

NEW UNIVERSE ENVIRONMENTAL GROUP LIMITED

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



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CORPORATE INFORMATION

PLACE OF INCORPORATION

Cayman Islands

BOARD OF DIRECTORS

Executive Directors

Mr. XI Yu (*Chairman and CEO*)¹

Mr. SONG Yu Qing¹

Ms. CHEUNG Siu Ling¹

Ms. ZHANG Shuo¹

Ms. LIU Yu Jie¹

Mr. HON Wa Fai¹

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 54, Hopewell Centre

183 Queen's Road East

Hong Kong

LEGAL ADVISERS

As to Hong Kong Laws

Lau, Horton & Wise LLP

As to China Laws

Beijing Sinobridge PRC Lawyers

FINANCIAL ADVISER

OCTAL Capital Limited

INDEPENDENT AUDITOR

Crowe (HK) CPA Limited

PRINCIPAL BANKERS

Bank of Jiangsu

Bank of China (Hong Kong) Limited

Bank of Communications (Hong Kong) Limited

Cathay Bank, Hong Kong Branch

The Hongkong and Shanghai Banking

Corporation Limited

HSBC Bank (China) Company Limited

The Bank of East Asia, Limited

Standard Chartered Bank (Hong Kong) Limited

LISTING INFORMATION

Shares

The issued shares of the Company are listed and

traded on the Main Board of The Stock

Exchange of Hong Kong Limited

Stock Code

00436

Board Lot

20,000 shares

WEBSITE

www.nuigl.com

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2019 increased by 3.6% to HK\$258,041,000 compared to HK\$249,115,000 for the corresponding period in 2018.
- Net profit for the six months ended 30 June 2019 decreased by 69.7% to HK\$14,399,000 compared to HK\$47,465,000 for the corresponding period in 2018.
- Profit attributable to owners of the Company for the six months ended 30 June 2019 decreased by 96.2% to HK\$1,445,000 compared to HK\$38,350,000 for the corresponding period in 2018.
- Total earnings per share attributable to owners of the Company for the six months ended 30 June 2019 were HK cents 0.05 compared to HK cents 1.26 for the corresponding period in 2018.
- Equity attributable to owners of the Company was approximately HK\$911,104,000 at 30 June 2019 compared to HK\$906,377,000 at 31 December 2018.
- Cash and cash equivalents of the Group were approximately HK\$260,844,000 at 30 June 2019 compared to HK\$282,239,000 at 31 December 2018.
- The Board resolved not to declare a dividend for the six months ended 30 June 2019.

BUSINESS REVIEW

Industrial and Medical Waste Integrated Treatment and Disposal Services

For the six months ended 30 June 2019, the Group collected from external customers for treatment and disposal an aggregate of approximately 28,460 metric tons (2018: 32,878 metric tons) of hazardous industrial waste, 3,378 metric tons (2018: 3,275 metric tons) of regulated medical waste, and 2,039 metric tons (2018: 3,663 metric tons) of general industrial waste from various cities in the Jiangsu Province, China. For the six months ended 30 June 2019, the total revenue of the Group for the provision of industrial and medical waste integrated treatment and disposal services was approximately HK\$207,208,000 (2018: HK\$197,504,000) of which the revenue from treatment and disposal of hazardous industrial waste, medical waste and general industrial waste were HK\$185,015,000, HK\$15,861,000 and HK\$6,332,000 (2018: HK\$178,896,000, HK\$15,338,000 and HK\$3,270,000) respectively.

The Group holds 30% equity interest in Zhenjiang New District Solid Waste disposal Limited (“Zhenjiang New District”) which owns and operates a landfill for the treatment and disposal of hazardous waste, and holds 30% equity interest in Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Limited (“NCIP”) which is principally engaged in the provision of incineration and disposal of hazardous industrial waste services in China. The attributable results of Zhenjiang New District and NCIP are accounted for on equity method and classified under the operating segment of the Company in industrial and medical waste integrated treatment and disposal services. For the six months ended 30 June 2019, the Group shared a net profit of HK\$5,974,000 from Zhenjiang New District (2018: net profit of HK\$3,314,000) and a net loss of HK\$1,686,000 (2018: net loss of HK\$4,702,000) from NCIP.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group also holds 65% equity interest in a sino-foreign joint venture, Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited* 柳州新宇榮凱固體廢物處置有限公司 (“Xinyu Rongkai”), which is established to build new facilities to engage in the operation of providing integrated treatment and disposal of hazardous industrial waste services in Guangxi, China. The attributable results of Xinyu Rongkai is accounted for on equity method and classified under the operating segment of the Company in industrial and medical waste integrated treatment and disposal services. For the six months ended 30 June 2019, the Group shared a net loss of HK\$839,000 (2018: net loss of HK\$204,000) arisen from the preliminary administrative expenses of Xinyu Rongkai.

For the six months ended 30 June 2019, the profit margin (pre-tax) of the Group for the provision of industrial and medical waste integrated treatment and disposal services was approximately 13.8% (2018: 33.2%).

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

	Note	Annualised capacity	
		30 June 2019 metric tons	31 December 2018 metric tons
Licensed hazardous waste incineration facilities		98,400	98,400
Licensed epidemic medical waste incineration facilities		6,080	6,080
Licensed epidemic medical waste detoxification treatment facilities		3,300	3,300
Total licensed treatment and disposal facilities	(i)	107,780	107,780
Constructed hazardous waste landfill facilities pending renewal of operating permission licence	(ii)	18,000	18,000
Constructed hazardous waste incineration facilities pending renewal of operating permission licence	(iii)	40,000	40,000
Total constructed treatment and disposal facilities pending the issue of licences		58,000	58,000
New facilities under construction or to be constructed		–	–

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (i) The total capacity of the licensed waste treatment and disposal facilities represents the total effective treatment and disposal quantity of hazardous waste allowable to handle under the valid operating permission licences owned by the Group as at the end of the reporting period calculated on annualised basis.
- (ii) The hazardous waste operating permission licence for the hazardous waste landfill facilities with an annual capacity of 18,000 metric tons located in Yancheng, Jiangsu Province, has expired in November 2017, and the application for renewal of the licence is subject to the completion of environmental enhancement facilities under construction in progress.
- (iii) During the six months ended 30 June 2019, the application for renewal of the hazardous waste operating permission licence of the incineration facilities with an annual capacity of 40,000 metric tons located in Suqian, Jiangsu Province was under progress after the licence expired at the end of November 2018.

Industrial Sewage Treatment Services in the Eco-plating Industrial Specialised Zone

For the six months ended 30 June 2019, the total revenue of the Group's operations of providing treatment and disposal services of industrial sewage and sludge and providing facilities to the manufacturers in the eco-plating specialised industrial zone (the "Eco-plating Specialised Industrial Zone") was approximately HK\$50,833,000 (2018: HK\$51,611,000) and the profit margin (pre-tax) was approximately 0.7% (2018: 5.0%).

As at 30 June 2019, the Group's operations in the Eco-plating Specialised Industrial Zone were summarised as follows:

	For the six months ended 30 June	
	2019	2018
Total gross floor area of factory buildings and facilities built (square metres)	106,605	106,605
Average utilisation rate of factory buildings and facilities	83.2%	85.3%
Plating sewage handled by the centralised sewage treatment plant during the reporting period (metric tons)	228,531	277,615
Average utilisation rate of sewage treatment capacity	27.7%	33.7%

MANAGEMENT DISCUSSION AND ANALYSIS

Investments in Plastic Materials Dyeing Operations

The Group has held the equity interests in three sino-foreign joint equity enterprises that principally engaged in plastic material dyeing business in China as long term investments since October 2007. For the six months ended 30 June 2019, the profit margins (pre-tax) of Suzhou New Huamei Plastics Company Limited (“Suzhou New Huamei”), Danyang New Huamei Plastics Company Limited (“Danyang New Huamei”) and Qingdao Zhongxin Huamei Plastics Company Limited (“Qingdao Huamei”) were 3.4%, 1.4% and 3.8% (2018: 2.5%, 1.7% and 3.8%) respectively. The Company accounts for the results of the three sino-foreign joint equity enterprises based on the actual dividend declared and receivable from them.

Outlook

During the six months ended 30 June 2019, the down-time for repairs and maintenance of the Group's incineration facilities has significantly increased comparing to corresponding period in previous year. The Group is determined to optimise and enhance the standards of all incineration facilities to ensure strict compliance with the national environmental regulations. The incineration facilities of the Group located at Suqian, Jiangsu Province has suspended its operations since December 2018 pending the renewal of the hazardous waste operating permit licence for an annual incineration capacity of 40,000 metric tons of industrial hazardous waste. It is expected that the licence would be renewed after the completion of the governmental inspection procedure. During the current period, various administrative penalties have been imposed on the Group for non-compliance incidents in the mainland China. As a result, the Group decided to close down the old facilities located at Taixing, Jiangsu Province that were unable to meet the current environmental standards.

The explosion accident of a chemical company in Xiangshui, Yancheng, Jiangsu Province occurred in March 2019, all manufacturers in the area witnessed another casualty event owing to wilful ignorance on safety management and environmental protection. The Group, with its key operations located in Jiangsu Province, has not been significantly affected by the accident, but the alertness on environmental management of the Group's members have been strengthened and the enforcement and site-inspection of the local environmental authorities also became more strengthened on any non-compliance incidents. In line with the national direction to reduce the overall scale of further development of chemical industry in Jiangsu Province, the Board considers to retreat from further investment in the hazardous waste treatment project situated in Yangzhou, Jiangsu Province in the forthcoming future, and is of the view that the withdrawal of investment plan will not have adverse effect to the operations of the Group.

Entering the year 2019, the Group has set up a management control team stationed in Zhenjiang, Jiangsu Province to carrying out industrial site audit on project facilities from time to time and centralised cash management for all key operating subsidiaries carrying out environmental related operations in the mainland China. The management of the Group are committed to upholding good compliance with all national environmental standards for all hazardous waste treatment plants operating in the mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2019, the combined licensed capacity of the Group for the collection, storage, detoxification treatment, incineration and disposal of hazardous industrial and medical waste in the mainland China was approximately 107,780 metric tons per annum (31 December 2018: 107,780 metric tons per annum), and the effective capacity is expected to increase upon the licence for the hazardous waste treatment facilities at Suqian, Jiangsu Province would be renewed in due course.

During the six months ended 30 June 2019, the Group has carried out the phase II construction of the centralised sewage filtering plant for the Eco-plating Specialised Industrial Zone to enhance its filtering capacity for the industrial sewage discharge from the manufacturing clients in the zone. It is expected that the phase II construction in the zone would be completed by the end of this year and the new system is expected to upgrade the overall environmental sewage treatment of industrial sewage in the zone.

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. 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. Although the Group intends to retreat from the investment plan for setting up new incineration facilities in Yangzhou, the Group will continue to focus on environmental related business and explore opportunities in a timely manner for business restructuring and industrial upgrade to enhance environmental compliance standards and also to improve sustainable profitability. Barring any unforeseeable risks from the global and local economies that might affect the Group's environmental operations in the mainland China, the Group expects the results will be improved in the second half of this year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The changes in unaudited consolidated financial information of the Group's for the six months ended 30 June 2019 as comparing to the unaudited figures for the corresponding period in 2018 are summarised as follows:

(Expressed in HK\$'000 unless indicated otherwise)	Note	For the six months ended 30 June		Change %
		2019	2018	
Revenue from industrial and medical waste integrated treatment and disposal services	(a)	207,208	197,504	+4.9
Revenue from industrial sewage treatment and facility services		50,833	51,611	-1.5
Total revenue	(a)	258,041	249,115	+3.6
Average gross profit margin (in percentage)	(b)	34.1	38.6	-11.7
Other revenue	(c)	4,152	4,266	-2.7
Other net income	(d)	6,546	9,497	-31.1
Distribution and selling expenses	(e)	8,619	6,284	+37.2
Administrative expenses	(f)	23,884	29,310	-18.5
Other operating expenses	(g)	40,158	7,013	+472.6
Impairment loss on trade receivables		2,347	–	N/A
Finance income	(h)	1,346	1,392	-3.3
Finance costs	(i)	7,146	6,828	+4.7
Share of net profit/(loss) of associates	(j)	4,288	(1,388)	N/A
Share of net profit/(loss) of a joint venture	(k)	(839)	(204)	+311.3
Income tax	(l)	6,850	12,791	-46.4
Net profit for the period	(m)	14,399	47,465	-69.7
Profit attributable to owners of the Company	(m)	1,445	38,350	-96.2
Basic and diluted EPS attributable to owners of the Company (HK cents)	(m)	0.05	1.26	-96.0
EBITDA	(n)	63,044	95,768	-34.2

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (a) Net increase in total revenue for the six months ended 30 June 2019 was mainly attributable to adjusted price charged on processing industrial hazardous waste commencing 2019.
- (b) Decrease in gross profit margin of the Group for the six months ended 30 June 2019 was mainly attributable to the increasing costs on outsourcing landfill disposal for the post-treatment secondary waste and residues of the Group.
- (c) Net decrease in other revenue for the six months ended 30 June 2019 was mainly attributable to the depreciation of RMB relative to HK\$ for the total dividends receivable from the long-term equity investments booked in the current period.
- (d) Net decrease in other net income for the six months ended 30 June 2019 was mainly attributable to the net decrease in refunds of China Value-Added Tax paid on environmental-related operations under tax preferential policy of China in the current period.
- (e) Net increase in distribution and selling expenses for the six months ended 30 June 2019 was mainly attributable to increase in marketing incentive expenses in the current period.
- (f) Net decrease in administrative expenses for the six months ended 30 June 2019 was mainly attributable to decrease in administrative costs of a hazardous waste treatment plant at Suqian, Jiangsu Province temporarily ceased operation for repairs and maintenance pending the issue of operating permit licence in the current period.
- (g) Net increase in other operating expenses for the six months ended 30 June 2019 was mainly attributable to:
 - (i) the costs on litigation settlements of approximately HK\$13,873,000 incurred by the Group for non-compliance incidents in the mainland China in the current period; and
 - (ii) the costs of upkeeping the plant at Suqian, Jiangsu Province, China which having ceased operations pending the renewal of its hazardous waste operating permission licence amounted to approximately HK\$13,148,000 in the current period.
- (h) Net decrease in finance income for the six months ended 30 June 2019 was mainly attributable to the net foreign exchange loss incurred on financing activities of the Group in the current period.
- (i) Net increase in finance costs for the six months ended 30 June 2019 was mainly attributable to increase in bank borrowings to finance capital expenditure commitments of the Group in the mainland China in the current period.
- (j) Net decrease in profit shared from the associates for the six months ended 30 June 2019 was mainly attributable to the operating loss shared from the associate located in Nanjing caused by downtime for repairs and maintenance for both phase I incinerator and phase II incinerator in the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

- (k) Net loss shared from the joint venture for the six months ended 30 June 2019 was mainly attributable to the preliminary expenses on setting up the project located in Liuzhou, Guangxi, China.
- (l) Net decrease in income tax for the six months ended 30 June 2019 was mainly attributable to decrease in taxable profits from the operations of the Group in China.
- (m) For the six months ended 30 June 2019, the decrease in net profit of the Group, decrease in net profit attributable to owners of the Company, and decrease in EPS were mainly attributable to:
 - (i) a loss of approximately HK\$16.3 million for the 6 months ended 30 June 2019 recorded by the indirectly wholly owned subsidiary in PRC, 宿遷宇新固體廢物處置有限公司 (Suqian New Universe Environmental Solid Waste Disposal Limited*), which has been temporarily suspended its operations since its hazardous waste operation permission licence expired in December 2018 pending for the issuance of the renewal licence by the relevant environmental department in order to resume operations; and
 - (ii) the costs on litigation settlements and administrative penalties on non-compliance with certain China laws and regulations in an aggregate amount of approximately HK\$13.9 million incurred by the subsidiaries in the mainland China.
- (n) The Company uses earnings before interest, tax, depreciation and amortisation (“EBITDA”) to measure the operating results of the Group, which represents the consolidated profit before taxation and adding back net finance costs, depreciation and amortisation charges over the reporting period. Decrease in EBITDA for the six months ended 30 June 2019 was mainly attributable to the increase in non-recurring costs incurred by the Group in the current period.

Seasonality of operations

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

For the 12 months ended 30 June 2019, the hazardous waste integrated treatment and disposal services reported a revenue of HK\$402,474,000 (12 months ended 30 June 2018: HK\$355,615,000) and pre-tax profit of HK\$88,607,000 (12 months ended 30 June 2018: HK\$140,566,000).

Capital expenditure

For the six months ended 30 June 2019, the Group incurred capital expenditure to increase property, plant and equipment (i) for the operating segment of hazardous waste integrated treatment and disposal services amounted approximately to HK\$47,480,000 (2018: HK\$55,150,000), (ii) for the operating segment of industrial sewage and sludge treatment and facility provision services in the Eco-plating Specialised Industrial Zone amounted approximately to HK\$7,286,000 (2018: HK\$4,458,000), and (iii) for corporate use at the head office in Hong Kong was nil (2018: HK\$5,000).

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments

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

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Contracted for but not provided for:		
– Capital expenditure in respect of property, plant and equipment	60,103	64,005
– Capital contribution to a joint venture in the mainland China	25,890	25,980
– Capital contribution to an equity investment in the mainland China	15,976	15,976

Liquidity and financial resources

- (a) For the six months ended 30 June 2019, the Group utilised its internal cash flows generated from operating activities, banking facilities and other borrowings to finance its operations and capital expenditure, to discharge its debt and to ensure the continuous growth of the Group's business.
- (b) As at 30 June 2019, the Group remained stable in its financial position with equity attributable to owners of the Company amounted to HK\$911,104,000 (31 December 2018: HK\$906,377,000) and consolidated total assets amounted to HK\$1,606,425,000 (31 December 2018: HK\$1,567,975,000) respectively.
- (c) The Company did not have any equity fund raising activity within the past 12 months immediately prior to the date of this report.
- (d) At the end of the reporting period, the Group had:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
(i) Cash and bank balances	260,844	282,239
(ii) Available unused unsecured banking facilities	56,290	82,870

MANAGEMENT DISCUSSION AND ANALYSIS

Key performance indicators

(a) The Group monitors its financial performance and earning potential through EBITDA. EBITDA of the Group was HK\$63,044,000 for the six months ended 30 June 2019 (2018: HK\$95,768,000).

(i) Reconciliation of consolidated net profit for the period to EBITDA is set out as follows:

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Profit for the period	14,399	47,465
Add:		
Depreciation on property, plant and equipment	34,051	28,282
Amortisation on right-of-use assets (2018: amortisation on prepaid lease payment for land use rights)	1,944	1,794
Net interest expenses	5,800	5,436
Income tax	6,850	12,791
EBITDA	63,044	95,768

(ii) Set out below is the EBITDA contributed by key subsidiaries of the Company:

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
EBITDA of key subsidiaries classified by operating segments:		
<i>Hazardous waste integrated treatment and disposal services</i>		
– Suqian New Universe Environmental Solid Waste Disposal Limited*	(10,166)	28,555
– Xiangshui New Universe Environmental Technology Limited	30,039	8,112
– Yancheng NUHF Environmental Technology Limited*	7,586	15,569
– Zhenjiang New Universe Solid Waste Disposal Company Limited	53,238	49,745
<i>Industrial sewage treatment and provision of facilities in the Eco-plating Specialised Industrial Zone</i>		
– Zhenjiang Sinotech Eco-Electroplating Development Limited	11,700	11,896

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Set out below is the EBITDA of the associates of the Company:

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
EBITDA of associates:		
– Zhenjiang New District	24,751	15,786
– NCIP	6,622	1,456

- (b) The Group monitors the proportion of its operating profit 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 191.5% for the six months ended 30 June 2019 (2018: 104.6%).
- (c) The Group monitors its liquidity through current ratio. The current ratio of the Group representing the ratio of the consolidated current assets to the consolidated current liabilities was 0.95 time as at 30 June 2019 (31 December 2018: 0.82 time). The current ratio being less than 1 as at 30 June 2019 was mainly attributable to the bank loans payable after 30 June 2020 amounted approximately to HK\$60,979,000 (31 December 2018: HK\$82,311,000 payable after 31 December 2019) having been classified as current liabilities because those banking facilities bore standard terms and conditions that the bankers reserve the overriding right at any time to cancel or vary the facilities and demand immediate repayment of all outstanding amounts.

MANAGEMENT DISCUSSION AND ANALYSIS

- (d) The Group monitors its capital through gearing ratio. The Group expects to maintain this gearing ratio at less than 50%. At the end of a reporting period, this ratio is calculated as net debt divided by the total equity. The net debt is calculated as total financial liabilities (excluding contract liabilities, government grants, and taxes) less cash and cash equivalents of the Group shown in the consolidated statement of financial position. The total equity is referred to in the consolidated statement of financial position. The gearing ratio at the end of the reporting period was as follows:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Bank borrowings	263,748	254,489
Other borrowing	25,000	25,000
Trade payables, other payables and accruals	192,977	169,645
Considerations payable for acquisition of subsidiaries	34,800	49,600
Total financial liabilities (excluding contract liabilities, government grants and taxes)	516,525	498,734
Less: cash and cash equivalents	260,844	282,239
Net debt	255,681	216,495
Total equity	1,027,799	1,010,529
Gearing ratio	24.9%	21.4%

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

Capital structure

There was no significant change to the capital structure of the Company as at 30 June 2019 as compared to that as at 31 December 2018.

Material acquisitions and disposals of subsidiaries and affiliated companies

There were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant investments held and their performance

According to the valuation report prepared by an independent firm of professional valuers, CBRE Limited (“CBRE”) (31 December 2018: CBRE), the fair value attributable to the Group’s interests in the equity investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei as at 30 June 2019 were HK\$42,000,000, HK\$15,600,000 and HK\$41,400,000 (31 December 2018: HK\$38,600,000, HK\$14,900,000 and HK\$38,700,000) respectively. The changes in fair value of the equity investments for the six months ended 30 June 2019 were recognised as other comprehensive income and accounted for in the investment revaluation reserve of the Group.

For the six months ended 30 June 2019, total dividend declared by Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei and accounted for by the Group as dividend income was in an aggregate amount of approximately HK\$4,152,000 (before tax) (2018: HK\$4,266,000) and expected to be distributed in cash to the Group in the fourth quarter of this year 2019.

Impairment testing on goodwill

As at 30 June 2019, the assessment on the recoverable amount of a cash generating unit (“CGU”) of the Group that principally engaged in the provision of hazardous industrial and medical waste integrated treatment and disposal services in China was determined by referring to the valuation report prepared by CBRE (31 December 2018: CBRE), after their review of the cash flows projection covering a five-year period with an annual growth rate at 2% (31 December 2018: 2%) of the environmental entities of the Group comprised of Zhenjiang New Universe Solid Waste Disposal Company Limited, Yancheng New Universe Solid Waste Disposal Company Limited, and Taizhou New Universe Solid Waste Disposal Company Limited and using a pre-tax discount rate of 16.42% (31 December 2018: 16.66%) and having taken into account of the risks for the hazardous waste integrated treatment and disposal industries, and the effect of closing down the plants and facilities owned by Yancheng New Universe Solid Waste Disposal Company Limited and Taizhou New Universe Solid Waste Disposal Company Limited, no impairment loss to the goodwill was considered necessary for the six months end 30 June 2019 (31 December 2018: Nil).

Charges on assets

As at 30 June 2019, the following assets of the Group were pledged as collaterals for banking facilities granted by certain banks.

	30 June 2019 HK\$’000	31 December 2018 HK\$’000
Carrying amount		
– Property, plant and equipment	230,897	239,390
– Right-of-use assets (previously classified as prepaid lease payments for land use rights)	37,479	38,022
	268,376	277,412
Secured bank borrowings outstanding under the banking facilities granted	80,798	70,804

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

Save as disclosed in note 33 to the financial statements of the interim financial report, there were no other significant contingent liabilities of the Group as at 30 June 2019 (31 December 2018: Nil).

Employee information

As at 30 June 2019, the Group had 628 (2018: 621) full-time employees, of which 19 (2018: 19) were based in Hong Kong, and 609 (2018: 602) in the mainland of China. For the six months ended 30 June 2019, staff costs, including the Directors' remuneration and amount capitalised as inventories was HK\$ 40,343,000 (2018: HK\$46,179,000). Employees and Directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, continuing development and trainings.

Foreign currency risk

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

The results of the Group's subsidiaries in the mainland China are translated from RMB into HK\$ at the exchange rates approximating the rates ruling at the dates of the transactions. Statement of financial position items of the Group's subsidiaries in the mainland China are translated from RMB into HK\$ at the closing rate ruling at the end of the reporting period. For the six months ended 30 June 2019, RMB depreciated on average relatively to the HK\$ that resulted in an overall downside exchange difference on the translation from RMB to HK\$ for the financial statements of the subsidiaries, associates and the joint venture in the mainland China amounted approximately to HK\$3,659,000 (2018: downside exchange difference of HK\$12,125,000), which were recognised in other comprehensive income and accumulated separately in equity under the translation reserve of the Company and did not have any effect to the profit and loss of the Company in the current period. The accumulated exchange differences in the translation reserve will be reclassified to profit or loss as when the interests in the relevant subsidiaries, associates and the joint venture in China being entirely or partially disposed of by the Group.

Interest rate risk

As at 30 June 2019, the bank borrowings and other borrowing of the Group were floating rate borrowings and they were denominated in HK\$ and RMB, whereby any fluctuations in interest rates will affect the finance costs of the Group for the existing loans and any new borrowing obtained by the Group calculated on a floating interest rate basis. The Group considers the interest rate risk is moderate and will review and monitor its interest rate exposure from time to time, and when appropriate hedge its interest rate risk.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND POLICY

The Board has adopted a dividend policy (the “Dividend Policy”) in considering the payment of dividends 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:

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

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 of the Company. 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.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGE IN DIRECTORS' INFORMATION

Information on Directors

For the six months ended 30 June 2019 and up to the date of this report, there were changes in Directors' information as follows:

- (a) Ms. ZHANG Ying resigned as the executive director of the Company and a member of the executive committee with effect from 26 February 2019;
- (b) Ms. ZHANG Shuo was appointed as an executive director and a member of the executive committee of the Company with effect from 26 February 2019;
- (c) Mr. XI Yu has increased his deemed interests in the issued share capital of the Company on 22 May 2019 from approximately 35.31% to approximately 36.54% through acquisition of 37,479,545 shares of the Company by New Universe Enterprises Limited ("NUEL"), which Mr. XI Yu holds 83.66% of the issued shares of NUEL;
- (d) Mr. YUEN Kim Hung, Michael has resigned as independent non-executive director of a listed company in Hong Kong, Prosperity International Holdings (H.K.) Limited, with effect from 25 May 2019; and
- (e) Prof. CHAN Yan Cheong has informed the Company that with the approval of the City University of Hong Kong he will retire as chair professor of the university with effect from 20 January 2020.

Save as disclosed therein, there was no other significant change in details of the Directors' information since the date of last annual report of the Company for the year ended 31 December 2018.

Save as disclosed therein, there was no other information is to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

Information on management

Up to the date of this report, there was no significant change in details of the key management team members of the Company since the date of last annual report of the Company for the year ended 31 December 2018.

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

Neither the Company, nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

CORPORATE GOVERNANCE PRACTICES

The Directors of the Company and the management of the Group are committed to upholding good corporate governance practices and procedures. 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 shareholders of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Company has complied with all code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 (“CG Code”) to the Listing Rules throughout the six months ended 30 June 2019, and the Directors confirmed that they were not aware of any deviation from the CG Code during the period then ended, except for the code provision A.2.1.

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. For the six months ended 30 June 2019, Mr. XI Yu (“Mr. XI”) has assumed the roles of both chairman of the Board (“Chairman”) and the chief executive officer of the Company (“CEO”) that constitutes a deviation from code provision A.2.1 of the CG Code. After evaluation of the current situation of the Group and taking into account of the experience and performance of Mr. XI, the Board is of the opinion that it is appropriate and in the best interest of the Company at the present stage to vest the roles of the Chairman and the CEO of the Company on the same person as it helps to facilitate the execution of the Group’s business strategies and maximises the effectiveness of its operation. 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 roles of both Chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and will enable the Company to make and implement decisions promptly and effectively. However, the Board will continue to review and consider splitting the role of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Director’s securities transactions in the securities of the Company. Having made specific enquiry of all Directors of the Company, the Directors confirmed that they have complied with or they were not aware of any non-compliance with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 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 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 (the "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 30 June 2019, no option was granted or was outstanding under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' 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 30 June 2019, 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 (Chapter 571 of the Law of Hong Kong, "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 were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 are held	Number of shares held	Approximate percentage of total shares in issue
Mr. XI Yu (note)	Interests of a controlled corporation	1,109,303,201	36.54%
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**

Name of Director	Capacity in which ordinary shares are held	Number of shares held	Approximate percentage of total shares in issue
Mr. XI Yu (note)	Beneficial owner	16,732	83.66%
Ms. CHEUNG Siu Ling (note)	Beneficial owner and Interests of spouse	2,428	12.14%

Note: NUEL is beneficially interested in 1,109,303,201 shares of the Company, representing approximately 36.54% of the issued share capital of the Company. NUEL is directly owned as to 83.66% by Mr. XI Yu and totally 12.14% by Ms. CHEUNG Siu Ling and her spouse. Mr. XI Yu and Ms. CHEUNG Siu Ling are directors of NUEL.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and 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 therein, at no time during the period 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 specific undertaking any other associated corporations.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2019, the interests or short positions of those persons, other than the directors or the chief executive 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 are recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity in which ordinary shares are held	Number of shares held	Approximate percentage of total shares in issue
Mr. XI Yu ⁽ⁱ⁾	Interests of a controlled corporation	1,109,303,201	36.54%
NUEL ⁽ⁱ⁾	Beneficial owner	1,109,303,201	36.54%
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-HK") ⁽ⁱⁱ⁾	Interests of a controlled corporation	800,000,000	26.35%
CM International Capital Limited ("CMIC-Cayman") ⁽ⁱⁱⁱ⁾	Beneficial owner	800,000,000	26.35%
Ms. LIU Yu Jie ⁽ⁱⁱⁱ⁾	Beneficial owner	202,400,000	6.67%

Notes:

- (i) NUEL is directly owned as to 83.66% by Mr. XI Yu. The shareholding interest disclosed by Mr. XI Yu as the shareholder deemed interested in 1,109,303,201 shares of the Company is the same interest disclosed by him as a Director of the Company.
- (ii) CMIC-Cayman is 100% directly owned by CMIG-HK. CMIG-HK 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-HK, CMIF-BVI, CMIG-Asia and 中民投 are all deemed interested in the 800,000,000 shares of the Company that beneficially owned by CMIC-Cayman.
- (iii) The shareholding interest disclosed by Ms. LIU Yu Jie is the same interest disclosed by her as a Director of the Company.

Save as disclosed above, as at 30 June 2019, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 six month ended 30 June 2019 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 Listing Rules) which were discloseable in the current reporting period or any time during the six months ended 30 June 2019.

LOAN AGREEMENTS WITH SPECIFIC PERFORMANCE COVENANT

Pursuant to a banking facility letter dated 28 June 2018 (the “Facility Letter A”) offered by a bank in Hong Kong (“Bank A”) and accepted by the Company on 17 August 2018, 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 at the end of four years from the first utilisation date on 2 January 2019. 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 investment in a joint venture, Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited* (柳州新宇榮凱固體廢物處置有限公司) situated at Liuzhou, Guangxi, China. As at 30 June 2019, the outstanding unsecured bank loan under Facility A was HK\$14,250,000 (31 December 2018: Nil). The balance of Facility A in the amount of HK\$15,000,000 was drawn down on 26 July 2019 after the end of the reporting period.

Pursuant to a banking facility letter dated 8 August 2018 (the “Facility Letter B”) offered by a bank in Hong Kong (“Bank B”) and accepted by the Company on 17 August 2018, 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 at the end of three years from the first utilisation date on 2 January 2019. In accordance with the Facility Letter B, the proceeds of the Facility B shall be used to finance the capital expenditure in relation to environmental operations of the Group. As at 30 June 2019, the outstanding unsecured bank loan under Facility B was HK\$15,000,000 (31 December 2018: Nil).

Pursuant to a banking facility letter dated 5 December 2017 (the “Facility Letter C”) offered by a bank in Hong Kong (“Bank C”) and accepted by the Company on 12 December 2017, 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 Facility C is at the end of five years from the first drawdown on 15 December 2017. In accordance with the Facility Letter C, the proceeds of the Facility C shall be used to finance the capital expenditure in relation to environmental industrial waste treatment, medical waste treatment and/or environmental sewage treatment projects of the Group. As at 30 June 2019, the outstanding unsecured bank loan under Facility C was HK\$45,000,000 (31 December 2018: HK\$45,000,000).

* For identification purpose only

CORPORATE GOVERNANCE AND OTHER INFORMATION

Pursuant to the conditions stipulated in each of the Facility Letters A, B, and C, if Mr. XI Yu (defined as the “Controlling Shareholder” in the Facility Letters) (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) upon occurrence of any events of default.

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

As at 30 June 2019 and up to the date of this report, Mr. XI Yu, through his beneficial interest in 83.66% of the issued share capital of NUEL, is deemed interested in 1,109,303,201 shares (31 December 2018: 1,071,823,656 shares) of the Company, representing 36.54% (31 December 2018: 35.31%) of the total issued share capital of the Company beneficially owned by NUEL.

In accordance with the requirements under Rule 13.21 of the Listing Rules, the above 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' SERVICE CONTRACTS

None of the Directors has service contract with Company that is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at 30 June 2019 and any time during the six months then ended up to the date of this report, transactions, arrangements, or contracts subsisted, of which certain Directors had interests that were deemed significant to the business of the Group are set out as follows:

- (a) Mr. XI Yu and Ms. CHEUNG SiuLing, 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 2018 entered into by Smartech Services Limited (“Smartech Services”, an indirectly 100% owned subsidiary of the Company) as tenant to lease three office units at Rooms 2109 to 2111, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong (“Office Premises”) for the period from 1 August 2018 to 31 July 2019 at a monthly rental of HK\$80,000. For the six months ended 30 June 2019, total rentals paid by Smartech Services to Sun Ngai in relation to the Office Premises were HK\$480,000 (2018: HK\$480,000).
- (b) A renewed tenancy agreement dated 17 July 2019 was entered into between Sun Ngai as landlord and Smartech Services as tenant for leasing the Office Premises for the period from 1 August 2019 to 31 July 2020 at a monthly rental of HK\$80,000.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

DIRECTORS' INTERESTS IN COMPETING INTERESTS

Ms. LIU Yu Jie was appointed executive Director of the Company with effect from 9 June 2015, who has investments in four companies engaging in the operation of hazardous waste projects in four cities in China, of which she has a controlling stake in one of the four said companies. As the operating 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 six months ended 30 June 2019 and up to the date of this report, the Directors were not aware of any business or interest of the Directors or any substantial shareholder 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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company during the six months ended 30 June 2019 and up to the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

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 Listing Rules and with perennial legal advisers to advice on the compliance with the PRC Laws. Legal and other professional advisers would be engaged to ensure the Group operates in accordance with applicable laws and regulations for material transactions and major corporate events of the Company.

During the six months ended 30 June 2019, the Group incurred costs on litigation settlements, and accidental non-compliance cases in relation to the operations of the Group in the mainland China for an aggregate amount of approximately HK\$13,873,000. Save as disclosed therein, it was not aware of any other material non-compliance with the relevant laws and regulations that have a significant impact to the business and operations of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors, Prof. CHAN Yan Cheong, who chairs the Audit Committee, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has reviewed with the management the unaudited consolidated financial results and financial information of the Company for the six months ended 30 June 2019.

INDEPENDENT REVIEW OF INTERIM FINANCIAL RESULTS

The condensed consolidated financial statements for the six months ended 30 June 2019 of the Company (“Interim Financial Report”) were unaudited, but which have been reviewed in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by the Company’s independent auditor, Crowe (HK) CPA Limited, whose report on review of the Interim Financial Report is set out on page 27 of this report and nothing has come to their attention that causes them to believe that the Interim Financial Report is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

By order of the Board
New Universe Environmental Group Limited
XI Yu
Chairman and CEO

Hong Kong, 19 August 2019

Mr. XI Yu	<i>(Chairman, Chief Executive Officer and Executive Director)</i>
Mr. SONG Yu Qing	<i>(Executive Director)</i>
Ms. CHEUNG Siu Ling	<i>(Executive Director)</i>
Ms. ZHANG Shuo	<i>(Executive Director)</i>
Ms. LIU Yu Jie	<i>(Executive Director)</i>
Mr. HON Wa Fai	<i>(Executive Director)</i>
Prof. CHAN Yan Cheong	<i>(Independent Non-executive Director)</i>
Mr. YUEN Kim Hung, Michael	<i>(Independent Non-executive Director)</i>
Mr. HO Yau Hong, Alfred	<i>(Independent Non-executive Director)</i>

REPORT ON THE REVIEW OF INTERIM FINANCIAL 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 board of directors of
New Universe Environmental Group Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 28 to 64 which comprises the condensed consolidated statement of financial position of New Universe Environmental Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2019 and the related condensed consolidated statement of profit or loss, condensed statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34. Our responsibility is to form a conclusion based on our review on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Crowe (HK) CPA Limited
Certified Public Accountants

LEUNG Chun Wa
Practising Certificate Number: P04963

Hong Kong, 19 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	5	258,041	249,115
Cost of sales		(170,131)	(152,987)
Gross profit		87,910	96,128
Other revenue	6	4,152	4,266
Other net income	7	6,546	9,497
Distribution and selling expenses		(8,619)	(6,284)
Administrative expenses		(23,884)	(29,310)
Other operating expenses		(40,158)	(7,013)
Impairment loss on trade receivables		(2,347)	–
Operating profit		23,600	67,284
Finance income	8	1,346	1,392
Finance costs	8	(7,146)	(6,828)
Finance costs, net	8	(5,800)	(5,436)
Share of results of associates		4,288	(1,388)
Share of results of a joint venture		(839)	(204)
Profit before taxation	9	21,249	60,256
Income tax	10	(6,850)	(12,791)
Profit for the period		14,399	47,465
Attributable to:			
Owners of the Company		1,445	38,350
Non-controlling interests		12,954	9,115
		14,399	47,465

	Note	Six months ended 30 June	
		2019 (Unaudited) HK cents	2018 (Unaudited) HK cents
Earnings per share			
Basic and diluted earnings per share	11	0.05	1.26

The notes on pages 34 to 64 are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	14,399	47,465
Other comprehensive income:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences		
– on translation of financial statements of overseas subsidiaries	(2,975)	(10,030)
– on translation of financial statements of overseas associates	(597)	(1,960)
– on translation of financial statements of an overseas joint venture	(87)	(135)
<i>Items that are not subsequently recycled to profit or loss:</i>		
Fair value changes on equity investments	6,800	(10,660)
Deferred tax effect relating to changes in fair value of equity investments	(270)	(1,618)
Other comprehensive income for the period, net of income tax	2,871	(24,403)
Total comprehensive income for the period	17,270	23,062
Attributable to:		
Owners of the Company	4,727	15,289
Non-controlling interests	12,543	7,773
Total comprehensive income for the period	17,270	23,062

The notes on pages 34 to 64 are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	13	780,013	762,574
Prepaid lease payments for land use rights		–	132,402
Right-of-use assets	14	134,939	–
Goodwill		33,000	33,000
Interests in associates	15	169,568	170,802
Interest in a joint venture	16	24,255	25,181
Equity investments at fair value through other comprehensive income	17	99,000	92,200
		1,240,775	1,216,159
Current assets			
Inventories		3,540	3,573
Trade and bills receivables	18	51,657	37,726
Prepayments, deposits and other receivables	19	32,833	16,942
Contract assets	20	1,404	1,469
Dividend receivables from equity investments		3,821	–
Prepaid lease payments for land use rights		–	3,657
Financial assets at fair value through profit or loss	27(b)	–	6,210
Pledged bank deposits	21	11,551	–
Cash and cash equivalents	21	260,844	282,239
		365,650	351,816
Current liabilities			
Bank borrowings	22	148,564	168,809
Other borrowing	23	–	25,000
Trade payables	24	21,196	10,254
Accrued liabilities and other payables	25	171,781	159,391
Contract liabilities	26	17,015	14,033
Considerations payable for acquisition of subsidiaries	27	22,400	49,600
Deferred government grants		1,067	949
Income tax payable		3,566	3,428
		385,589	431,464
Net current liabilities		(19,939)	(79,648)
Total assets		1,606,425	1,567,975
Total assets less current liabilities		1,220,836	1,136,511

The notes on pages 34 to 64 are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Non-current liabilities			
Bank borrowings	22	115,184	85,680
Other borrowing	23	25,000	–
Considerations payable for acquisition of subsidiaries	27	12,400	–
Deferred government grants		6,738	6,592
Deferred tax liabilities		33,715	33,710
		193,037	125,982
Net assets			
		1,027,799	1,010,529
Capital and reserves			
Share capital	28	30,357	30,357
Reserves		880,747	876,020
Equity attributable to owners of the Company		911,104	906,377
Non-controlling interests		116,695	104,152
Total equity		1,027,799	1,010,529

The notes on pages 34 to 64 are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Translation reserve	Investment revaluation reserve	Capital reserve	Statutory reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2018 (Audited)	30,357	456,465	27,441	16,300	5,172	58,990	292,713	887,438	110,129	997,567
Change in equity for the 6 months ended 30 June 2018										
Profit for the period	-	-	-	-	-	-	38,350	38,350	9,115	47,465
Other comprehensive income	-	-	(10,783)	(12,278)	-	-	-	(23,061)	(1,342)	(24,403)
Total comprehensive income	-	-	(10,783)	(12,278)	-	-	38,350	15,289	7,773	23,062
At 30 June 2018 (Unaudited)	30,357	456,465	16,658	4,022	5,172	58,990	331,063	902,727	117,902	1,020,629
Change in equity for the 6 months ended 31 December 2018										
Profit for the period	-	-	-	-	-	-	36,036	36,036	2,925	38,961
Other comprehensive income	-	-	(35,331)	22,677	-	-	-	(12,654)	(4,288)	(16,942)
Total comprehensive income	-	-	(35,331)	22,677	-	-	36,036	23,382	(1,363)	22,019
Transfer of statutory reserve	-	-	-	-	-	7,207	(7,207)	-	-	-
Dividend relating 2017	-	-	-	-	-	-	(19,732)	(19,732)	-	(19,732)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(12,387)	(12,387)
At 31 December 2018 and 1 January 2019 (Audited)	30,357	456,465	(18,673)	26,699	5,172	66,197	340,160	906,377	104,152	1,010,529
Change in equity for the 6 months ended 30 June 2019										
Profit for the period	-	-	-	-	-	-	1,445	1,445	12,954	14,399
Other comprehensive income	-	-	(3,248)	6,530	-	-	-	3,282	(411)	2,871
Total comprehensive income	-	-	(3,248)	6,530	-	-	1,445	4,727	12,543	17,270
At 30 June 2019 (Unaudited)	30,357	456,465	(21,921)	33,229	5,172	66,197	341,605	911,104	116,695	1,027,799

The notes on pages 34 to 64 are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating activities		
Net cash generated from operating activities	45,197	70,355
Investing activities		
– Payment of consideration arising from acquisition of subsidiaries in previous year	(8,590)	(24,800)
– Payments for purchases of property, plant and equipment	(54,766)	(59,613)
– Proceeds from disposal of property, plant and equipment	360	34
– Dividend received from an associate	4,925	3,866
– Capital contribution to a joint venture	–	(11,700)
– Refund of deposit paid for proposed establishment of a joint venture	–	1,200
– Receipt of government grants	784	4,772
– Placement of fixed bank deposits	–	(4,450)
Net cash used in investing activities	(57,287)	(90,691)
Financing activities		
– Proceeds from bank borrowings	60,600	118,714
– Repayment of bank borrowings	(50,944)	(50,386)
– Interest paid	(6,925)	(6,828)
– Placement of pledged bank deposits for banking facilities granted	(11,551)	–
Net cash (used)/generated from financing activities	(8,820)	61,500
Net (decrease)/increase in cash and cash equivalents	(20,910)	41,164
Cash and cash equivalents at 1 January	282,239	237,884
Effect of foreign exchange rate changes	(485)	(1,156)
Cash and cash equivalents at 30 June	260,844	277,892

The notes on pages 34 to 64 are an integral part of these financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

1. GENERAL INFORMATION

- (a) The Company, New Universe Environmental Group Limited, was incorporated on 12 November 1999 in the Cayman Islands under the Companies Law (Revised) of the Cayman Islands as an exempted company with limited liability. The Company has been registered as a non-Hong Kong company in Hong Kong under the Companies Ordinance (Cap. 622).
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Rooms 2110-2112, 21/F, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.
- (c) These unaudited 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 (“China” or “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 consider that it is more appropriate to present the financial statements in HK\$. All values presented in these unaudited consolidated financial statements are rounded to the nearest thousand (“HK\$’000”) unless otherwise stated.
- (d) The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as follows:
 - (i) integrated treatment and disposal of hazardous industrial and medical wastes;
 - (ii) integrated plating sewage treatment services and provision of related facilities and utilities in an eco-plating specialised industrial zone; and
 - (iii) investments in plastic materials dyeing operations.

2. BASIS OF PREPARATION

The interim consolidated financial statements for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim consolidated financial statements of the Company for the six months ended 30 June 2019 was approved and authorised for issue by the board of Directors on 19 August 2019.

At 30 June 2019, the Group’s current liabilities exceeded current assets by approximately HK\$19,939,000 which was mainly attributable to, as disclosed in note 22 below, the non-current portions of long-term bank borrowings of approximately HK\$60,979,000 relating to loan agreements that contained a standard demand clause for immediate repayment at the discretion of the financial institutions. During the six months ended 30 June 2019 and up to the date of approval of the interim consolidated financial statements, there had not been any breach of covenants of the relevant banking facilities. Notwithstanding the demand clause for immediate repayment stipulated in the banking facilities, the Company considered that the financial institutions will not exercise their discretionary rights to demand immediate repayment of the related non-current portions of these long-term bank borrowings within the next twelve months from the date of approval of the interim consolidated financial statements and before the maturities of the relevant borrowings. Notwithstanding the aforesaid conditions, the interim 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\$260,844,000 as at 30 June 2019, and (b) unused and available credit facilities of approximately HK\$56,290,000 (note 31(b) below) as of 30 June 2019.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

The preparation of an interim consolidated financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements.

The unaudited interim consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Group’s financial statements for that financial year but is derived from those annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF NEW AND AMENDED HKFRSs

The accounting policies adopted for the preparation of the unaudited interim consolidated financial statements are consistent with those set out in the consolidated financial statements of the Company for the year ended 31 December 2018, as described in those financial statements, except for the adoption of the below new HKFRSs and amendments to HKFRSs that are first effective for the financial year ending 31 December 2019.

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current period:

HKFRS 16	<i>Leases</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015-2017 Cycles: Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23</i>

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF NEW AND AMENDED HKFRSs (continued)

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, if any, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed.

Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF NEW AND AMENDED HKFRSs (continued)

HKFRS 16 Leases (continued)*As lessee – Leases previously classified as operating leases*

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of prepaid land lease payments and property, plant and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group.

Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g. general office equipment); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019, if any, were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in “Other payables and accruals”.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- Elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within 12 months of the date of initial application. In this case, a lessee:
 - (i) accounts for those leases in the same way as short-term leases; and
 - (ii) includes the cost associated with those leases within the disclosure of short-term lease expense in the annual reporting period that includes the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF NEW AND AMENDED HKFRSs (continued)

HKFRS 16 Leases (continued)*As lessee – Leases previously classified as operating leases (continued)**Impacts on transition (continued)*

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	HK\$'000
Assets	
Right-of-use assets	136,059
Prepaid land lease payment	(136,059)
<hr/>	
Total Assets	–
Liabilities	
Other payable and accruals – lease liability	–
<hr/>	
Total Liabilities	–

There was no lease liability recognised as at 1 January 2019 because there was no other lease with remaining lease term more than 12 months of the date of initial application.

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF NEW AND AMENDED HKFRSs (continued)

HKFRS 16 Leases (continued)*Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated amortisation and any impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortised on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

4. SEGMENT INFORMATION

(a) Segment revenue, results, assets and liabilities

Information regarding the Group's reportable segments for the period under review is as follows:

For the six months ended 30 June 2019

	Operating segments			Segment sub-total HK\$'000	Unallocated head office and corporate HK\$'000	Total HK\$'000
	Integrated waste treatment and disposal services HK\$'000	Integrated sewage treatment and facility services HK\$'000	Plastic dyeing investments HK\$'000			
Revenue from external customers	207,208	50,833	-	258,041	-	258,041
Other revenue	-	-	4,152	4,152	-	4,152
Reportable segment revenue	207,208	50,833	4,152	262,193	-	262,193
Reportable segment results	28,577	374	3,804	32,755	(11,506)	21,249
Other net income	6,269	277	-	6,546	-	6,546
Finance income	960	223	-	1,183	163	1,346
Finance costs	(3,870)	(498)	-	(4,368)	(2,778)	(7,146)
Depreciation on property, plant and equipment	(26,059)	(7,731)	-	(33,790)	(261)	(34,051)
Amortisation on right-of-use assets	(988)	(956)	-	(1,944)	-	(1,944)
Impairment loss on trade receivables	-	(2,347)	-	(2,347)	-	(2,347)
Reportable segment assets at 30 June 2019	1,129,619	348,617	103,151	1,581,387	25,038	1,606,425
Additions to non-current segment assets for 6 months ended 30 June 2019	48,566	7,286	-	55,852	-	55,852
Reportable segment liabilities at 30 June 2019	499,863	59,923	3,771	563,557	15,069	578,626

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2018

	Operating segments			Segment sub-total HK\$'000	Unallocated head office and corporate HK\$'000	Total HK\$'000
	Integrated waste treatment and disposal services HK\$'000	Integrated sewage treatment and facility services HK\$'000	Plastic dyeing investments HK\$'000			
Revenue from external customers	197,504	51,611	-	249,115	-	249,115
Other revenue	-	-	4,266	4,266	-	4,266
Reportable segment revenue	197,504	51,611	4,266	253,381	-	253,381
Reportable segment results	65,603	2,570	3,910	72,083	(11,827)	60,256
Other net income	9,246	251	-	9,497	-	9,497
Finance income	1,551	172	-	1,723	(331)	1,392
Finance costs	(4,554)	(496)	-	(5,050)	(1,778)	(6,828)
Depreciation on property, plant and equipment	(19,977)	(8,003)	-	(27,980)	(302)	(28,282)
Amortisation on land use rights	(827)	(967)	-	(1,794)	-	(1,794)
Reportable segment assets at 31 December 2018	1,089,641	346,446	92,637	1,528,724	39,251	1,567,975
Additions to non-current segment assets for 12 months ended 31 December 2018	89,121	14,973	-	104,094	17	104,111
Reportable segment liabilities at 31 December 2018	475,859	57,793	3,501	537,153	20,293	557,446

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (continued)

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue		
Consolidated revenue	258,041	249,115
Elimination of inter-segment revenue	–	–
Other revenue	4,152	4,266
Reportable segment revenue	262,193	253,381
Profit		
Reportable segment profit	32,755	72,083
Unallocated head office and corporate expenses, net	(11,506)	(11,827)
Consolidated profit before taxation	21,249	60,256
	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Assets		
Reportable segment assets	1,581,387	1,528,724
Unallocated head office and corporate assets	25,038	39,251
Consolidated total assets	1,606,425	1,567,975
Liabilities		
Reportable segment liabilities	563,557	537,153
Unallocated head office and corporate liabilities	15,069	20,293
Consolidated total liabilities	578,626	557,446

(c) Geographical information

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

(d) Major customers

For the six months ended 30 June 2019 and 2018, there was no major customer accounted for more than 10% of the total revenue of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

5. REVENUE

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Industrial and medical waste integrated treatment and disposal services	207,208	197,504
Industrial sewage and sludge treatment services, and provision of utilities and management services	40,896	42,144
	248,104	239,648
Leasing income from provision of factory facilities	9,937	9,467
	258,041	249,115

Notes:

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
At a point in time	207,208	197,504
Over time	40,896	42,144
	248,104	239,648

- (b) Set out below is an analysis of revenue to be recognised in the future with the remaining obligations for the provision of utilities and management services expected to be partially for fully satisfied during the periods as follows:

	30 June	31 December
	2019 (Unaudited) HK\$'000	2018 (Audited) HK\$'000
Expected to be recognised within 1 year	21,531	22,209
Expected to be recognised after 1 year but within 5 years	65,339	74,101
Expected to be recognised after 5 years	35,475	40,351
	122,345	136,661

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

6. OTHER REVENUE

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Dividend income from equity investments at fair value through other comprehensive income	4,152	4,266

7. OTHER NET INCOME

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Refunds of PRC Value-Added Tax	4,359	7,958
Government subsidies	1,247	266
Release of deferred governmental grants	494	728
Sundry	446	545
	6,546	9,497

8. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest expenses on:		
Bank borrowings wholly repayable within 5 years	5,634	4,370
Other borrowing and considerations payable wholly repayable within 5 years	1,512	2,458
Total finance costs	7,146	6,828
Finance income from:		
Interest income on short-term bank deposits	1,410	1,201
Net foreign exchange (loss)/gain	(64)	191
Total finance income	1,346	1,392
Net finance costs	5,800	5,436

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

9. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Amortisation on right-of-use assets (2018: amortisation on land lease prepayments)	1,944	1,794
Depreciation on property, plant and equipment	34,051	28,282
Operating lease charges for minimum lease payments		
– office premises in Hong Kong	540	528
– office premises in the PRC	–	247
– landfill in the PRC	57	60
Costs on litigation settlements and non-compliance incidents	13,873	–
Costs arising from temporary suspension of plants pending renewal of permit licence for hazardous waste treatment	13,148	–
Research and development costs	3,051	3,306
Cost of sales (note)	170,131	152,987

Note:

Included in cost of sales were raw materials consumed of HK\$29,594,000 (2018: HK\$27,655,000), water and electricity consumed of HK\$15,642,000 (2018: HK\$19,948,000), staff costs of HK\$14,930,000 (2018: HK\$18,804,000), amortisation of HK\$1,523,000 (2018: HK\$1,794,000), and depreciation of HK\$25,375,000 (2018: HK\$24,900,000), and of which amortisation and depreciation were included in the respective total amount disclosed above.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

10. INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	–	–
PRC Corporate Income Tax	6,816	8,629
Under-provision in respect of prior periods	299	4,428
	7,115	13,057
Deferred tax	(265)	(266)
	6,850	12,791

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) Hong Kong Profits Tax is calculated in accordance with the Inland Revenue Ordinance at 16.5% on the estimated assessable profits for the period (2018:16.5%). No provision for Hong Kong Profits Tax has been made, as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2019 and 2018.
- (iii) The Company's subsidiaries in the PRC are subject to a statutory Corporate Income Tax at the rate of 25% (2018: 25%), except for the subsidiaries which are qualified as a High and New Technology Enterprise in the PRC that would be entitled to enjoy a preferential Corporate Income Tax at the rate of 15% (2018: 15%).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

11. EARNINGS PER SHARE

The calculation of the 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\$1,445,000 for the six months ended 30 June 2019 (2018: HK\$38,350,000) and the weighted average number of 3,035,697,018 (2018: 3,035,697,018) ordinary shares of the Company in issue during the period.

(a) Profit attributable to owners of the Company:

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Earnings for the purpose of basic and diluted earnings per share	1,445	38,350

(b) Weighted average number of ordinary shares:

	Six months ended 30 June	
	2019	2018
Ordinary shares in issue at the beginning of the period	3,035,697,018	3,035,697,018
Weighted average number of ordinary shares in issue at the end of the reporting period	3,035,697,018	3,035,697,018

There were no dilutive ordinary shares in existence during the period under review; therefore, diluted earnings per share is the same as basic earnings per share.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

12. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of property, plant and equipment are analysed as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Carrying amount at 1 January	762,574	754,897
Additions	54,766	104,111
Disposals	(611)	(1,051)
Depreciation for the period/year	(34,051)	(58,384)
Exchange adjustments	(2,665)	(36,999)
Carrying amount at the end of the reporting period	780,013	762,574

As at 30 June 2019, certain property, plant and equipment of the Group with an aggregate carrying amount of approximately HK\$230,897,000 (31 December 2018: HK\$239,390,000) were pledged to secure banking facilities granted to the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

14. RIGHT-OF-USE ASSETS

Movements in right-of-use assets are analysed as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Carrying amount at 1 January	–	–
Reclassification arising from the adoption of HKFRS 16 (note 3)	136,059	–
Additions	1,086	–
Amortisation for the period:		
– land use rights	(1,753)	–
– office premises	(191)	–
Exchange adjustments	(262)	–
Carrying amount at the end of the reporting period	134,939	–

At the end of the reporting period, the right-of-use assets of the Group represents the interests in land use rights and office premises held in the Jiangsu Province, PRC and their carrying amounts are analysed as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Remaining lease periods of over 50 years	–	–
Remaining lease periods between 10 to 50 years	134,044	–
Remaining lease periods within 10 years	895	–
	134,939	–

As at 30 June 2019, the right-of-use assets for land use rights in PRC with an aggregate carrying amount of approximately HK\$37,479,000 (31 December 2018: prepaid lease payments for land use rights of HK\$38,022,000) were pledged to secure banking facilities granted to the Group.

At the end of the reporting period, no impairment was recognised on the Group's right-of-use assets.

15. INTERESTS IN ASSOCIATES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Share of net assets		
At 1 January	170,802	183,520
Share of results for the period/year	4,288	2,510
Share of other comprehensive income for the period/year	(597)	(8,698)
Dividend received	(4,925)	(6,530)
At the end of the reporting period	169,568	170,802

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

16. INTEREST IN A JOINT VENTURE

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Share of net assets		
At 1 January	25,181	–
Capital contribution	–	26,520
Share of loss for the period/year	(839)	(820)
Share of other comprehensive income for the period/year	(87)	(519)
At the end of the reporting period	24,255	25,181

17. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Equity investments measured at fair value through other comprehensive income (non-recycling)		
At 1 January	92,200	80,000
Net fair value change transferred to equity through statement of other comprehensive income	6,800	12,200
At the end of the reporting period	99,000	92,200

Notes:

- (a) During the period under review, the boards of the unlisted equity investments declared dividends out of their respective results of the year 2018, of which dividends (before withholding tax to be paid in PRC) in an aggregate amount of approximately HK\$4,152,000 were recognised by the Group and will be distributed to the Group in the fourth quarter of 2019.
- (b) As at 30 June 2019, the fair value of the unlisted equity investments was determined by reference to the valuation carried out by CBRE Limited (“CBRE”) (31 December 2018: CBRE), an independent firm of professional valuers, using a market approach model based on the multiple of enterprise value to the earnings before interest and tax (“EV/EBIT”) of comparable listed companies in the same industry at 16.48 (31 December 2018: 14.81), and after having taken into account of the discount for lack of marketability of 14% (31 December 2018: 15%) for these unlisted investments.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

18. TRADE AND BILLS RECEIVABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Trade receivables	47,729	30,330
Bills receivable	6,275	7,396
	54,004	37,726
Less: allowance for impairment of trade receivables	2,347	–
	51,657	37,726

(a) Aging 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:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
0 to 30 days	34,451	23,121
31 to 60 days	12,769	5,862
61 to 90 days	2,666	3,489
91 to 180 days	531	2,048
181 to 360 days	1,240	3,206
	51,657	37,726

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 industrial waste, sewage and sludge treatment and disposal services, and an extended average credit period of 180 days to the customers of regulated medical treatment services which are hospitals and medical clinics. On special discretionary cases, credit period might be extended to a period up to 360 days for certain manufacturing clients in the eco-plating specialised industrial zone being affected by the construction of the phase II sewage filtering system with receivables amounted approximately to HK\$1,240,000 (31 December 2018: HK\$2,631,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

18. TRADE AND BILLS RECEIVABLES (continued)

(b) Impairment losses of trade receivables

Most of the debtors are local hospitals and reputable companies in the PRC. Based on past payment history, economic conditions and other forward looking information available, the management determined the lifetime expected credit loss (ECL) as at 30 June 2019.

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
At 1 January	–	–
Impairment loss recognised	2,347	–
At the end of reporting period	2,347	–

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

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Prepayments	13,715	8,649
Deposits paid for acquisition of property, plant and equipment	1,151	256
Other receivables	10,940	8,037
Frozen bank deposits pending litigation settlement	7,027	–
	32,833	16,942

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Note:

As at 30 June 2019, bank balances of subsidiaries in an aggregate amount of approximately HK\$7,027,000 (equivalent to approximately RMB6,176,000) were frozen by courts in the PRC as security for the final settlement of litigation cases, and accordingly the bank balances were reclassified and included in "Prepayment, deposits and other receivables" in the consolidated statement of financial position at the end of the reporting period. Provision for costs and contingent loss in relation to the related litigation cases totalling HK\$13,836,000 (equivalent to approximately RMB12,158,000) has been recognised and included as "Accrued liabilities and other payables" as at 30 June 2019.

20. CONTRACT ASSETS

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Provision of civil engineering works	1,404	1,469

The Group's contract assets are the retention monies receivable, that to be settled by the end of the expiry date of the defect liability period stipulated in the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period are set out as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 1 year	1,404	1,469

The Group has assessed the impairment for the contract assets on an individual basis based on the expected credit loss (ECL) which is in turn estimated based on the 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 30 June 2019 (31 December 2018: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

21. CASH AND CASH EQUIVALENTS

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Cash and bank balances	95,979	112,089
Time deposits	176,416	170,150
	272,395	282,239
Less: Pledged bank deposits for short term banking facilities	11,551	–
Cash and cash equivalents in the consolidated statement of cash flows	260,844	282,239

The bank balances and time deposits carried interest at market rates within the range from 0.01% to 2.10% (2018: 0.01% to 2.80%) per annum for the six months ended 30 June 2019. 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

22. BANK BORROWINGS

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Current liabilities		
Current portion of bank borrowings due for repayment within 1 year	87,585	86,498
Non-current portion of bank borrowings subject to immediate demand repayment clause	60,979	82,311
	148,564	168,809
Non-current liabilities		
Between 1 year and 2 years	51,968	32,408
Between 2 years and 5 years	63,216	53,272
	115,184	85,680
Total interest-bearing bank borrowings	263,748	254,489
	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Unsecured	182,950	183,685
Secured	80,798	70,804
	263,748	254,489

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

22. BANK BORROWINGS (continued)

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 1 year	87,585	86,498
After 1 year but within 2 years	89,172	74,394
After 2 years but within 5 years	86,991	93,597
	263,748	254,489

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Hong Kong Dollar	151,425	140,799
Renminbi	112,323	113,690
	263,748	254,489

Notes:

- (a) Certain banking facilities are subject to the fulfilment 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.
- (b) The Group regularly monitors its compliance with these covenants, and is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements.
- (c) On 15 August 2019, a bank granted the Company a waiver on a financial covenant in relation to profitability requirement for the bank borrowings of HK\$45,000,000 as at 30 June 2019. At the date of approval of these interim consolidated financial statements, there is no breach on any financial covenants governing the Group's bank borrowings.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

22. BANK BORROWINGS (continued)

Notes: (continued)

- (d) Save as disclosed therein, none of the covenants relating to the drawn down facilities had been breached (31 December 2018: Nil). All of the bank borrowings, including amounts repayable on demand, are carried at amortised cost. None of the portion of bank borrowings due for repayment after one year which contains a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.
- (e) As at 30 June 2019, unsecured bank loans in an aggregate amount of HK\$74,250,000 (31 December 2018: HK\$45,000,000) which bore interest at variable rates ranging from 2.52% to 4.15% per annum during the period under review (2018: 2.23% to 3.17%) were under banking facility letters granted by three different banks in Hong Kong. The available undrawn loan facilities granted under the banking facilities letters was HK\$15,000,000 as at 30 June 2019 (31 December 2018: HK\$45,000,000) which has been drawn down on 26 July 2019 after the end of the reporting period. In accordance with the banking facility letters, there were 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.

Mr. XI Yu confirmed that he owns the direct beneficial interests in 83.66% of the issued share capital of New Universe Enterprises Limited, which in turn beneficially interested in 1,109,303,201 shares (31 December 2018: 1,071,823,656 shares) of the Company, representing approximately 36.54% (31 December 2018: 35.31%) of the total issued share capital of the Company as at 30 June 2019 which remains unchanged up to the date of this report. The Board opined that Mr. XI Yu, as the current Chairman of the Board and the Chief Executive Officer of the Company is entitled to exercise management control over the Company.

23. OTHER BORROWING

On 25 June 2019, the Company entered into the fourth supplemental deed with the lender in relation to the unsecured other borrowing for an outstanding amount of HK\$25,000,000, pursuant to which, the final maturity date was extended to 31 December 2021 (31 December 2018: repayable on 31 December 2019) and the interest rate was changed to the HSBC Prime Rate minus 0.5% per annum to be quoted from time to time in Hong Kong (31 December 2018: 4% per annum).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

24. TRADE PAYABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Trade payables	21,196	10,254

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
0 to 30 days	11,765	6,606
31 to 60 days	3,403	447
61 to 90 days	3,273	242
Over 90 days	2,755	2,959
	21,196	10,254

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

25. ACCRUED LIABILITIES AND OTHER PAYABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Salaries and bonuses payable	10,972	21,447
Accounts payable for acquisition of property, plant and equipment	35,243	47,611
Lease liabilities	895	–
Accrued interest payable	474	253
Costs accrued for litigation settlements	13,836	–
Costs accrued for land restoration and soil remediation of obsolete plant	28,393	–
Other payables and accruals	81,968	90,080
	171,781	159,391

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

26. CONTRACT LIABILITIES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Deposits received from customers	17,015	14,033

All of those deposits received from the customers of HK\$14,033,000 brought forward from 31 December 2018 were fully recognised as revenue during the current period.

27. CONSIDERATIONS PAYABLE FOR ACQUISITION OF SUBSIDIARIES

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Current portion of considerations payable within 1 year	22,400	49,600
Non-current portion of considerations payable:		
Between 1 year and 2 years	12,400	–
Remaining considerations payable	34,800	49,600

Notes:

(a) On 25 June 2019, the Company's 100% indirectly owned subsidiary, New Universe International Holdings Limited ("NUIHL") as the purchaser and Sinotech Investments Limited as the vendor (the "Vendor") entered into a supplemental agreement (the "Supplemental Agreement") to amend certain terms of the sale and purchase agreement (the "S&P Agreement") dated 31 March 2017 and completed on 21 April 2017. Pursuant to the Supplemental Agreement, the amendments to S&P Agreement would be effective as follows:

(i) The remaining considerations as of the date of entering into the Supplemental Agreement (i.e. HK\$49,600,000) shall be payable by the Purchaser to the Vendor as follows:

Instalments	Payment Date	Instalment payment amount (excluding interests)
The fifth instalment	30 June 2019	HK\$14,800,000
The sixth instalment	31 December 2019	HK\$10,000,000
The seventh instalment	30 June 2020	HK\$12,400,000
The eighth instalment	31 December 2020	HK\$12,400,000

(ii) The interest rate charged on the outstanding amount of the cash consideration shall be at the interest rate of HSBC Prime Rate minus 0.5% per annum to be quoted from time to time in Hong Kong, payable in arrears on every payment date of the instalments (31 December 2018: HSBC Prime Rate minus 1.0% per annum).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

27. CONSIDERATIONS PAYABLE FOR ACQUISITION OF SUBSIDIARIES (continued)

Notes (continued):

Save as specifically amended and supplemented by the Supplemental Agreement, all other terms and conditions of the S&P Agreement remain in full force and effect.

- (b) In accordance with the audited financial statements of Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Company Limited (南京化學工業園天宇固體廢物處置有限公司) prepared in accordance with the Hong Kong Financial Reporting Standards for the two years ended 31 December 2018, the Actual Profit as defined therein the S&P Agreement was RMB26,206,783. As such, pursuant to the S&P Agreement (as supplemented and amended by the Supplemental Agreement), NUIHL is entitled to deduct an amount equivalent to RMB5,438,165 (equivalent to HK\$6,210,385, which was recognised and accounted for as change in fair value through profit and loss in relation to the relevant financial assets of the Group as of 31 December 2018) from the fifth instalment payable to the Vendor on 30 June 2019. On 30 June 2019, the net amount of the fifth instalment of HK\$8,589,615 was paid by NUIHL to the Vendor.

28. SHARE CAPITAL

	Numbers of shares		Share capital	
	30 June 2019 '000	31 December 2018 '000	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised				
At 1 January and at the end of the reporting period	100,000,000	100,000,000	1,000,000	1,000,000
Issued and fully paid				
At 1 January	3,035,697	3,035,697	30,357	30,357
At the end of the reporting period	3,035,697	3,035,697	30,357	30,357

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For the six months ended 30 June 2019

29. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

At the end of the reporting period, the Group as lessee had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Lease ends within 1 year	619	650

(b) The Group as lessor

Apart from the provision of plating sewage treatment services to the customers in the eco-plating specialised industrial zone, the Group also provides building and facilities to the customers, which carry out their plating operations therein, in accordance with the arrangement as a whole under the master agreements entered into between the Group and the customers. The fee receivable from the provision of such building and facilities are charged on the basis of specified floor area occupied by the customers in the eco-plating specialised industrial zone multiplied by the specific fixed fee rate per square meter of floor space under the respective master agreements.

At the end of the reporting period, the Group as lessor had non-cancellable future minimum lease payments receivable under the contracts entered into with customers for the provision of building and facilities as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 1 year	19,957	20,478
After 1 year but within 5 years	61,389	69,592
After 5 years	31,434	35,878
	112,780	125,948

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For the six months ended 30 June 2019

30. CAPITAL COMMITMENTS

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	60,103	64,005
– Capital contribution payable to a joint venture	25,890	25,980
– Capital contribution payable to an equity investment	15,976	15,976

31. PLEDGE OF ASSETS AND AVAILABLE UNUSED CREDIT FACILITIES

(a) Pledge of assets

At the end of the reporting period, the following assets were pledged as collaterals for banking facilities granted to the Group by certain banks:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Carrying amount		
– Property, plant and equipment	230,897	239,390
– Right-of-use assets (classified as prepaid lease payments for land use rights in previous years)	37,479	38,022
	268,376	277,412

(b) Unused credit facilities

At 30 June 2019, the total banking facilities of the Group amounted to HK\$320,038,000 (31 December 2018: HK\$337,359,000), which were utilised to the extent of unsecured bank loans of HK\$182,950,000 (31 December 2018: HK\$183,685,000) and secured bank loans of HK\$80,798,000 (31 December 2018: HK\$70,804,000) and the available unutilised banking facilities amounted to HK\$56,290,000 (31 December 2018: HK\$82,870,000).

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For the six months ended 30 June 2019

32. RELATED PARTY TRANSACTIONS

(a) List of related parties:

During the period under review, the Directors are of the view that the following entities and persons are related parties to the Group:

Name of related party	Relationship
New Universe Enterprises Limited ("NUEL")	A shareholder beneficially interested in 36.54% (2018: 35.31%) 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 Directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are the directors of Sun Ngai and NUHL.
Mr. XI Yu	A shareholder of NUEL beneficially interested in 83.66% (2018: 83.66%) of the issued share capital of NUEL, and Mr. XI Yu is also a director of NUEL.
Ms. CHEUNG Siu Ling	A shareholder of NUEL, together with her spouse, beneficially interested in an aggregate of 12.14% (2018: 12.14%) of the issued share capital of NUEL, and Ms. CHEUNG Siu Ling is also a director of NUEL.
Zhenjiang New District Solid Waste Disposal Limited* (鎮江新區固廢處置股份有限公司) ("Zhenjiang New District")	An associate of the Group, of which the Company holds 24.6% effective equity interest, and the Group holds 30% direct equity interest.

* For identification purpose only

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For the six months ended 30 June 2019

32. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Recurring transactions:		
Rental expenses on lease with 1-year-term		
– Sun Ngai	480	480
Charges on hazardous waste landfill disposal		
– Zhenjiang New District	8,929	8,827

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, which were transacted in the ordinary course of the business of the Group.

(c) Key management personnel remuneration:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other benefits	5,205	4,980
Retirement scheme contributions	29	44
	5,234	5,024

33. ENVIRONMENTAL CONTINGENCIES

For the six months ended 30 June 2019, the Company'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, PRC. 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 Ecology and Environmental Department of the Jiangsu Province, PRC. To the best knowledge of the Company's Directors, each of the Company'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 permission licences concerned with best efforts, or otherwise, the subsidiary would cease its operations temporarily until the relevant licence(s) is being issued.

For the six months ended 30 June 2019, except for the expenditures of HK\$13,873,000 for environmental non-compliance and remediation incurred by certain subsidiaries of the Company in the PRC, the Group has not currently involved in any other significant environmental non-compliance and remediation. Under existing legislations and regulations, the management believes that there is no other material probable liability that will have a material adverse effect to the financial position or operating results of the Group.