating activities		**184,401**	217,899

The notes on pages 102 to 200 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	**2018 HK$'000**	2017 HK$'000
INVESTING ACTIVITIES			
Dividends received from associates	19	**6,530**	3,754
Dividends received from equity investments	6, 21	**4,266**	3,520
Cash outflow arising from acquisition of subsidiaries, net of cash acquired	30	**(49,600)**	(26,185)
Proceeds from disposal of property, plant and equipment		**98**	109
Payments for purchases of property, plant and equipment		**(104,111)**	(216,269)
Payments for purchases of land use rights		**–**	(279)
Increase in deposits paid for purchases of property, plant and equipment		**–**	(960)
Capital contribution to a joint venture	20	**(26,520)**	–
Payment of deposit for proposed joint venture/acquisition		**–**	(1,200)
Refund of deposit paid for proposed establishment of a joint venture		**1,200**	–
Receipt of government grants	31	**4,888**	436
Net cash used in investing activities		**(163,249)**	(237,074)
FINANCING ACTIVITIES			
Dividends paid to shareholders of the Company	13(b)	**(19,732)**	(18,214)
Dividends paid to non-controlling interests of subsidiaries	18(b)	**(12,387)**	(8,259)
Proceeds from bank borrowings	25(b)	**168,655**	190,994
Repayment of bank borrowings	25(b)	**(92,351)**	(89,099)
Interest paid	8, 25(b)	**(14,302)**	(9,129)
Placement of pledged bank deposits for bank borrowings		**–**	(4,677)
Withdrawal of pledge on bank deposits		**–**	14,283
Net cash generated from financing activities		**29,883**	75,899
NET INCREASE IN CASH AND CASH EQUIVALENTS		**51,035**	56,724
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**237,884**	171,589
Effect of foreign exchange rate changes		**(6,680)**	9,571
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**282,239**	237,884

The notes on pages 102 to 200 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1. GENERAL INFORMATION

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

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

(c) The principal activity of the Company is investment holding and provides corporate management services to the Group members. The principal activities of its subsidiaries are as follows:

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

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

(iii) investments in plastic materials dyeing business.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

At 31 December 2018, the Group's current liabilities exceeded current assets by approximately HK$79,648,000 (2017: HK$39,935,000) which was mainly attributable to, as disclosed in note 26 below, the non-current portions of long-term bank borrowings of approximately HK$82,311,000 (2017: HK$59,968,000) that contained a standard demand clause for immediate repayment at the discretion of the financial institutions under the underlying banking facilities granted. During the year ended 31 December 2018 and up to the date of approval for the consolidated financial statements, there had not been any breach of covenants of the relevant banking facilities. Notwithstanding the demand clause for immediate repayment in the banking facilities, the Company considered that the financial institutions will not exercise their discretionary rights to demand immediate repayment of these non-current portions of these long-term bank borrowings in the next twelve months from the date of approval of the consolidated financial statements and before their maturities.

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

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

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost convention except for the equity investments (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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

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.

(c) Changes in accounting policies

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

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

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

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

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

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

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

a. *Classification of financial assets and liabilities*

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

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

a. Classification of financial assets and liabilities (continued)

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

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

Notes:

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

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

(ii) Deposits with banks that were previously classified as held-to-maturity investments are now classified as financial assets measured at amortised cost. The Group intends to hold the assets to maturity to collect the contractual cash flows by payment of principal and interest on the principal amount outstanding.

(iii) Unlisted equity investments that were previously classified as available-for-sale financial assets are now classified as financial assets measured at FVOCI. The Group holds these investments for long term strategic purposes. At 1 January 2018, the Group designated these investments as measured at FVOCI with only dividend income will be recognised in profit or loss. Gains or losses on these investments will be recognised in other comprehensive income without recycling through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

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

a. Classification of financial assets and liabilities (continued)

Notes: (continued)

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see accounting policy in note 2(h).

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

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

b. Credit losses

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

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

For further details on the Group's accounting policy for accounting for credit losses, see note 2(l).

c. Transition

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

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

HKFRS 15 Revenue from contracts with customers

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

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

Adoption of HKFRS 15 had no material impact on the Group's financial position and financial results. No restatement of the opening balance of comparative period retained profits was made due to the adoption of HKFRS 15. The Group's accounting policies with respect to revenue recognition are set out in note 2(v).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 15 Revenue from contracts with customers (continued)

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

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

Notes:

(i) As at 1 January 2018, HK$284,000 of amounts due from customers previously included in other receivables, were reclassified to contract assets.

(ii) As at 1 January 2018, deposits received from customers of HK$5,117,000 were reclassified to contract liabilities.

HK(IFRIC) 22 Foreign currency transactions and advance consideration

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

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

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 statement of profit or loss and the consolidated statement of profit or loss and other 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. 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)).

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).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and joint ventures

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.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or joint venture 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). The cost of the investment includes purchase price, other cost directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. 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 statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, 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 or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures 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 or joint venture, 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 or joint 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)).

In the Company's statement of financial position, investments in associates and joint ventures 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).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) (i) 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, and assets and 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 are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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) (i) 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.

(ii) Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price to individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

(h) Other investments in equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 41. These investments are subsequently accounted as follows, depending on their classification.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Other investments in equity securities (continued)

(A) *Policy applicable from 1 January 2018*

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principle and interest. Interest income from the investment is calculated using the effective interest method.

– fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss.

(B) *Policy applicable prior to 1 January 2018*

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Other investments in equity securities (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 2(l)(i)(B) - policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in note 2(v)(iv). Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 2(l)(i)(B) –policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss during the reporting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

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.

(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 direct costs of construction and capitalised borrowing costs (see note 2(w)) 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 complete.

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 the Group makes payments for a property interest which includes both leasehold 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump sum upfront payments) are allocated between the leasehold 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 initial recognition.

To the extent the allocation of the relevant 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 leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy application from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

– debt securities measured at FVOCI (recycling).

Measurement of ECLs

ECLs are probably-weighted estimate of credit loss. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past event, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting period end date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy application from 1 January 2018 (continued)

Measurement of ECLs (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition. The Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 360 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– existing or forecast changes in the technological, market, economic or legal environmental that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on share credit risk characteristics, such as past due status and credit risk ratings.

ECLs are measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy application from 1 January 2018 (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(v)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environmental that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy application prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

- significant financial difficulties 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, the impairment loss was determined and recognised as follows:

For trade and other receivables and other financial assets carried at amortised cost, the impairment loss was 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 was material. This assessment was made collectively where these financial assets share a similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were 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 decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy application prior to 1 January 2018 (continued)

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

(ii) Impairment of other non-current 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;

– interests in associates and joint venture;

– 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.

– 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 the 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) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– Reversals of impairment losses

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

A reversal of an impairment loss 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (notes 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill 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.

(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) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before the Group being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(l)(i).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such case, a corresponding receivable would also be recognised.

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method, less allowance for credit losses (see note 2(l)(i)).

(p) 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. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance, with policy set out in note (2)(l).

(q) Trade and other payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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 using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs.

(s) 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.

(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).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee benefits (continued)

(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.

(t) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

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

– 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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.

(v) Revenue and other income

Revenue is recognised when control of a service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax ("VAT") or other sales taxes and after deduction of any trade discounts.

(i) Revenue from provision of services

Revenue from provision of waste and sewage treatment and related services are recognised when control of the services are passed to the customers.

Revenue is recognised when or as the control of the services is transferred to the customer. Depending on the terms of the contract, control of the services may be transferred over time or a point in time. Control of the services is transferred over time if the Group's performance:

(i) provides the benefits received and consumed simultaneously by the customer;

(ii) creates or enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, which is measured based on direct measurements of the value of individual services transferred by the Group to the customer. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services.

(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 rights of use of facilities and utilities are provided to the customers and on a straight-line basis over the period of the relevant agreements.

(iii) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income (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.

(w) 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.

(x) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The functional currency of the Company and its subsidiaries outside Mainland China is Hong Kong dollar and the functional currency of the subsidiaries in Mainland China is Renminbi. The financial statements are presented in Hong Kong dollar ("presentation currency").

(ii) Transactions and balances

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. The transaction date is the date on which the entity initially recognised such non-monetary assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Translation of foreign currencies (continued)

(ii) Transactions and balances (continued)

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.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) 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(y)(i).

(7) A person identified in note 2(y)(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) 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 equity investments

The Company has engaged an independent professional valuer to assess the fair market value of those equity investments as disclosed in note 21 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 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 equity investments

Note 21 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 equity investments at fair value through other comprehensive income (2017: Long-term 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.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

(iii) Functional currency of the Company

The Company is carrying out its operating activities and making management decisions in Hong Kong dollar, 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 dollar.

(iv) As at 31 December 2018, 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$210,839,000 (2017: HK$230,371,000) 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.

(v) 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 2018 and 2017 was HK$33,000,000. Further details are set out in note 17 to the financial statements.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

(vi) Impairment assessment on interest in an associate

The Group assesses whether or not there are any indicators of impairment for interest in an associate at the end of each reporting period. Interest in an associate is tested for impairment when there are indicators that the carrying amount may not be recoverable. An impairment exists when the carrying value of interest in an associate exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, the Group estimates the present values of cash flows expected to arise from continuing to hold the investment and choose suitable discount rates in order to calculate the present values of those cash flows. The most significant judgements shall refer to the impairment assessment of the Group's 30% equity interest in Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd. 南京化學工業園天宇固體廢物處置有限公司 (NCIP). As disclosed in note 19(c), during the year ended 31 December 2018, NCIP experienced unexpectedly longer time for testing and conducting trial-runs of its newly constructed Phase II incineration facilities, which was newly constructed in early 2018, and unexpected time and costs incurred for carrying out repairs and maintenance and upgrading its existing Phase I incineration facilities in order to comply with the stricter environmental rules and regulations in the PRC, before the new and revised combined operating licence for both Phase I and Phase II incineration facilities was granted by the relevant authorities to NCIP in November 2018, and as a result, incurred a loss of approximately HK$8,371,000 (2017: profit of approximately HK$25,206,000) of which the Group shared its loss of approximately HK$2,512,000 (2017: profit of approximately HK$7,562,000), and at 31 December 2018, the Group's interest in NCIP amounted to approximately HK$150,566,000 (2017: HK$163,515,000) for the year ended 31 December 2018. The value in use of the Group's 30% equity interest in NCIP is determined based on the discounted cash flow projections of NCIP which is prepared by the management of the Group. The key assumptions used include the discounted rate, growth rate, budget sales and gross margin of NCIP. The discounted rate applied is determined by using the Capital Assets Pricing Model which reflects specific risk of the business of NCIP, taking into account the applicable borrowing interest rates immediately before the projection period and the growth rate applied is determined based on the expected long-term inflation in the PRC, while other key assumptions relating to the estimation of cash inflows/outflows are determined by taking into account the financial budgets approved by NCIP's directors, past performance of NCIP and expectations of NCIP's management on the market development.

Determining whether the interest in NCIP is impaired requires an estimation of the value in use on the basis of data available to the Group.

Based on the impairment assessment, the value in use of the Group's 30% equity interest in NCIP exceeds its carrying amount at 31 December 2018 and accordingly, the Directors of the Company considered that there was no impairment on the Group's 30% equity interests in NCIP.

Should the parameters adopted in the calculations of the value in use of the interest in NCIP differ materially, impairment loss may be required to be recognised.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

(vii) Impairment assessment on Yancheng NUHF (as defined in note 18(a) below)

The Group assesses whether or not there are any indicators of impairment for the assets of Yancheng NUHF, as a cash-generating unit and the Group's interest in Yancheng NUHF at the end of each reporting period. As disclosed in note 18(d) to the financial statements, during the year ended 31 December 2018, Yancheng NUHF incurred a loss of approximately HK$26,040,000 (2017: profit of approximately HK$39,657,000) due to certain non-recurring factors like the temporarily shut down of its operation for around 5 months before its operating licence was renewed by the relevant authorities in November 2018 and charge for under-provision for the VAT and CIT in the previous years. Yancheng NUHF's adjusted EBITDA for the year ended 31 December 2018 was approximately HK$10,941,000 (2017: approximately HK$59,825,000). Interest in Yancheng NUHF is tested for impairment when there are indicators that the carrying amount may not be recoverable. An impairment exists when the carrying value of the assets of Yancheng NUHF, as a cash-generating unit, and the Group's interest in Yancheng NUHF exceeds their respective recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, the Group estimates the present values of cash flows expected to arise from continuing to hold the investment and choose suitable discount rates in order to calculate the present values of those cash flows.

The value in use of the assets of Yancheng NUHF, as a cash-generating unit, and the Group's interest in Yancheng NUHF are determined based on the discounted cash flow projections of Yancheng NUHF which is prepared by the management of the Group. The discounted rate applied is determined by using the Capital Assets Pricing Model which reflects specific risk relating to the business of Yancheng NUHF, taking into account the applicable borrowing interest rates immediately before the projection period and the growth rate applied is determined based on the expected long-term inflation in the PRC, while other key assumptions relating to the estimation of cash inflows/outflows are determined by taking into account the financial budgets approved by Yancheng NUHF's directors, past performance of Yancheng NUHF and expectations of Yancheng NUHF's management on the market development.

Determining whether the interest in Yancheng NUHF is impaired requires an estimation of the value in use on the basis of data available to the Group.

Based on the impairment assessment, the value in use of the interest in Yancheng NUHF exceeds its carrying amount at 31 December 2018 and accordingly, the Directors of the Company considered that there was no impairment on the interest of Yancheng NUHF.

Should the parameters adopted in the calculations of the value in use of the interest in Yancheng NUHF differ materially, impairment loss may be required to be recognised.

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 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 2018.

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.

(ii) 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 2018, the carrying amounts of trade and bill receivables and other receivables are HK$37,726,000 and HK$16,942,000 (2017: HK$69,175,000 and HK$34,500,000) respectively, which approximated to the present value of their respective estimated future cash flows.

No allowance for impairment was considered necessary in the consolidated financial statements at 31 December 2018 and 2017.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Sources of estimation uncertainty (continued)

(iii) 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.

As at 31 December 2018, the undistributed profits of the profitable PRC subsidiaries of the Group amounted to RMB152,065,000 (equivalent to approximately HK$173,658,000) (2017: RMB121,369,000 (equivalent to approximately HK$145,643,000)), which the Group can control the dividend policies in respect of the amount and timing of future distributions by the PRC subsidiaries and accordingly, at 31 December 2018, the Group has made a provision of approximately HK$11,096,000 (2017: HK$9,003,000) for deferred tax liabilities in respect of the expected withholding tax on distributions out of the distributable profits of the PRC subsidiaries.

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 treatment and disposal services for industrial and medical wastes;

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

(iii) investments in plastic materials dyeing business.

(a) Segment results, assets and liabilities

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

4. SEGMENT INFORMATION (continued)

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

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

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

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

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

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

For the year ended 31 December 2018

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

4. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2017

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

4. SEGMENT INFORMATION (continued)

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

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

(c) Geographic information

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

(d) Major customers

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

5. REVENUE

Revenue represents the revenue from the provision of industrial and medical waste treatment and disposal services and the provision of industrial sewage 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:

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

Notes:

(i) Set out below is an analysis of the basis of recognition for revenue from industrial and medical waste treatment and disposal services and industrial sewage treatment services, provision of utilities and management services, excluding leasing income from provision of factory facilities:

	2018 HK$'000	2017 HK$'000
At a point in time	**392,770**	278,672
Over time	**82,250**	84,346
	475,020	363,018

(ii) Information about unsatisfied long-term fixed-price contracts

The following table includes revenue expected to be recognised in the future related to the provision of utilities and management services that are partially or fully unsatisfied as at the end of the reporting period:

	2018 HK$'000
Remaining performance obligations for the provision of utilities and management services expected to be partially or fully satisfied during the following periods*:	
Expected to be recognised within one year	**22,209**
Expected to be recognised after one year but within 5 years	**74,101**
Expected to be recognised after 5 years	**40,351**
	136,661

* As permitted under the transitional provisions in HKFRS 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 31 December 2017 is not disclosed.

The amount disclosed above does not include unsatisfied performance obligations that were related to the Group's contracts with customers with duration of one year or less and contracts with customers billed directly according to performance completed to date.

6. OTHER REVENUE

	2018	2017
	HK$'000	HK$'000
Dividend income from equity investments at FVOCI	**4,266**	3,520

7. OTHER NET INCOME

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

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 PRC value-added tax ("VAT") are entitled to a refund to the extent of 70% of the VAT paid.

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

(iii) Pursuant to the sale and purchase agreement dated 31 March 2017 and completed on 21 April 2017 ("SPA"), as disclosed in note 30(a) below, the vendor has irrevocably warranted and guaranteed to the Company that the after-tax audited net profit of 南京化學工業園天宇固體廢物處置有限公司 (NCIP, Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd.) in accordance with the Hong Kong Financial Reporting Standards for the two years ended 31 December 2018 (the "Actual Profit") shall not be less than RMB44,334,000 (the "Guaranteed Profit"). In case NCIP could not achieve the Guaranteed Profit, the Vendor shall pay to the Company an amount representing 30% of the amount of the difference between the Guaranteed Profit that and the Actual Profit ("Shortfall") by way of deducting the Shortfall from the amount payable under the fifth instalment pursuant to the SPA (and subsequent instalments, if necessary). With reference to the Actual Profit of NCIP for the two years ended 31 December 2018 prepared in accordance with the Hong Kong Financial Reporting Standards in the amount of RMB26,206,783, the Directors determined that the fair value of the compensation receivable thereunder the profit guarantee clause of the SPA should be approximately RMB5,438,000 which was equivalent to approximately HK$6,210,000 as at 31 December 2018. The fair value of compensation receivable from profit guarantee of approximately HK$6,210,000 has been recognised and credited to in the consolidated statement of profit or loss of the Company for the year ended 31 December 2018.

8. FINANCE INCOME AND COSTS

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

9. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	2018 **HK$'000**	2017 HK$'000
Amortisation of land lease prepayments	**3,554**	3,414
Depreciation for property, plant and equipment	**58,384**	43,399
Operating lease charges: minimum lease payments		
– land and buildings in Hong Kong	**1,062**	846
– land and buildings in PRC	**312**	709
– landfill in PRC	**117**	116
	1,491	1,671
Net loss on disposal of property, plant and equipment	**953**	600
Research and development expenses	**7,360**	6,748
Auditor's remuneration:		
– audit service	**1,230**	1,130
– non-audit services	**170**	170
	1,400	1,300
Staff costs:		
– Directors' emoluments *(note 10)*	**4,383**	4,469
– salaries, wages and other benefits of employees other than Directors	**76,329**	60,056
– contributions to retirement benefits schemes	**10,073**	7,167
Total staff costs	**90,785**	71,692
Cost of sales *(note)*	**311,859**	214,778

Note:

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

10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap.622, Laws of Hong Kong) 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 2018					
Executive Directors					
Mr. XI Yu	**28**	**1,652**	**–**	**18**	**1,698**
Mr. SONG Yu Qing	**45**	**450**	**–**	**14**	**509**
Ms. CHEUNG Siu Ling	**194**	**–**	**–**	**–**	**194**
Ms. ZHANG Ying(i)	**180**	**–**	**–**	**–**	**180**
Ms. LIU Yu Jie	**180**	**–**	**–**	**–**	**180**
Mr. HON Wa Fai	**–**	**1,064**	**–**	**18**	**1,082**
Independent non-executive Directors					
Prof. CHAN Yan Cheong	**180**	**–**	**–**	**–**	**180**
Mr. YUEN Kim Hung, Michael	**180**	**–**	**–**	**–**	**180**
Mr. HO Yau Hong, Alfred	**180**	**–**	**–**	**–**	**180**
	1,167	**3,166**	**–**	**50**	**4,383**
Year ended 31 December 2017					
Executive Directors					
Mr. XI Yu	35	1,654	–	18	1,707
Mr. SONG Yu Qing	–	600	–	18	618
Ms. CHEUNG Siu Ling	190	–	–	–	190
Ms. ZHANG Ying(i)	27	–	–	–	27
Mr. LIAO Feng(ii)	154	–	–	–	154
Ms. LIU Yu Jie	180	–	–	–	180
Mr. HON Wa Fai	–	1,035	–	18	1,053
Independent non-executive Directors					
Prof. CHAN Yan Cheong	180	–	–	–	180
Mr. YUEN Kim Hung, Michael	180	–	–	–	180
Mr. HO Yau Hong, Alfred	180	–	–	–	180
	1,126	3,289	–	54	4,469

Notes:

(i) Ms. ZHANG Ying was appointed as executive Director with effect from 8 November 2017 and resigned as executive Director with effect from 26 February 2019..

(ii) Mr. LIAO Feng resigned as executive Director with effect from 8 November 2017.

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 2018 and 2017.

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11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2017: two) are Directors whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other three (2017: three) individuals during the year are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits	**1,472**	1,269
Discretionary bonuses	**3,712**	3,765
Retirement scheme contribution	**–**	–
	5,184	5,034

The emoluments of the three (2017: three) individuals with the highest emoluments fell within the following bands:

	2018 Number of individuals	2017 Number of individuals
Emolument bands (in HK dollar)		
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	1
	3	3

During the year, no emoluments were paid by the Group to the above three (2017: three) 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 statement of profit or loss represents:

	2018 HK$'000	2017 HK$'000
Current tax		
Hong Kong Profits Tax	**–**	–
PRC Corporate Income Tax	**14,682**	14,777
Under-provision in respect of prior years	**7,359**	3,504
	22,041	18,281
Deferred tax *(note 32(b))*	**1,561**	2,635
	23,602	20,916

12. INCOME TAX (continued)

(a) Taxation in the consolidated statement of profit or loss 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% (2017: 16.5%) of the estimated assessable profits for the years. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2018 and 2017.

(iii) The Company's subsidiaries in PRC are subject to a statutory Corporate Income Tax ("CIT") at the rate of 25% (2017: 25%), except for the subsidiaries which are qualified as the High and New Technology Enterprise in PRC that would be entitled to enjoy a preferential CIT at the rate of 15% (2017: 15%).

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

	2018 **HK$'000**	2017 HK$'000
Profit before taxation	**110,028**	133,450
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdiction concerned	**29,281**	33,681
Tax effect of expenses not deductible for tax purpose	**15,981**	14,645
Tax effect of income not taxable for tax purpose	**(5,746)**	(5,752)
Tax effect of tax losses not recognised	**–**	–
Under-provision in relation to prior years	**7,359**	3,504
Tax effect of temporary differences recognised	**1,561**	2,635
Effect of income tax preferential policy in PRC	**(24,834)**	(27,797)
Tax expense for the year	**23,602**	20,916

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13. DIVIDENDS

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

	2018 HK$'000	2017 HK$'000
Final dividend proposed after the end of the reporting period of HK$0.0068 (2017: HK$0.0065) per share	**20,643**	19,732

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

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

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

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$74,386,000 (2017: HK$83,577,000) and the weighted average number of 3,035,697,018 (2017: 3,011,587,429) ordinary shares of the Company in issue during the year.

(a) Profit attributable to owners of the Company

	2018 HK$'000	2017 HK$'000
Earnings for the purpose of basic and diluted earnings per share	**74,386**	83,577

(b) Weighted average number of ordinary shares

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

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 2017	373,110	85,567	188,611	6,534	911	8,327	663,060
Exchange adjustments	30,845	5,127	19,402	459	96	520	56,449
Additions	2,208	208,605	2,739	853	1,031	833	216,269
Acquisition of subsidiaries	6,144	–	67	–	1	–	6,212
Disposals	(2,283)	–	(11,032)	(117)	(18)	(373)	(13,823)
Reclassification	71,718	(222,978)	150,982	266	12	–	–
At 31 December 2017 and 1 January 2018	481,742	76,321	350,769	7,995	2,033	9,307	928,167
Exchange adjustments	(24,690)	(2,310)	(19,094)	(395)	(143)	(383)	(47,015)
Additions	7,347	91,089	1,395	1,534	2,032	714	104,111
Disposals	(367)	–	(1,910)	(671)	–	(374)	(3,322)
Reclassification	47,187	(127,964)	79,862	915	–	–	–
At 31 December 2018	**511,219**	**37,136**	**411,022**	**9,378**	**3,922**	**9,264**	**981,941**
Depreciation and impairment							
At 1 January 2017	63,999	–	58,686	3,811	407	4,778	131,681
Exchange adjustments	5,566	–	5,069	269	29	371	11,304
Charge for the year	18,170	–	22,797	1,005	215	1,212	43,399
Eliminated on disposals	(1,724)	–	(10,947)	(108)	(4)	(331)	(13,114)
At 31 December 2017 and 1 January 2018	86,011	–	75,605	4,977	647	6,030	173,270
Exchange adjustments	(5,174)	–	(4,306)	(228)	(35)	(273)	(10,016)
Charge for the year	20,567	–	35,138	1,152	398	1,129	58,384
Eliminated on disposals	(151)	–	(1,141)	(632)	–	(347)	(2,271)
At 31 December 2018	**101,253**	**–**	**105,296**	**5,269**	**1,010**	**6,539**	**219,367**
Carrying amount							
At 31 December 2018	**409,966**	**37,136**	**305,726**	**4,109**	**2,912**	**2,725**	**762,574**
At 31 December 2017	395,731	76,321	275,164	3,018	1,386	3,277	754,897

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

As at 31 December 2018, certain property, plant and equipment with an aggregate carrying amount of approximately HK$239,390,000 (2017: HK$51,762,000) had been pledged to secure banking facilities granted to the Group (note 38).

At 31 December 2018, 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$142,957,000 (2017: HK$159,677,000) 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, that are leased to the customers, are accounted for and classified under property, plant and equipment in the consolidated financial statements.

At the both reporting period ends, no impairment was recognised on the property, plant and equipment at 31 December 2018 and 2017.

16. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS

	HK$'000
Cost	
At 1 January 2017	137,088
Exchange adjustments	6,146
Additions	279
Transfer from deposit for acquisition of land use rights	19,436
At 31 December 2017 and at 1 January 2018	162,949
Exchange adjustments	(4,301)
Additions	–
At 31 December 2018	**158,648**
Amortisation	
At 1 January 2017	15,557
Exchange adjustments	497
Charge for the year	3,414
At 31 December 2017 and at 1 January 2018	19,468
Exchange adjustments	(433)
Charge for the year	3,554
At 31 December 2018	**22,589**
Carrying amount	
At 31 December 2018	**136,059**
At 31 December 2017	143,481

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

Analysed for reporting purpose as:

	2018 HK$'000	2017 HK$'000
Current assets	**3,657**	3,811
Non-current assets	**132,402**	139,670
	136,059	143,481

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:

	2018 HK$'000	2017 HK$'000
Remaining lease periods of over 50 years	**–**	–
Remaining lease periods between 10 to 50 years	**136,059**	143,481
	136,059	143,481

As at 31 December 2018, certain land use rights with an aggregate carrying amount of approximately HK$38,022,000 (2017: HK$15,839,000) had been pledged to secure banking facilities granted to the Group (note 38).

As at 31 December 2018, certain land use rights with carrying amount of approximately HK$9,103,000 (2017: HK$9,770,000) together with property, plant and equipment with total carrying amount of approximately HK$141,767,000 (2017: HK$75,379,000) located at Xiangshui, Yancheng City, Jiangsu Province, PRC is subject to the requirement of additional new incineration facility to be constructed thereon in order to comply with the stipulated minimum floor-area ratio by 23 November 2020. The Group has submitted a development plan for constructing new incineration facility on the land, which is still pending governmental approval up to the date of approval of these consolidated financial statements. In the opinion of the Directors of the Company, once the government approval for the construction of new additional incineration facility is obtained, the construction work will be commenced accordingly and there would be no material impact to the Group's operation and financial position.

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

17. GOODWILL

	2018	2017
	HK$'000	HK$'000
Carrying amount at 1 January	**33,000**	33,000
Impairment loss recognised in consolidated statement of profit or loss	**–**	–
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) (as defined in note 18(a) below) in 2007. NUET(JS), through its subsidiaries, is engaged in the provision of environmental waste integrated treatment and disposal services in the Jiangsu Province, PRC.

Impairment test assessment

The goodwill, together with related property, plant and equipment with carrying amount of HK$78,436,000 (2017: HK$89,368,000, and prepaid lease payments for land use rights with carrying amount of HK$11,207,000 (2017: HK$11,585,000), are allocated to NUET(JS) Group as an identified CGU under the operating segment of environmental waste treatment services.

As at 31 December 2018, the assessment on the recoverable amount of this CGU was determined by CBRE Limited ("CBRE") (2017: DTZ Cushman & Wakefield Limited ("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 16.66% (2017:18.48%). Cash flows beyond the five-year period are extrapolated using an annual growth rate of 2.0% (2017: 2.0%) 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:

	2018	2017
Gross profit margin	**59.2%**	55.4%
Compound annual growth rate in the initial five-year period	**2.0%**	2.0%
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	**16.66%**	18.48%

Since the recoverable amount of the NUET(JS) Group as an identified CGU, to which goodwill and related property, plant and equipment are allocated, exceeded the aggregate carrying amount of these assets of the NUET(JS) Group as an identified CGU, no impairment loss on goodwill and the relevant assets was considered necessary at 31 December 2018 and 2017.

17. GOODWILL (continued)

Impairment test assessment (continued)

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%, (ii) compound annual growth rate in the initial five-year period down by 2%, or (iii) pre-tax discount rate applied to the cash flow projections up by 2%, respectively. There was no impairment loss on goodwill and the relevant assets of the CGU was considered necessary at 31 December 2018 in each of these scenarios.

18. INTERESTS IN SUBSIDIARIES

(a) The following list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group as at 31 December 2018:

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
Ever Champ (China) Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
Fair International Investment Enterprise Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
Fair Industry Waste Recyclables Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
Fair Time International Limited ("Fair Time")	Hong Kong	Limited liability company	99,327,000 ordinary shares	100%	–	100%	Investment holding
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")	PRC	Wholly owned domestic enterprise	Registered RMB50,000,000 and paid-up RMB12,000,000	100%	–	100%	Environmental technical consultancy and engineering services
Jiangsu Xin Yu Environmental Technologies Limited* 江蘇新宇環保科技有限公司	PRC	Wholly foreign owned enterprise	Registered and paid-up HK$48,500,000	100%	–	100%	Environmental technical consultancy
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

18. INTERESTS IN SUBSIDIARIES (continued)

(a) The following list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group as at 31 December 2018: (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 (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
New Universe International Group Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
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$97,000,000	100%	–	100%	Environmental hazardous waste treatment services

18. INTERESTS IN SUBSIDIARIES (continued)

(a) The following list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group as at 31 December 2018: (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
Taixing Xin Xin Resources Recycling Company Limited* 泰興新新資源再生利用有限公司	PRC	Wholly foreign owned enterprise	Registered and paid-up HK$30,000,000	100%	–	100%	Holding land and buildings
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
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$83,000,000	65%	–	65%	Environmental hazardous waste treatment services
Yangzhou Yangyu Solid Waste Disposal Company Limited* 揚州揚宇固廢處置有限公司	PRC	Wholly foreign owned enterprise	Registered US$15,000,000 and paid-up US$1,065,015	100%	–	100%	Establishment in progress
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

* *For identification purpose only*

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31 December 2018

18. INTERESTS IN SUBSIDIARIES (continued)

(b) The following tables summarised the financial information relating to each of the Group's subsidiaries that has material non-controlling interests ("NCI") at the end of the reporting period. The summarised financial information presented below represents the amounts before any inter-company elimination.

For the year ended 31 December 2018

	NUET(JS) Group (note) HK$'000	Xiangshui NU HK$'000	Yancheng NUHF HK$'000
NCI percentage	18%	35%	35%
Non-current assets	109,879	160,139	229,068
Current assets	122,949	27,986	20,005
Current liabilities	(73,472)	(115,091)	(74,639)
Non-current liabilities	(6,410)	–	(28,550)
Net assets	152,946	73,034	145,884
Carrying amount of NCI	27,530	25,562	51,060
Revenue	159,753	76,828	59,747
Profit/(loss) for the year	57,281	30,983	(26,040)
Total comprehensive income	47,379	28,041	(34,094)
Profit/(loss) allocated to NCI	10,310	10,844	(9,114)
Dividend paid to NCI	12,387	–	–
Cash flows generated from/(used in) operating activities	97,873	98,614	(8,694)
Cash flows (used in)/generated from investing activities	(1,938)	(97,391)	(11,319)
Cash flows (used in)/generated from financing activities	(68,816)	12,152	844

18. INTERESTS IN SUBSIDIARIES (continued)

(b) The following tables summarised the financial information relating to each of the Group's subsidiaries that has material non-controlling interests ("NCI") at the end of the reporting period. The summarised financial information presented below represents the amounts before any inter-company elimination. (continued)

For the year ended 31 December 2017

	NUET(JS) Group (note) HK$'000	Xiangshui NU HK$'000	Yancheng NUHF HK$'000
NCI percentage	18%	35%	35%
Non-current assets	120,958	39,955	239,557
Current assets	125,691	54,234	51,875
Current liabilities	(65,931)	(49,196)	(111,454)
Non-current liabilities	(6,337)	–	–
Net assets	174,381	44,993	179,978
Carrying amount of NCI	31,389	15,748	62,992
Revenue	154,822	20,518	107,011
Profit for the year	74,943	4,534	39,657
Total comprehensive income	81,837	7,484	50,354
Profit allocated to NCI	13,490	1,587	13,880
Dividend paid to NCI	8,259	–	–
Cash flows generated from/(used in) operating activities	56,559	(1,103)	52,884
Cash flows (used in)/generated from investing activities	(2,244)	(32,191)	(52,925)
Cash flows (used in)/generated from financing activities	(46,526)	35,967	24,000

Note:

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

(c) During the year ended 31 December 2017, Yancheng NUHF increased its paid-up capital to HK$83,000,000 by way of capitalisation of HK$17,000,000 out of its retained earnings, of which, the retained earnings attributable to the Group and the non-controlling interest of this subsidiary amounted to HK$11,050,000 and HK$5,950,000 were capitalised respectively.

* *For identification purpose only*

18. INTERESTS IN SUBSIDIARIES (continued)

(d) Impairment assessment of Yancheng NUHF

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

The recoverable amount of the assets of and the Group's interests in Yancheng NUHF, which is identified as a cash-generating-unit, have been determined based on value-in-use calculations performed by the Directors of the Company. The calculations use cash flow projections based on financial budgets of Yancheng NUHF and covering a one-year period approved by its management. The discount rate applied to the cash flow projections is 15.83%. The growth rate used to extrapolate the cash flows of this cash-generating unit is 2% per annum. The following describes each key assumption on which management has based their cash flow projections to undertake an impairment test of the recoverable amounts of the assets of and the Group's interest in Yancheng NUHF at 31 December 2018:

Projected cash flow – The projected cash flow from Yancheng NUHF is based on the performance which is based on its incineration facilities with a total capacity of 39,000 tons for the hazardous waste treatment, landfill with a total capacity of 18,000 tons, and management's expectation for market demand.

Discount rate – The discount rate 15.83% was determined by using the Capital Assets Pricing Model and is before tax and reflects specific risks relating to the business of Yancheng NUHF. In determining an appropriate discount rate, consideration has been given to the applicable borrowing interest rates in the year immediately before the projection period.

Growth rate – the growth rate used beyond the one-year period is determined based on the expected long-term inflation in the PRC and does not exceed the long-term average growth rate of the hazardous waste treatment business in which Yancheng NUHF operates.

The values assigned to the key assumptions on the discount rate and growth rate are consistent with information from external sources.

Management determined that the recoverable amount of the assets of Yancheng NUHF and the Group's interest in Yancheng NUHF exceeds their respective carrying amounts. Accordingly, no impairment is considered necessary to the carrying amounts of the assets of and the Group's interest in Yancheng NUHF, which is identified as a cash-generating unit, at 31 December 2018.

* *For identification purpose only*

19. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
At 1 January	**183,520**	18,236
Business combination *(note 30(a))*	**-**	144,200
Share of results	**2,510**	11,716
Share of other comprehensive income	**(8,698)**	13,122
Dividends received	**(6,530)**	(3,754)
At 31 December	**170,802**	183,520

The following list contains the particulars of the associates at 31 December 2018:

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
Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd. 南京化學工業園天宇固體廢物處置有限公司 ("NCIP")	PRC	Sino foreign joint equity enterprise	Registered and paid-up HK$93,600,000	30%	–	30%	Environmental hazardous waste treatment services

The above associates are accounted for using the equity method in the consolidated financial statements.

(a) The shares of Zhenjiang New District are traded on the platform of New Over-The-Counter Market ("New OTC Market") in Mainland China, which is considered as a closed market by the Directors of Company and the quoted price of Zhenjiang New District on the New OTC Market does not reflect the open market price of its shares.

(b) NCIP is an unlisted/unquoted entity without quoted market price.

* *For identification purpose only*

19. INTERESTS IN ASSOCIATES (continued)

(c) Impairment testing of the Group's interest in NCIP

During the year ended 31 December 2018, NCIP incurred downtime for conducting repairs and maintenance and upgrading its phase I incineration facilities and longer than expected time for testing and carrying out trial-runs of the newly constructed phase II incineration facilities before the new operating licence with enlarged capacity for both phase I and phase II was granted by the Department of Ecology and Environment of Jiangsu Province in November 2018.

As disclosed in (d) below, NCIP incurred a loss of approximately HK$8,371,000 (2017: profit of approximately HK$25,206,000) for the year ended 31 December 2018. At 31 December 2018, the recoverable amount of the Group's interests in NCIP as a cash-generating-unit has been determined based on value-in-use calculations. The Group has appointed CBRE (2017: DTZ), an independent firm of professional qualified valuers, to perform such valuation. The calculations use cash flow projections based on financial budgets of NCIP and covering a five-year period approved by its management. The discount rate applied to the cash flow projections is 16.41% (2017: 19.28%). The growth rate used to extrapolate the cash flows of this cash-generating unit is 2% (2017: 3%) per annum. Other key assumptions for the value-in-use calculations relate to estimation of the performance which is based on Phase I and Phase II incineration facilities with capacity of 38,000 (2017: 19,800) tons upon completion of the construction and trial runs of Phase II incineration facilities for the hazardous waste treatment of NCIP, and management's expectation for market demand.

The following describes each key assumption on which management has based their cash flow projections to undertake an impairment test of the recoverable amount of the Group's interest in NCIP:

Projected cash flow – The projected cash flow from NCIP is based on the performance which is based on the Phase I and Phase II incineration facilities with capacity of 38,000 (2017: Phase I 19,800) tons upon completion of the construction and trial runs of Phase II incineration facilities for the hazardous waste treatment of NCIP, and the management's expectation of the market demand.

Discount rate – The discount rate 16.41% (2017:19.28%) was determined by using the Capital Assets Pricing Model and is before tax and reflects specific risks relating to the business of NCIP. In determining an appropriate discount rate, consideration has been given to the applicable borrowing interest rates in the year immediately before the projection period. The decrease in the discount rate for this year's assessment is mainly attributable to the fact that NCIP has obtained the necessary operating licence and completed trial runs for its newly constructed second phase processing facilities for hazardous waste treatment which has been in operation since November 2018 and accordingly, there is less company specific risk for this year's assessment.

Growth rate – the growth rate used beyond the five-year period is determined based on the expected long-term inflation in the PRC and does not exceed the long-term average growth rate of the hazardous waste treatment business in which NCIP operates.

The values assigned to the key assumptions on the discount rate and growth rate are consistent with information from external sources.

Management determined that the recoverable amount of the Group's interest in NCIP exceed the carrying amount of the interests in NCIP. Accordingly, no impairment is considered necessary at the reporting period end.

19. INTERESTS IN ASSOCIATES (continued)

(d) The following tables summarised the financial information relating to each of the Group's associates, at the end of the reporting period, as adjusted for the differences in accounting policies and financial reporting standards, if any, and as reconciled to the carrying amounts in the consolidated financial statements.

For the year ended 31 December 2018

	Zhenjiang New District HK$'000	NCIP HK$'000
Gross amounts of the associate's		
Non-current assets	38,265	632,092
Current assets	52,042	30,983
Current liabilities	(6,850)	(63,699)
Non-current liabilities	(16,005)	(97,488)
Net assets	67,452	501,888
Revenue	33,094	68,053
Profit/(loss) for the year	16,739	(8,371)
Other comprehensive income		
– Exchange difference on translation of financial statements	(3,324)	(25,671)
Total comprehensive income	13,415	(34,042)
Dividend received from the associate	3,794	2,736
Reconciliation to the Group's interest in the associate		
Gross amount of net assets of the associate	67,452	501,888
Group's share of net assets of the associate	20,236	150,566
Carrying amount in the consolidated financial statements	20,236	150,566
Aggregate amounts of the Group's share of the associate's		
Profit/(loss) for the year	5,022	(2,512)
Other comprehensive income		
– Exchange difference on translation of financial statements	(997)	(7,701)
Total comprehensive income	4,025	(10,213)

19. INTERESTS IN ASSOCIATES (continued)

For the year ended 31 December 2017

	Zhenjiang New District HK$'000	NCIP HK$'000
Gross amounts of the associate's		
Non-current assets	46,015	646,902
Current assets	44,107	41,439
Current liabilities	(6,399)	(45,803)
Non-current liabilities	(17,039)	(97,488)
Net assets	66,684	545,050
Revenue	28,219	91,876
Profit for the year	13,847	25,206
Other comprehensive income		
– Exchange difference on translation of financial statements	4,565	39,176
Total comprehensive income	18,412	64,382
Dividend received from the associate	3,754	–
Reconciliation to the Group's interest in the associate		
Gross amount of net assets of the associate	66,684	545,050
Group's share of net assets of the associate	20,005	163,515
Carrying amount in the consolidated financial statements	20,005	163,515
Aggregate amounts of the Group's share of the associate's		
Profit for the year	4,154	7,562
Other comprehensive income		
– Exchange difference on translation of financial statements	1,369	11,753
Total comprehensive income	5,523	19,315

20. INTEREST IN A JOINT VENTURE

	2018 HK$'000	2017 HK$'000
Share of net assets		
At 1 January	**–**	–
Capital contribution	**26,520**	–
Share of results	**(820)**	–
Share of other comprehensive income	**(519)**	–
At 31 December	**25,181**	–

The following list contains the particulars of the joint venture at 31 December 2018:

Name of joint venture	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
Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited * 柳州新宇榮凱固體廢物處置有限公司 ("LZXYRK")	PRC	Sino foreign joint equity enterprise	Registered RMB70,000,000 and paid-up RMB36,323,469.75	65%	–	65%	Establishment in progress

The joint venture above is accounted for using the equity method in the consolidated financial statements. LZXYRK is an unlisted/unquoted entity without quoted market price.

LZXYRK is operated under joint venture agreement, pursuant to which the Group could share control over LZXYRK with the joint venture partner, and accordingly, the investment in LZXYRK is accounted for as joint venture.

* *For identification purpose only*

20. INTEREST IN A JOINT VENTURE (continued)

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

For the year ended 31 December 2018

	LZXYRK HK$'000
Gross amounts of the joint venture's	
Non-current assets	20,655
Current assets	23,409
Current liabilities	(5,324)
Non-current liabilities	–
Total equity	38,740
Revenue	–
Loss for the year	(1,262)
Other comprehensive income	
– Exchange difference on translation of financial statements	(798)
Total comprehensive income	(2,060)
Dividend received from the joint venture	–
Reconciliation to the Group's interest in the joint venture	
Gross amount of net assets of the joint venture	38,740
Group's share of net assets of the joint venture	25,181
Carrying amount in the consolidated financial statements	25,181
Aggregate amounts of the Group's share of the joint venture's	
Loss for the year	(820)
Other comprehensive income	
– Exchange difference on translation of financial statements	(519)
Total comprehensive income	(1,339)

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 December 2018 HK$'000	At 1 January 2018 HK$'000	At 31 December 2017 HK$'000
Equity instrument designated as measured at FVOCI (non-recycling)	**92,200**	80,000	–
Available-for-sale financial assets:			
Long-term equity investments at FVOCI (recycling)	**–**	–	80,000

	2018 HK$'000	2017 HK$'000
At 1 January	**80,000**	63,600
Net fair value change transfer to equity through statement of other comprehensive income	**12,200**	16,400
At 31 December	**92,200**	80,000

As disclosed in note 2(c), upon the application of HKFRS 9 on 1 January 2018, the Group designated the unlisted equity investments as measured at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends with amount of HK$4,266,000 (2017: HK$3,520,000) were received on the unlisted equity investments during the year.

As at 31 December 2018, the Group has interests in the following unlisted 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 US$16,000,000 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$1,650,000	28.67%	–	28.67%	Plastic materials dyeing

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Notes:

(a) The unlisted 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 2018, the fair value of these unlisted equity investments was determined by reference to the valuation carried out by CBRE (2017: 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 15% (2017: 16%) for these unlisted investments. Details of fair value hierarchy for these investments are disclosed in note 42 below.

	EBIT		**Dividend yield** (note (i))		**Fair value** (note (ii))	
	2018 HK$'000	2017 HK$'000	**2018**	2017	**2018 HK$'000**	2017 HK$'000
Suzhou New Huamei	**13,238**	11,539	**4.8%**	5.0%	**38,600**	29,900
Danyang New Huamei	**6,745**	6,749	**3.7%**	4.3%	**14,900**	11,540
Qingdao Huamei	**10,737**	11,800	**4.4%**	3.2%	**38,700**	38,560

Notes:

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

(ii) The fair value of each of the unlisted equity investments at the end of the reporting period was determined by reference to the respective independent and professional valuation performed by CBRE (2017: DTZ).

(iii) In the opinion of the Directors of the Company, there was no impairment on each of the above unlisted investments at both reporting period ends and there was no impairment charge to the consolidated statement of profit or loss 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 because the Group has less than 20% voting power of the board directors of these investees. Accordingly, the investments in Qingdao Huamei and Danyang New Huamei are accounted for as unlisted equity investments.

22. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**3,573**	2,460

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

	2018 HK$'000	2017 HK$'000
Carrying amount of inventories consumed	**56,792**	44,795

23. TRADE AND BILLS RECEIVABLES

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

Ageing analysis

The ageing analysis of trade and bills receivables as of the end of the reporting period, based on the invoice date, is presented as follows:

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

The Group's trading terms with its customers are mainly on credit. The Group allows an average credit period of 60 days to its customers of 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. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 43(d) below.

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31 December 2018

23. TRADE AND BILLS RECEIVABLES (continued)

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Prepayments	**8,649**	6,522
Deposits paid for acquisition of property, plant and equipment	**256**	3,715
Refundable deposit paid for proposed establishment of a joint venture *(note 37)*	**–**	1,200
Loan to an associate *(note (a))*	**–**	3,800
Other receivables *(note (b))*	**8,037**	19,263
	16,942	34,500

Notes:

(a) On 7 April 2017, an unsecured temporary short-term loan of HK$3,800,000 was made to NCIP which borne interest at rate of 5.335% per annum and had been fully repaid on 22 March 2018.

(b) Contract assets

Included in other receivables amounted to approximately HK$284,000 as at 31 December 2017 was reclassified as contract assets on 1 January 2018.

Contract assets represent the Group's rights to considerations from customers for the provision of services on civil engineering works, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by qualified professionals or other representatives appointed by the customers; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts for a warranty period to the maximum of 18 months after completion of the relevant works. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which the entitlement to payments becomes unconditional and is invoiced to the customer.

The Group's contract assets are analysed as follows:

	At 31 December 2018 HK$'000	**At 1 January 2018** HK$'000	**At 31 December 2017** HK$'000
Provision of civil engineering works	1,469	284	–

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes: (continued)

(b) Contract assets (continued)

The Group's contract assets are the retention receivables to be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period as follows:

	At 31 December 2018 HK$'000	At 1 January 2018 HK$'000
Within one year	**1,469**	284
After one year	**–**	–
	1,469	284

No impairment was made for contract assets as at 31 December 2017 and 2018. Since the adoption of HKFRS 9 on 1 January 2018, the Group has assessed impairment for its contract assets on an individual basis based on internal credit rating. ECL is estimated based on historical observed default rates over the expected life of debtors and are adjusted for forward-looking information that is available without undue cost or effort. No lifetime ECL was made for contract assets as at 1 January 2018 and 31 December 2018.

25. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2018 HK$'000	2017 HK$'000
Cash and bank balances	**112,089**	130,520
Time deposits	**170,150**	107,364
	282,239	237,884
Less: Pledged bank deposits for short term banking borrowings	**–**	–
Cash and cash equivalents in the consolidated statement of cash flow	**282,239**	237,884

The bank balances and time deposits carried interest at market rates within the range from 0.01% to 2.80% (2017: 0.01% to 1.35%) per annum for the year ended 31 December 2018. Cash at banks earns interest at floating rates on daily deposit rates. Short-term time deposits are placed for varying periods within 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are placed with creditworthy banks with no recent history of default.

25. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities:

	Accrued interests (note 28) HK$'000	**Bank borrowings (note 26) HK$'000**	**Total HK$'000**
At 1 January 2018	378	182,677	183,055
Changes from financing cash flows:			
Proceeds from bank borrowings	–	168,655	168,655
Repayment of bank borrowings	–	(92,351)	(92,351)
Finance costs paid	(14,302)	–	(14,302)
Total changes from financing cash flows	(14,302)	76,304	62,002
Exchange adjustments	(125)	(4,492)	(4,617)
Other non-cash changes:			
Interest expenses recognised in profit or loss	14,302	–	14,302
At 31 December 2018	**253**	**254,489**	**254,742**

	Accrued interests (note 28) HK$'000	Pledged bank deposits for bank borrowings (note 26) HK$'000	Bank borrowings (note 26) HK$'000	Total HK$'000
At 1 January 2017	311	(9,606)	78,342	69,047
Changes from financing cash flows:				
Proceeds from bank borrowings	–	–	190,994	190,994
Repayment of bank borrowings	–	–	(89,099)	(89,099)
Placements bank deposits for bank borrowings	–	(4,677)	–	(4,677)
Release of bank deposit for bank borrowings	–	14,283	–	14,283
Finance costs paid	(9,129)	–	–	(9,129)
Total changes from financing cash flows	(9,129)	9,606	101,895	102,372
Exchange adjustments	67	–	2,440	2,507
Other non-cash changes:				
Interest expenses recognised in profit or loss	9,129	–	–	9,129
At 31 December 2017	378	–	182,677	183,055

26. BANK BORROWINGS

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

	2018 HK$'000	2017 HK$'000
Current liabilities		
Current portion of bank borrowings due for repayment within one year	**86,498**	77,709
Non-current portion of bank borrowings subject to immediate demand repayment clause	**82,311**	59,968
	168,809	137,677
Non-current liabilities		
Between 1 year and 2 years	**32,408**	5,000
Between 2 years and 5 years	**53,272**	40,000
	85,680	45,000
Total interest-bearing bank borrowings	**254,489**	182,677

	2018 HK$'000	2017 HK$'000
– Unsecured	**183,685**	154,237
– Secured	**70,804**	28,440
	254,489	182,677

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

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

26. BANK BORROWINGS (continued)

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

	2018 **HK$'000**	2017 HK$'000
Hong Kong dollar	**140,799**	116,263
Renminbi	**113,690**	66,414
	254,489	182,677

Notes:

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

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 43 to the financial statements.

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

(b) As at 31 December 2018, total unsecured bank loans of approximately HK$140,799,000 (2017: HK$116,263,000) payable by the Company in Hong Kong bore interest at variable rates ranging from 2.23% to 5.09% per annum in current year (2017: 2.60% to 4.01% per annum).

(c) As at 31 December 2018, total unsecured bank loans of approximately HK$42,886,000 (2017: HK$37,974,000) owed by the subsidiaries in PRC, Yancheng NUHF and Xiangshui New Universe, bore interest at various fixed rates ranging from 5.0% to 5.9% per annum in current year (2017: 5.0% per annum).

(d) As at 31 December 2018, total secured bank loans of approximately HK$70,804,000 (2017: HK$28,440,000) owed by the subsidiaries in PRC, Yancheng NUHF and Suqian New Universe were secured by pledge of land use rights and certain property, plant and equipment with an aggregate carrying amount of approximately HK$28,842,000 (2017: HK$6,351,000) and HK$216,829,000 (2017: HK$26,310,000) respectively. The bank loans bore interest at various fixed rates ranging from 5.0% to 5.2% per annum in current year (2017: 4.8% to 6.9% per annum).

26. BANK BORROWINGS (continued)

Notes: (continued)

(e) As at 31 December 2018, unsecured bank loan of HK$45,000,000 payable by the Company under a banking facility letter granted by a bank on 12 December 2017 which had specific performance covenants, pursuant to which, if Mr. XI Yu as the controlling shareholder of Company (i) ceases to be directly or indirectly the single largest shareholder of the Company; (ii) ceases to own directly or indirectly at least 30% of the issued shares with voting rights of the Company; or (iii) ceases to have the management control over the Company, the Bank may cancel all or any part of the facility and declare all or any part of the outstanding facility, together with accrued interest, and all other amounts accrued under the banking facility letter immediately due and payable, whereupon all or part of the facility shall be immediately cancelled and all such outstanding amounts shall become immediately due and payable.

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

(f) As at 31 December 2018, there were available but undrawn loan facilities totally amounted to HK$45,000,000, pursuant to which, the facility letters contain certain covenants, amongst others, the Company undertakes (i) to ensure that Mr. XI Yu shall have the single largest shareholding interests (directly or indirectly) in the Company; and (ii) to ensure that Mr. XI Yu shall beneficially own in aggregate (directly or indirectly) at least 30% of the issued shares (with voting rights) of the Company, and (iii) is entitled to exercise management control over the Company. The respective banks reserve their respective overriding rights at any time with immediate effect to cancel or vary the terms of the respective facility letters, demand immediate repayment of all outstanding amounts and require provision of immediate cash cover (in the amount notified by the banks) for any future or contingent liabilities upon the occurrence of any events of default.

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

27. TRADE PAYABLES

	2018 **HK$'000**	2017 HK$'000
Trade payables	**10,254**	6,226

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

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31 December 2018

27. TRADE PAYABLES (continued)

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

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

28. ACCRUED LIABILITIES AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Salaries and bonuses payable	**21,447**	21,540
Accounts payable for acquisition of property, plant and equipment	**47,611**	97,743
Accrued interest payable	**253**	378
Other payables and accruals	**90,080**	77,306
	159,391	196,967

29. CONTRACT LIABILITIES

	At 31 December 2018 HK$'000	At 1 January 2018 HK$'000	At 31 December 2017 HK$'000
Deposits received from customers *(note)*	**14,033**	5,117	–

Note: Upon the adoption of HKFRS 15, amounts previously classified as "Deposits received from customers" were reclassified to contract liabilities (note 2(c)).

When the Group receives a deposit before the activity of service provision commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised. The Group receives deposits on entering into service provision contracts or acceptance of orders on a case by case basis with customers before service work commences.

The balance of contract liabilities at 1 January 2018 is all recognised as revenue during the year of 2018. The amount of deposits received from customers in advance of performance is expected to be recognised as income within one year.

30. CONSIDERATIONS PAYABLE FOR ACQUISITION OF SUBSIDIARIES

At the end of the reporting period, considerations payable for acquisition of subsidiaries of the Group were repayable as follows:

	2018 **HK$'000**	2017 HK$'000
Current portion of considerations payable within one year	**49,600**	35,200
Non-current portion of considerations payable:		
Between 1 year and 2 years	**–**	49,600
Total considerations payable	**49,600**	84,800

(a) Acquisition accounted for as business combination – 2017

On 31 March 2017, the Group, as the purchaser, and Sinotech Investments Limited, as the vendor ("Vendor"), entered into a sale and purchase agreement (SPA), pursuant to which, the Group acquired the entire interests in issued share capital and shareholder's loan in Ever Champ (China) Limited ("ECCL") for a total consideration of HK$148,000,001, subject to adjustment. ECCL is a company incorporated in Hong Kong, of which its main asset is the 30% equity interest and shareholder's loan in NCIP, a sino-foreign joint equity enterprise established in the PRC, Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd. ECCL and its interests in NCIP collectively are referred to as the "ECCL Group", which is engaged in industrial hazardous waste treatment and disposal operations. This acquisition of the interest in NCIP through the purchase of 100% interest in ECCL has been accounted for using the acquisition method. The transaction was completed on 21 April 2017 (the "Acquisition").

As part of the consideration for the Acquisition, 80,000,000 new shares of the Company with par value of HK$0.01 each were issued. The fair value of the consideration shares issued by the Company, determined using the published price available at the date of completion of the Acquisition, amounted to HK$56,800,000. Cash consideration of approximately HK$15,960,000 will be held by the Group as security for the due performance of the Profit Guarantee (as defined below), with adjustment to the consideration according to the terms of the SPA.

Included in the SPA, there is contingent consideration arrangement. The Vendor warrants that the audited consolidated net profit after tax of NCIP, prepared in accordance with HKFRSs ("Net Profits"), for the two financial years ended 31 December 2018 ("Guarantee Periods") in total shall not be less than RMB44,334,000 (Guaranteed Profit). Upon 100% fulfilment of the Guaranteed Profit, the Group shall release the respective amount of cash consideration held in the maximum amount of approximately HK$15,960,000, after deducting the amount of any shortfall in the guaranteed profit, back to the Vendor.

Since the date of the Acquisition, ECCL Group had contributed HK$Nil and HK$7,557,000 to the Group's revenue and profit before taxation respectively for the year ended 31 December 2017. Had the Acquisition occurred on 1 January 2017, ECCL Group would have contributed revenue and profit before taxation for the current year of HK$Nil and HK$7,520,000 respectively.

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30. CONSIDERATIONS PAYABLE FOR ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition accounted for as business combination – 2017 (continued)

Acquisition-related costs amounting approximately to HK$1,300,000, have been recognised as other operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2017.

Assets acquired and liabilities recognised at the date of completion of the acquisition of ECCL were as follows:

	2017 **Fair value** HK$'000
Interest in an associate	
– 30% of fair value of net assets of NCIP (see below)	144,200
Loan to NCIP	3,800
Other receivables	244
Cash and bank balances	18
Other payables	(262)
Fair value of net assets acquired	148,000
Total consideration	140,800
Contingent consideration receivable under Profit Guarantee clause of the SPA	–
Less: Fair value of net assets acquired	(148,000)
Gain on bargain purchase	7,200
Satisfied by:	
Consideration shares	56,800
Cash consideration paid on acquisition date	18,167
Cash considerations payable *(note (d)(ii))*	65,833
	140,800
Net cash outflow arising from acquisition:	
Cash consideration paid on acquisition date	(18,167)
Cash consideration already paid in prior year	5,000
Cash paid after acquisition date	(13,167)
Less: Cash and cash equivalent acquired	18
	(26,316)

A business valuation for 100% interest of NCIP at 28 February 2017 was conducted by DTZ Cushman & Wakefield Limited (DTZ), using the income approach, based on which, the Directors of the Company considered that the fair value less cost of disposal for ECCL's 30% equity interest in NCIP at the acquisition date did not materially differ from HK$144,200,000.

30. CONSIDERATIONS PAYABLE FOR ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition accounted for as business combination – 2017 (continued)

The gain on bargain purchase represented the difference between the fair value of 80,000,000 new shares of the Company issued as settlement for part of consideration on the date of completion of the acquisition at HK$0.71 per new share, based on the closing price of the Company's shares at the acquisition date, and the issue price of the consideration shares at HK$0.80 per share based on the terms of the SPA.

The fair value of assets less liabilities of NCIP attributable to ECCL, at the date of completion of the acquisition of ECCL, were as follows:

	2017
	Fair value
	HK$'000
Property, plant and equipment	104,634
Construction in progress	21,350
Land use rights	18,527
Trademarks	28,355
Licenses and other intangible assets	454,808
Inventories	706
Trade and other receivables	6,145
Cash and bank balances	10,478
Trade and other payables	(43,136)
Tax payable	(878)
Bank borrowings	(10,168)
Loans from shareholders	
– ECCL	(3,800)
– Other shareholders of NCIP	(8,867)
Deferred tax liabilities	(97,488)
Fair value of net assets of NCIP	480,666
30% of fair value of net assets of NCIP, attributable to ECCL at acquisition date	144,200

As disclosed in note 19 to the consolidated financial statements, NCIP had revenue and net profit of approximately HK$91,876,000 and HK$25,206,000, respectively, for the post-acquisition period ended 31 December 2017, since the acquisition date. The post-acquisition net result of NCIP shared by the Group was approximately HK$7,562,000 for the post acquisition period ended 31 December 2017, since the acquisition date. The Group's share of net assets of NCIP was approximately HK$163,515,000 at 31 December 2017.

30. CONSIDERATIONS PAYABLE FOR ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition accounted for as business combination – 2017 (continued)

Based on a business valuation on NCIP as at 31 December 2017 performed by an independent professional valuer, DTZ, on the basis of the fair value less cost of disposal, the recoverable amounts of NCIP, as a cash generating unit to which above relevant assets are allocated, and the Group's 30% interest in NCIP exceed their respective carrying amounts as at 31 December 2017. Accordingly, no impairment was considered necessary on the assets of NCIP and the Group's interest in NCIP at the acquisition date and 31 December 2017.

(b) Purchase of assets through acquisition of a subsidiary – 2017

On 21 April 2017, the Group acquired 100% issued share capital of Fair Industry Waste Recyclables Limited ("FIWRL") at a cash consideration of HK$42,300,001. FIWRL is principally engaged in investment holding. FIWRL directly owns 100% equity interest in 江蘇新宇環保科技有限公司 ("JXYE", Jiangsu Xin Yu Environmental Technology Company Limited*).

The acquisition of FIWRL and JXYE did not constitute a business combination. The acquisition has been accounted for as a purchase of assets and liabilities through acquisition of subsidiaries.

	2017 **Fair value** HK$'000
Loans receivable	21,291
Less: Loan receivable novated to vendor *(note (d)(i))*	(14,400)
Cash and bank balances	21,021
Other payables	(12)
Net assets acquired, as adjusted	27,900
Satisfied by:	
Cash consideration paid on acquisition date	7,050
Cash considerations payable *(note (d)(ii) below)*	35,250
Less: Loan receivable novated to vendor *(note (d)(i))*	(14,400)
Total consideration, as adjusted	27,900
Net cash inflow on acquisition of assets through acquisition of a subsidiary:	
Cash consideration paid on acquisition date	(7,050)
Cash paid after acquisition date	(7,050)
Less: Cash and cash equivalents acquired	21,021
	6,921

* *For identification purpose only*

30. CONSIDERATIONS PAYABLE FOR ACQUISITION OF SUBSIDIARIES (continued)

(c) Purchase of assets through acquisition of a subsidiary – 2017

On 21 April 2017, the Group acquired 100% issued share capital of Fair International Investment Enterprise Limited ("FIIEL") at a cash consideration of HK$27,500,001. FIIEL is principally engaged in investment holding. FIIEL directly owns 100% equity interest in 泰興新新資源再生利用有限公司 ("TXXRR", Taixing Xin Xin Resources Recycling Company Limited*).

The acquisition of FIIEL and TXXRR did not constitute a business combination. The acquisition had been accounted for as a purchase of assets and liabilities through acquisition of subsidiaries.

	2017
	Fair value
	HK$'000
Property, plant and equipment	6,212
Land use rights	19,436
Other receivables	1,076
Cash and bank balances	2,376
Other payables	(1,600)
Net assets acquired	27,500
Satisfied by:	
Cash consideration paid	4,583
Cash considerations payable *(note (d)(ii))*	22,917
Total consideration	27,500
Net cash outflow on acquisition of assets through acquisition of a subsidiary:	
Consideration shares	
Cash consideration paid on completion date	(4,583)
Cash paid after acquisition date	(4,583)
Less: Cash and cash equivalents acquired	2,376
	(6,790)

* *For identification purpose only*

30. CONSIDERATIONS PAYABLE FOR ACQUISITION OF SUBSIDIARIES (continued)

(d) Considerations payable for acquisition of subsidiaries

At the end of the reporting period, the cash considerations payable for the acquisition of subsidiaries were payable as follows:

	2018 **HK$'000**	2017 HK$'000
Considerations payable for:		
– Acquisition of 100% ECCL and 30% NCIP	**26,332**	52,666
– Acquisition of 100% FIWRL and 100% JXYE *(note (i))*	**14,100**	13,800
– Acquisition of 100% FIIEL and 100% TXXRR	**9,168**	18,334
	49,600	84,800
Analysed for reporting purpose as:		
Current liabilities		
Within 1 year	**49,600**	35,200
Non-current liabilities		
Between 1 year and 2 years	**–**	49,600
	49,600	84,800

Notes:

(i) The wholly-owned subsidiary of FIWRL, JXYE had outstanding loans receivable from a third party with a total carrying amount of approximately HK$14,400,000 as at 31 December 2017, which had been novated to the vendor and deducted against the third instalment of the respective considerations payable to the Vendor in accordance with its undertaking stipulated in the SPA.

(ii) The considerations payable for the acquisition of subsidiaries are payable by 4 semi-annual installments and bear interest at the prevailing prime rate offered by the Hongkong and Shanghai Banking Corporation Limited minus 1% per annum, which was 4% per annum as at the acquisition date and at 31 December 2017.

This interest rate bearing on the above considerations payable approximated to the Group's incremental similar borrowing rate at acquisition date and 31 December 2017. The above considerations payable approximated to their fair value at the acquisition date and 31 December 2017.

(iii) The above considerations payable approximated to their respective fair value at the acquisition date at 31 December 2017 and 31 December 2018.

(e) The actual net profit of NCIP for two years ended 31 December 2018 in accordance with the HKFRSs was RMB26,206,783, and accordingly, the fair value of compensation receivable (the level 3 fair value measurement) from the Vendor under the Profit Guarantee clause of the SPA was assessed to be approximately RMB5,438,000 (or equivalent to approximately HK$6,210,000) as at 31 December 2018 (at the acquisition date and as at 31 December 2017: zero). The fair value of the compensation in respect of the Guaranteed Profit was accounted for as other net income of the Group for the year ended 31 December 2018 (note 7(iii)).

30. CONSIDERATIONS PAYABLE FOR ACQUISITION OF SUBSIDIARIES (continued)

(e) (continued)

At 31 December 2017, after taking into account of NCIP's actual net profit for the year ended 31 December 2017 and its profit forecast for the financial year of 2018, the Directors of the Company considered that the combined forecasted Net Profits for the two financial years ending 31 December 2017 and 2018 of NCIP would exceed the Guaranteed Profit, and accordingly, the estimated fair value of the contingent consideration receivable arising from the Profit Guarantee clause of the SPA was assessed to be zero (level 3 fair value measurement) at the acquisition date and as at 31 December 2017.

(f) Upon completion of the SPA, the Purchaser had paid the first installment of cash consideration in the amount of HK$24,800,003, and the remaining HK$124,000,000 should be payable by 5 semi-annual installments of HK$24,800,000 each. The considerations payable after the completion bear interest at the prevailing prime rate offered by the Hongkong and Shanghai Banking Corporation Limited minus 1% per annum, which was 4.125% per annum as at 31 December 2018 (the acquisition date and 31 December 2017: 4% per annum).

This interest rate bearing on the above considerations payable approximated to the Group's incremental similar borrowing rate at acquisition date, 31 December 2017 and 31 December 2018.

31. DEFERRED GOVERNMENT GRANTS

Government grants were obtained by the subsidiaries, Yancheng NUHF, Zhenjiang New Universe and Zhenjiang Sinotech to subsidise the construction of their respective environmental energy saving facility and controlling facility 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 2017	8,611
Exchange adjustments	655
Receipt for the year	436
At 31 December 2017 and at 1 January 2018	9,702
Exchange adjustments	(591)
Receipt for the year	4,888
At 31 December 2018	**13,999**
Release of grants	
At 1 January 2017	4,705
Exchange adjustments	367
Release for the year	489
At 31 December 2017 and at 1 January 2018	5,561
Exchange adjustments	(298)
Release for the year	1,195
At 31 December 2018	**6,458**
Carrying amount	
At 31 December 2018	**7,541**
At 31 December 2017	4,141

31. DEFERRED GOVERNMENT GRANTS (continued)

Analysed for reporting purpose as:

	2018 HK$'000	2017 HK$'000
Current liabilities	**949**	504
Non-current liabilities	**6,592**	3,637
	7,541	4,141

32. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2018 HK$'000	2017 HK$'000
Provision of PRC Corporate Income Tax for current year	**14,682**	14,776
Provision of PRC Corporate Income Tax for prior years	**9,085**	2,201
Exchange adjustments	**(234)**	303
Net income tax paid	**(20,105)**	(11,206)
	3,428	6,074

(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 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 2017	60	19,375	6,638	26,073
Charge to other comprehensive income	1,640	–	–	1,640
Charge to profit or loss	–	270	2,365	2,635
At 31 December 2017 and 1 January 2018	1,700	19,645	9,003	30,348
Charge to other comprehensive income	1,801	–	–	1,801
Charge to profit or loss	–	(532)	2,093	1,561
At 31 December 2018	**3,501**	**19,113**	**11,096**	**33,710**

32. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(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$61,339,000 (2017: HK$54,875,000) 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 2018 and 2017 there was no significant unrecognised deferred tax liability.

33. OTHER BORROWING

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

34. SHARE CAPITAL

		Number of shares		Share capital	
		2018	2017	**2018**	2017
	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		**3,035,697**	2,955,697	**30,357**	29,557
Issue of new shares as part of the consideration	(a)	**–**	80,000	**–**	800
At 31 December		**3,035,697**	3,035,697	**30,357**	30,357

Notes:

(a) Issue of new shares as part of consideration:
On 21 April 2017, as disclosed in note 30(a), the Company allotted and issued 80,000,000 new ordinary shares of HK$0.01 each of the Company to the vendor, upon the completion of a business combination, as part of the total considerations payable by the Company pursuant to the SPA dated 31 March 2017. The aggregate nominal value of the 80,000,000 consideration shares at a par value of HK$0.01 per share was HK$800,000. The 80,000,000 consideration shares were stipulated in the SPA with the price at HK$0.80 per share and at an aggregate price of HK$64,000,000. The fair value of these 80,000,000 consideration shares issued by the Company was HK$56,800,000 at HK$0.71 per share which was the closing price of the Company's shares on 21 April 2017.

(b) As at 31 December 2018, the holders of ordinary shares are entitled to receive dividend to be declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

35. 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 2017	400,465	95,024	495,489
Profit for the year	–	35,549	35,549
Issue of consideration shares	56,000	–	56,000
Dividend relating to 2016	–	(18,214)	(18,214)
At 31 December 2017 and at 1 January 2018	456,465	112,359	568,824
Profit for the year	–	45,006	45,006
Dividend relating to 2017	–	(19,732)	(19,732)
At 31 December 2018	**456,465**	**137,633**	**594,098**

(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(x) to the financial statements.

(iii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of 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)(ii) to the financial statements.

35. RESERVES (continued)

(c) Nature and purpose of reserves and their movements (continued)

(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 another party, 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 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 2018, the Company had reserves in the amount of HK$594,098,000 (2017: HK$568,824,000) available for distribution to its owners.

36. OPERATING LEASES COMMITMENTS

The Group as lessee

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2018 **HK$'000**	2017 HK$'000
Within 1 year	**650**	632

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 buildings 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 buildings 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.

36. OPERATING LEASES COMMITMENTS (continued)

The Group as lessor (continued)

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 buildings and facilities as follows:

	2018 HK$'000	2017 HK$'000
Within 1 year	**20,478**	20,232
After 1 year but within 5 years	**69,592**	74,453
After 5 years	**35,878**	52,055
	125,948	146,740

37. CAPITAL COMMITMENTS

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

	2018 HK$'000	2017 HK$'000
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	**64,005**	80,330
– Capital contribution payable to a joint venture (note below)	**25,980**	54,600
– Capital contribution payable to the equity investment	**15,976**	–

On 17 November 2017, the Group and an independent third party entered into a framework agreement, pursuant to which, the Group paid a refundable deposit of HK$1,200,000 and a joint venture company was registered on 26 December 2017 with a registered capital of RMB70,000,000 of which the Group shall contribute RMB45,500,000 for its 65% share of the equity interest in this joint venture. Based on the terms of the joint venture agreement made between the Group and the other joint venture partner, the Group and the other joint venture partner of the joint venture company shall share jointly the control of the joint venture company and accordingly the Group's interest in the joint venture company which shall be accounted for using equity method. For the year ended 31 December 2018, the Group has made capital contribution to the joint venture company amounted to RMB22,750,000 (approximately to HK$26,520,000).

38. PLEDGE OF ASSETS AND AVAILABLE UNUSED CREDIT FACILITIES

(a) Pledge of assets

At 31 December 2018, the following assets were pledged as collaterals for banking facilities granted to the Group by certain banks.

	2018 HK$'000	2017 HK$'000
Property, plant and equipment	**239,390**	51,762
Prepaid lease payments for land use rights	**38,022**	15,839
	277,412	67,601

(b) Unused credit facilities

At 31 December 2018, the total banking facilities of the Group amounted to HK$337,359,000 (2017: HK$265,403,000,) which were utilised to the extent of unsecured bank loans of HK$183,685,000 (2017: HK$154,237,000) and secured bank loans of HK$70,804,000 (2017: HK$28,440,000) and the available unutilised banking facilities amounted to HK$82,870,000 (2017: HK$82,726,000).

39. SHARE OPTION SCHEME AND EMPLOYEE RETIREMENT BENEFITS

(a) Share option scheme

The Company has adopted a share option scheme with terms duly passed by the Company's shareholders at the general meeting held on 5 May 2015 ("Share Option Scheme"). The total number of shares of the Company which might be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme 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 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 2018, no option was granted or was outstanding under the Share Option Scheme (2017: Nil).

(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.

39. SHARE OPTION SCHEME AND EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Employee retirement benefits (continued)

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 (2017: 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.

40. RELATED PARTY TRANSACTIONS

(a) List of related parties

For the years ended 31 December 2018 and 2017, 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 35.31% (2017: 35.31%) of the issued share capital of the Company, and the Company's Directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are also the directors of NUEL.
CM International Capital Limited ("CMIC Cayman")	A shareholder interested in 26.35% (2017: 26.35%) of the issued share capital of the Company.
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 which is interested in 83.66% of the issue share capital of NUEL. Mr. XI Yu is also the 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.

40. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	Note	2018 HK$'000	2017 HK$'000
Recurring transactions			
Rental expenses			
– Sun Ngai	(i)	**960**	750
Charges on hazardous waste landfill disposal			
– Zhenjiang New District	(ii)	**15,082**	10,895

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 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) 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:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits	**11,221**	10,822
Retirement scheme contributions	**84**	100
Discretionary bonuses	**6,953**	5,969
	18,258	16,891

41. 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 2018 and 2017 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:

	2018 HK$'000	2017 HK$'000
(i) Financial assets		
Financial assets at amortised cost		
Trade and bills receivables	**37,726**	69,175
Loan to an associate	**–**	3,800
Refundable deposits and other receivables	**8,037**	20,463
Cash and cash equivalents	**282,239**	237,884
Financial asset at fair value through profit and loss		
Compensation receivable under a profit guarantee *(note 7(iii) and note 30(e))*	**6,210**	–
Financial assets at fair value through other comprehensive income		
Equity investments at fair value through other comprehensive income (with recycling adjustment to profit or loss)	**–**	80,000
Equity investments at fair value through other comprehensive income (no recycling adjustment to profit or loss)	**92,200**	–
Total financial assets	**426,412**	411,322
(ii) Financial liabilities		
Financial liabilities at amortised cost		
Bank borrowings	**254,489**	182,677
Other borrowings	**25,000**	25,000
Trade payables	**10,254**	6,226
Accrued liabilities and other payables	**159,391**	196,967
Considerations payables for acquisition of subsidiaries	**49,600**	84,800
Total financial liabilities	**498,734**	495,670

Details of the financial instruments are disclosed in the respective notes to the financial statements.

42. 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 amount		Fair value	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets at fair value through other comprehensive income				
Equity investments (recycling) *(note 21)*	**–**	80,000	**–**	80,000
Equity investments at fair value through other comprehensive income (non-recycling) *(note 21)*	**92,200**	–	**92,200**	–

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, financial assets included in refundable deposits and other receivables, contract assets, trade payables, financial liabilities included in accrued liabilities and other payables, deposits received from customers, contract liabilities, 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 2018 was assessed to be insignificant.

The fair values of unlisted equity investments in plastic materials dyeing have been estimated based on assumption that are not supported by observable market prices or rates. The valuation requires the Directors of the Company 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.

42. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

Apart from the fair value for the compensation receivable under the profit guarantee clause of the SPA (which is classified as Level 3 fair value measurement), as referred to note 30(e), the following table presents the fair value of the Group's other 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.

	2018				2017			
	Fair value at 31 December 2018 HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	Fair value at 31 December 2017 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Equity investments at fair value through other comprehensive income (with recycling adjustment to profit or loss) *(note 21)*	**–**	**–**	**–**	**–**	80,000	–	–	80,000
Equity investments at fair value through other comprehensive income (no recycling adjustment to profit or loss) *(note 21)*	**92,200**	**–**	**–**	**92,200**	–	–	–	–

During the year ended 31 December 2018, there were no transfers between level 1 and Level 2, or transfer into or out of Level 3 (2017: 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.

Information about Level 3 fair value measurements:

	Valuation techniques	**Significant unobservable inputs**	**Key data applied**	
			2018	2017
Unlisted equity investments in plastic materials dyeing	Market comparable companies	Discount for lack of marketability	**15%**	16%
		EV/EBIT	**14.8%**	12.7%

42. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2018, 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$3,100,000 (2017: HK$4,800,000).

The movements during the year in the balance of Level 3 fair value measurements are follows:

	2018 HK$'000	2017 HK$'000
Unlisted equity investments:		
At 1 January	**80,000**	63,600
Net unrealised decrease in fair value recognised in other comprehensive income	**12,200**	16,400
At 31 December	**92,200**	80,000

43. 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.

(a) 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 2018 and 2017, no sales of the Group were denominated in foreign currencies other than the functional currencies of the Group.

43. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(a) Foreign currency risk (continued)

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:

	2018 US$'000	2017 US$'000
Monetary financial assets		
Other receivables	**10**	10
Cash and cash equivalents	**968**	704
	978	714
Monetary financial liabilities	**–**	–
Current net exposure	**978**	714

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 2018 and 2017. Therefore, no hedging or similar measures have been implemented by the Group. At 31 December 2018 and 2017, the impact of the Group's exposure to currency risk was minimal. Accordingly, no sensitivity analysis was presented.

(b) Interest rate risk

The Group is exposed to the risk of changes in market interest rate in relation to bank borrowings at fixed and variable interest rates (note 26) and considerations payable at variable rate (note 30(f)) and bank balances (note 25 to the financial statements for details of these deposits) and fair value interest rate risk in relation to the other borrowing at fixed rate (note 33). 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 borrowings. At 31 December 2018, approximately 49.6% (2017: 44.0%) 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 25 to the financial statements. The interest rate profiles of the bank borrowings and other borrowings are disclosed in notes 26, 30 and 33 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 to 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(b) Interest rate risk (continued)

Sensitivity analysis of interest rate risk (continued)

	+ 100 bp impact		– 100 bp impact	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
(Decrease)/increase in profit after tax	**(3,041)**	(2,675)	**3,041**	2,675
(Decrease)/increase in total equity	**(3,041)**	(2,675)	**3,041**	2,675

The sensitivity to interest rates of the Group has increased during the current year mainly due to the increase in variable rate borrowings. The analysis has been presented on the same basis for both years.

(c) Equity price risk

The Group is exposed to equity price risk on its unlisted equity investments designated at fair value through other comprehensive income, which are determined by reference to the EBIT multiple of comparable listed companies in the same industry as set out in note 21 to the financial statements.

The Group's unlisted equity investments are held for long-term strategic purpose, which are confined to equity investments with key operations in plastic materials dyeing industry in the Mainland China, and have risk and return profiles different from the core operations of the Group. The performance of the respective investees has been monitored by the Group's delegates appointed to the respective board of directors of the respective investees, 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 these 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 risk at the reporting date. The following table illustrates the sensitivity if the prices of the respective equity investments had been 5% (2017: 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/or total equity, if any, where price of the equity investments increased by 5%. For a decrease in 5%, there would be an opposite impact on the profit and/or total equity and the balances below would be negative.

	+ 5% impact		– 5% impact	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase/(decrease) in profit after tax	**–**	–	**–**	–
Increase/(decrease) in total equity	**4,149**	3,600	**(4,149)**	(3,600)

The Group's sensitivity to unlisted equity investments has applied the same basis for both years.

43. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables (note 23), other receivables (note 24) and contract assets (note 24(b)). The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period 0.8% (2017: 13.3%) and 16.8% (2017: 25.9%) of the total trade receivables was due from the Group's largest customers and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. As at 31 December 2018, the Group does not provide any guarantees which would expose the Group to credit risk.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

ECLs rates are based on actual loss experience over the past years, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period over the expected lives of the receivables. No impairment for trade and other receivables is provided as the amount of additional impairment measured under the ECLs model is immaterial.

There was no material impact on trade receivables for the initial application of the new impairment requirements under HKFRS 9 compared with under HKAS 39.

43. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(e) 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. As at 31 December 2018 and 2017, the Group did not have any available secured banking facilities not yet drawn down and the unsecured banking facilities not yet drawn down by the Group were approximately HK$82,870,000 (2017: HK$82,726,000).

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 2018						
	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 rates	140,799	145,149	22,949	1,250	76,600	44,350	–
– at fixed rates	113,690	119,606	2,284	14,676	30,664	71,982	–
Other borrowing							
– at fixed rate	25,000	25,000	–	–	25,000	–	–
Considerations payable for acquisition of subsidiaries	49,600	49,600	–	–	49,600	–	–
Trade payables	10,254	10,254	6,606	688	2,960	–	–
Accrued liabilities and other payables	159,391	159,391	23,056	3,716	132,619	–	–
	498,734	509,000	54,895	20,330	317,443	116,332	–

43. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(e) Liquidity risk (continued)

	As at 31 December 2017						
	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 rates	116,263	122,113	5,141	7,800	58,322	50,850	–
– at fixed rates	66,414	66,414	–	4,157	62,257	–	–
Other borrowing							
– at fixed rate	25,000	27,000	–	–	–	27,000	–
Considerations payable for acquisition of subsidiaries	84,800	86,288	–	–	35,200	51,088	–
Trade payables	6,226	6,226	418	585	5,223	–	–
Accrued liabilities and other payables	196,967	196,967	83,669	2,512	110,786	–	–
	495,670	505,008	89,228	15,054	271,788	128,938	–

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.

(f) 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(f) Capital management (continued)

There was no change in the objectives, policies or process for managing the capital during the years ended 31 December 2018 and 2017.

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 2018 and 2017 were as follows:

	2018 **HK$'000**	2017 HK$'000
Current liabilities		
Bank borrowings	**168,809**	137,677
Trade payables	**10,254**	6,226
Accrued liabilities and other payables	**159,391**	196,967
Other borrowing	**25,000**	–
Considerations payable for acquisition of subsidiaries	**49,600**	35,200
	413,054	376,070
Non-current liabilities		
Bank borrowings	**85,680**	45,000
Other borrowing	**–**	25,000
Considerations payable for acquisition of subsidiaries	**–**	49,600
	85,680	119,600
Total financial liabilities (excluding contract liabilities, government grants and taxes)	**498,734**	495,670
Less: Cash and cash equivalents	**282,239**	237,884
Net debt	**216,495**	257,786
Total equity	**1,010,529**	997,567
Total equity and net debt	**1,227,024**	1,255,353
Gearing ratio	**17.6%**	20.5%

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Interests in subsidiaries		**636,763**	635,005
Current assets			
Amount due from subsidiaries		**118,436**	47,800
Prepayments		**437**	437
Cash and cash equivalents		**36,492**	58,016
		155,365	106,253
Current liabilities			
Bank borrowings		**100,799**	71,263
Other borrowing		**25,000**	–
Accrued liabilities and other payables		**1,874**	814
		127,673	72,077
Net current assets		**27,692**	34,176
Total assets		**792,128**	741,258
Total assets less current liabilities		**664,455**	669,181
Non-current liabilities			
Bank borrowings		**40,000**	45,000
Other borrowing		**–**	25,000
		40,000	70,000
Net assets		**624,455**	599,181
Capital and reserves			
Share capital	34	**30,357**	30,357
Reserves	35	**594,098**	568,824
Total equity		**624,455**	599,181

XI Yu	**CHEUNG Siu Ling**
Chairman	*Executive Director*

45. ENVIRONMENTAL CONTINGENCIES

For the year ended 31 December 2018, the Group's subsidiaries have provided regulated medical waste treatment and disposal services to hospitals and medical clinics, and provided hazardous industrial waste treatment services and industrial sewage treatment and disposal services in Jiangsu Province. The related operations require valid operating permission licences for specific categories of hazardous waste and/or regulated medical waste and industrial sewage treatment services issued by the Environmental Protection 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 2018 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 legislations and regulations, 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.

46. 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.

47. COMPARATIVE FIGURES

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.

48. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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

HKFRS 16 Leases

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 leasee.

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

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

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

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity on 1 January 2019 and will not restate the comparative information. As disclosed in note 36, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$650,000 for properties, all of which are payable within 1 year after the reporting date.

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

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

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors of the Company on 22 March 2019.