NEW UNIVERSE
ENVIRONMENTAL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 436

ANNUAL REPORT

2019

MIX
Paper from responsible sources
FSC™ C132597

CORPORATE INFORMATION

PLACE OF INCORPORATION
Cayman Islands

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

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

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

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

COMPLIANCE OFFICER
Ms. CHEUNG Siu Ling

COMPANY SECRETARY
Mr. HON Wa Fai

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

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

CONTENTS

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 Law
Lau, Horton & Wise LLP

As to PRC Law
Beijing Sinobridge PRC Lawyers

FINANCIAL ADVISER

OCTAL Capital Limited

INDEPENDENT AUDITOR

Crowe (HK) CPA Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
Bank of East Asia, Limited
Bank of Jiangsu Co., Ltd.
Cathay Bank, Hong Kong Branch
Hongkong and Shanghai Banking Corporation 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

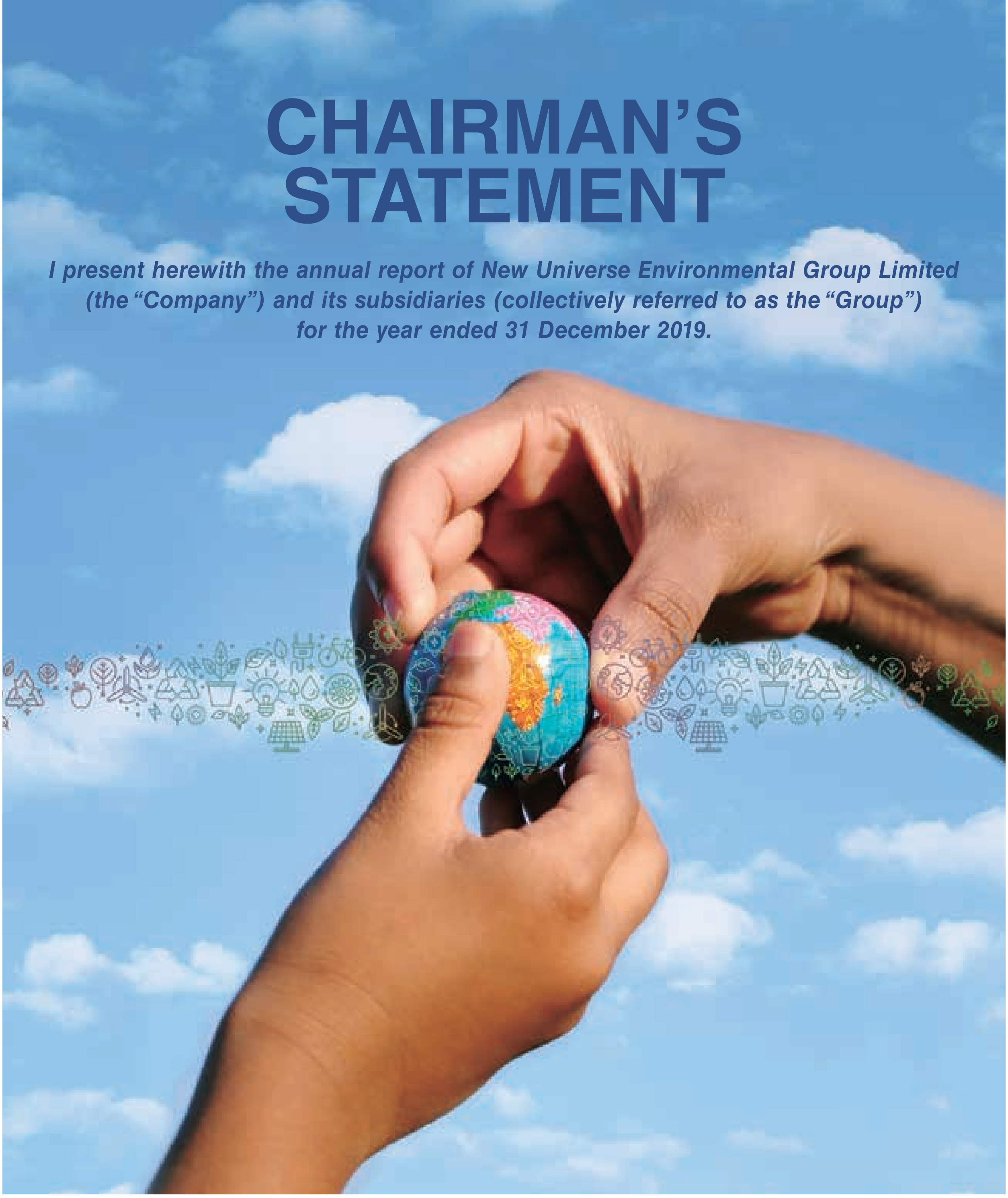
Board Lot
20,000 shares

CORPORATE WEBSITE

www.nuigl.com

CHAIRMAN'S STATEMENT

I present herewith the annual report of New Universe Environmental Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019.



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

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

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

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

Final Dividend

On 23 March 2020, the board ("Board") of directors ("Directors") recommended the payment of a final dividend of HK$0.0070 per share at a payout ratio of approximately 52.3% of the profit attributable to the owners of the Company for the year ended 31 December 2019, which is subject to the approval of the shareholders at the forthcoming annual general meeting ("AGM"). Upon shareholders' approval at the AGM, the final dividend is expected to be payable on or about 31 July 2020 to shareholders whose names appear on the register of members on 10 July 2020.

Business Prospects

Entering 2020, we encountered further challenge in running our business and operations in Mainland China. The Group continues to uphold the practice of corporate governance as well environmental governance. Although the Group has retreated from the investment of setting up new hazardous waste disposal facilities in Yangzhou, Jiangsu in 2019, we expect the new hazardous waste disposal facilities situated at Liuzhou, Guangxi, will be put into operation by the end of 2020 or early next year. We shall leverage on our experience on the operations of hazardous waste treatment and disposal services in Jiangsu Province, and commit to being one of the best service providers in environmental hazardous waste disposal in the Mainland China. Looking forward, apart from strengthening our environmental quality management of the existing hazardous waste facilities of the Group, we will continue to explore prudently for new opportunities in the environmental industry. Barring any uncertain economic factors and the uncertainties of the coronavirus outbreak, we expect growth of our environmental operations would be sustainable in long run.

Acknowledgment

I would like to express my gratitude to our shareholders, business partners, customers, suppliers and financiers for their continuous support to the Group. I would also like to extend my thanks to the management team and all colleagues of our Group for their efforts to the results in 2019 and the uncertainties we might face in 2020. We look forward to presenting an improved results with our Group's united effort in the forthcoming year.

XI Yu
Chairman and Chief Executive Officer

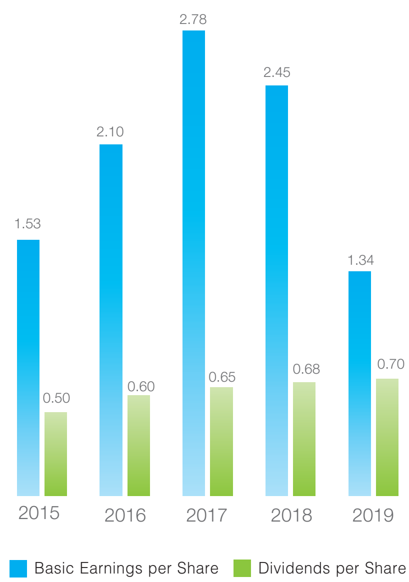
Hong Kong, 28 April 2020

MANAGEMENT DISCUSSION AND ANALYSIS

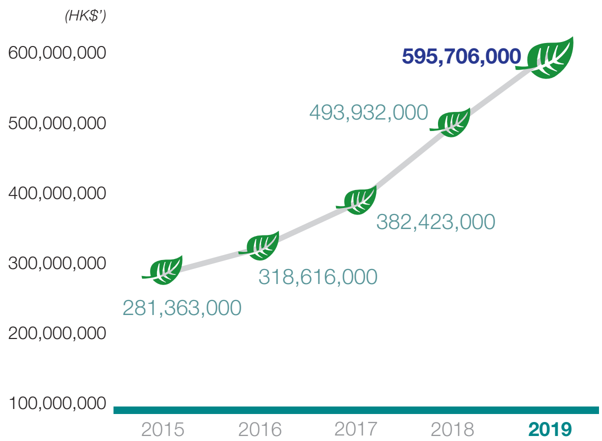
FINANCIAL HIGHLIGHTS

- **Group revenue up 20.6% to HK$595,706,000.**
- **Profit attributable to owners of the Company down 45.4% to HK$40,625,000.**
- **EBITDA of the Company down 7.1% to HK$173,057,000.**
- **Equity attributable to owners of the Company was HK$911,528,000 at 31 December 2019.**
- **Cash and cash equivalents of the Group amounted to HK$267,393,000 at 31 December 2019.**
- **Total earnings per share attributable to owners of the Company down 45.3% to HK cents 1.34.**
- **The Board resolved to declare a final dividend of HK cents 0.7 per share for the year ended 31 December 2019.**

Basic Earnings per Share and Dividends per Share
(HK cents)

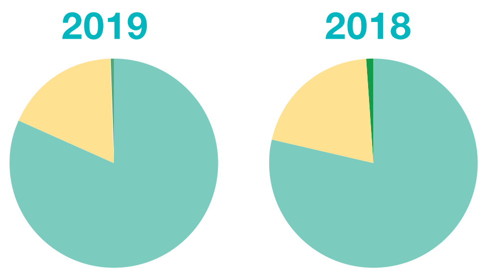


5-Year Group Revenue*



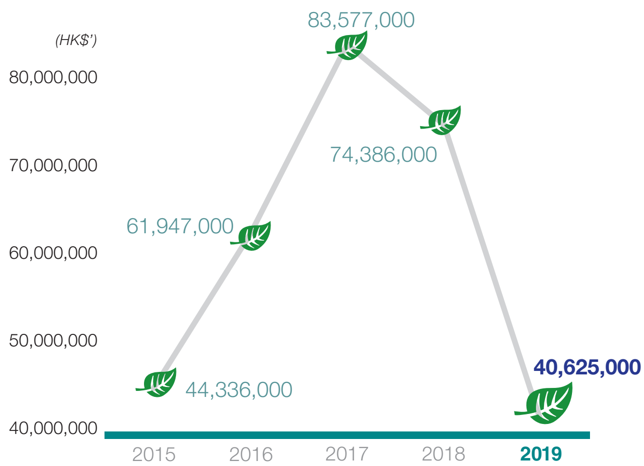
* Group revenue represents the consolidated revenue from all environmental related operations of the Group but excludes the other revenue and other net income that being included in the segment revenue.

Segment Revenue

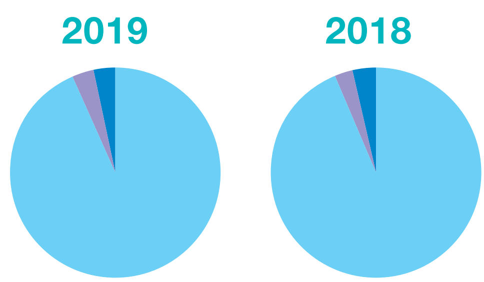


	2019	2018
Provision of industrial and medical waste treatment and disposal services	HK$489,242,000	HK$392,770,000
Provision of sewage treatment and facility services	HK$106,464,000	HK$101,162,000
Investments in plastic materials dyeing operations	HK$4,152,000	HK$4,266,000

5-Year Net Profit Attributable to Owners of Company



Segment Results (Pre-tax)



	2019	2018
Provision of industrial and medical waste treatment and disposal services	HK$103,516,000	HK$125,633,000
Provision of sewage treatment and facility services	HK$3,426,000	HK$3,789,000
Investments in plastic materials dyeing operations	HK$3,537,000	HK$3,599,000

BUSINESS REVIEW

Environmental Treatment and Disposal Services for Industrial and Medical Wastes

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

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

	Note	**2019 Annual capacity metric tons**	2018 Annual capacity metric tons
Licensed hazardous waste incineration facilities	(i)	**138,400**	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	(iii)	**147,780**	107,780
Constructed hazardous waste landfill facilities pending issue of operating permission licence	(ii)	**18,000**	18,000
Constructed hazardous waste incineration facilities pending issue of operating permission licence	(i)	**–**	40,000
Total constructed treatment and disposal facilities pending licences		**18,000**	58,000

Notes:

(i) Net increase in total incineration and disposal capacity in 2019 was mainly attributable to the renewal of hazardous waste operating permission licence being granted at the end of August 2019 for the facilities with an annual capacity of 40,000 metric tons located at Suqian, Jiangsu Province after the previous licence expired in November 2018.

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(ii) The hazardous waste operating permission licence for the hazardous waste landfill facilities with an annual capacity of 18,000 tons situated at Yancheng, Jiangsu Province, has expired in November 2017, and the renewal of the operation permission licence is subject to the completion of the environmental enhancement facilities which are under construction in progress at the end of the reporting period and is expected to be completed in 2020.

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

Environmental Plating Sewage Treatment Services in Eco-plating Specialised Zone

For the year ended 31 December 2019, total revenue from the segment of provision of environmental plating sewage treatment services and provision of related facilities and utilities in the eco-plating specialised zone situated at Zhenjiang, Jiangsu Province (the "Eco-plating Specialised Zone") was approximately HK$106,464,000 (2018: HK$101,162,000) and the segment profit margin (pre-tax) was approximately 3.2% (2018: 3.7%).

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

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

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

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

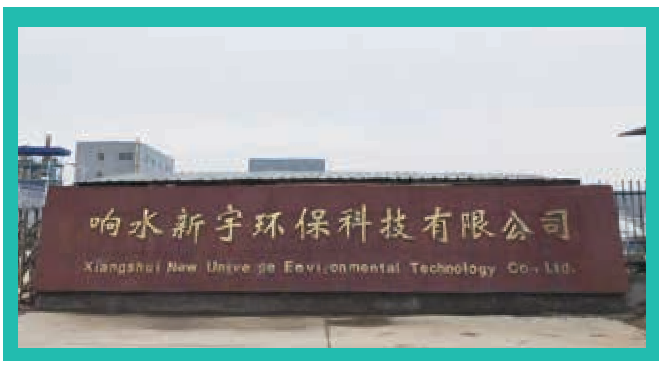
Investments in Plastic Materials Dyeing Business

The Group holds the equity interests in three manufacturing entities that principally engaged in plastic materials dyeing in Mainland China as equity investments. For the year ended 31 December 2019, the profit margins (pre-tax) of Suzhou New Huamei Plastics Company Limited ("Suzhou New Huamei"), Danyang New Huamei Plastics Company Limited ("Danyang New Huamei") and Qingdao Zhongxin Huamei Plastics Company Limited ("Qingdao Huamei") were 3.8%, 1.5% and 3.6% (2018: 3.3%, 1.6% and 3.0%) respectively.

For the year ended 31 December 2019, total dividend received by the Group (before PRC dividend withholding tax) in relation to the results of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei in previous years was approximately HK$4,152,000 (2018: HK$4,266,000).

Outlook

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



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

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

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

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

FINANCIAL REVIEW

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

Summary of annual results

(Expressed in HK$'000 unless indicated otherwise)

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

Summary of annual results by semi-annual cycle

(Expressed in HK$'000 unless indicated otherwise)

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

Summary of annual results by semi-annual cycle

(Expressed in HK$'000 unless indicated otherwise)

	Note	1H 2018 HK$'000	2H 2018 HK$'000	Total 2018 HK$'000
Revenue from environmental waste treatment and disposal services	1	197,504	195,266	392,770
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities		51,611	49,551	101,162
Total Revenue	1	249,115	244,817	493,932
Average gross profit margin (in percentage)	2	38.6	35.1	36.9
Other revenue	3	4,266	–	4,266
Other net income	4	9,497	9,015	18,512
Distribution and selling expenses	5	6,284	3,703	9,987
Administrative expenses	6	29,310	26,314	55,624
Other operating expenses	7	7,013	14,739	21,752
Finance income	8	1,392	3,760	5,152
Finance costs	9	6,828	7,474	14,302
Share of results of associates	10	(1,388)	3,898	2,510
Share of results of a joint venture	11	(204)	(616)	(820)
Income tax	12	12,791	10,811	23,602
Net profit for the period	13	47,465	38,961	86,426
Profit attributable to owners of the Company	13	38,350	36,036	74,386
Basic and diluted EPS attributable to owners of the Company (in HK cents)	14	1.26	1.19	2.45
EBITDA	15	97,160	89,108	186,268

Notes:

1. Net increase in total revenue for the year ended 31 December 2019 was mainly attributable to the net increase in total quantities of industrial hazardous waste collected for incineration treatment and disposal and the revenue for the incineration engineering works provided to external clients during the year.

2. Decrease in gross profit margin of the Group for the year ended 31 December 2019 was mainly attributable to increase in direct costs for using clean energy and for the disposal of post-incinerated waste slag and ash.

3. Net decrease in other revenue for the year ended 31 December 2019 was mainly attributable to slightly decrease in dividends received from the equity investments in the current year.

4. Net decrease in other net income for the year ended 31 December 2019 was mainly attributable to no fair value gain being recognised to profit or loss in the current year.

5. Net decrease in distribution and selling expenses for the year ended 31 December 2019 was mainly attributable to decrease in market development expenses in the current year.

6. Net decrease in administrative expenses for the year ended 31 December 2019 was mainly attributable to the decrease in administrative staff costs in the current year.

7. Net increase in other operating expenses for the year ended 31 December 2019 was mainly attributable to increase in costs of litigation settlements on non-compliance incidents occurred in Mainland China, costs of land restoration and soil remediation of a obsolete plant, and costs on upkeep of the facilities and operations of the plant at Suqian, Jiangsu Province pending for the renewal of its hazardous waste operating permission licence in the current year.

8. Net decrease in finance income for the year ended 31 December 2019 was mainly attributable to the net loss on foreign exchange on financing activities of the Group in the current year.

9. Net decrease in finance costs for the year ended 31 December 2019 was mainly attributable to decrease in interests on reduced borrowings in the current year.

10. Net increase in profit shared from the associates for the year ended 31 December 2019 was mainly attributable to improvement of their operational performance in the current year.

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

12. Net decrease in income tax for the year ended 31 December 2019 was mainly attributable to decrease in taxable profits generated from the operations of the Group in Mainland China in the current year.

13. For the year ended 31 December 2019, net decrease in net profit and decrease in profit attributable to owners of the Company were mainly attributable to:

    (i) a net cost of approximately HK$16.8 million incurred by the indirectly wholly owned subsidiary, Suqian New Universe Environmental Solid Waste Disposal Limited*, which has suspended its operations for about eight months to undertake repairs and maintenance to upkeep its facilities in order to meet the requirement for renewal of hazardous waste operating permission licence in the current year;

    (ii) the costs of litigation settlements and administrative penalties on non-compliance incidents in an aggregate amount of approximately HK$14.0 million were incurred and provided for in the current year; and

    (iii) the impairment loss on trade receivables of approximately HK$4.5 million arisen from the closing down of certain customers in the current year.

14. Decrease in earnings per shares ("EPS") was directly attributable to the decrease in net profit in 2019.

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

* *For identification purpose only*

Seasonality of operations

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

For the year ended 31 December 2019, the environmental waste treatment and disposal services recorded a revenue of HK$457,450,000 (2018: HK$392,770,000) and pre-tax profit of HK$100,013,000 (2018: HK$125,633,000) with revenue of approximately 45.3% (2018: 50.3%) being accumulated in the first half of the year and approximately 54.7% (2018: 49.7%) being accumulated in the second half of the year. In first half of 2019, certain hazardous waste treatment facilities of the Group have extended its down-time for repairs and maintenance to meet the requirement for renewal of hazardous waste operating permission licences. In the second half of 2019, the demand for hazardous waste disposal services was mainly driven by the local authorities in Jiangsu Province to clean up the environment after the 3.21 Xiangshui explosion accident.

Capital expenditure

For the year ended 31 December 2019, the Group incurred capital expenditure to increase property, plant and equipment and to acquire land use rights (i) for the operating segment of environmental waste treatment and disposal services amounted approximately to HK$85,831,000 (2018: HK$89,121,000), (ii) for the operating segment of industrial sewage and sludge treatment and facility provision services in the Eco-plating Specialised Zone amounted approximately to HK$13,693,000 (2018: HK$14,973,000), and (iii) for corporate use at the head office in Hong Kong being Nil (2018: HK$17,000).

Commitments

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

	2019	2018
	HK$'000	HK$'000
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	**57,188**	64,005
– Capital contribution to a joint venture	**25,435**	25,980
– Capital contribution to an equity investment	**15,976**	15,976

Liquidity, financial resources and gearing

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

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

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

	2019 **HK$'000**	2018 HK$'000
(i) Cash and bank balances	**267,393**	282,239
(ii) Available unused unsecured banking facilities	**45,000**	82,870

Key Performance indicators

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

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

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

(b) The Group monitors the proportion of its profits that being converted to cash flows through cash conversion rate. The cash conversion rate of the Group being the net cash generated from operating activities as a percentage of the consolidated operating profit was approximately 165% for the year ended 31 December 2019 (2018: 157%).

(c) The Group monitors its liquidity through current ratio. The current ratio of the Group representing the ratio of the consolidated current assets to the consolidated current liabilities was 0.8 times as at 31 December 2019 (2018: 0.8 times). The current ratio being less than 1 as at 31 December 2019 was mainly attributable to the bank loans payable in or after 2021 amounted approximately to HK$75,325,000 (2018: bank loans payable in or after 2020 amounted approximately to HK$82,311,000) have been classified as current liabilities because those banking facilities bore standard terms and conditions that the banker reserves its overriding right at any time to cancel or vary the facilities and demand immediate repayment of all outstanding amounts.

(d) The Group monitors its capital by reference to the gearing ratio. This ratio is calculated as total interest-bearing borrowings (including lease liabilities) divided by total equity. The gearing ratio at the end of the reporting period was as follows:

	2019 **HK$'000**	2018 HK$'000
Bank borrowings	**240,409**	254,489
Other borrowing	**25,000**	25,000
Considerations payable for acquisition of subsidiaries	**24,800**	49,600
Lease liabilities	**590**	–
Total interest-bearing borrowings	**290,799**	329,089
Total equity (inclusive of non-controlling interests)	**1,028,316**	1,010,529
Gearing ratio	**28.3%**	32.6%

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

Capital structure

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

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Save as disclosed therein, there were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the year ended 31 December 2019.

* *For identification purpose only*

Significant investments held and their performance

According to the valuation report dated 23 March 2020 issued by an independent professional valuer, CBRE Limited ("CBRE") (2018: CBRE), the fair value attributable to the Group's interests in the equity investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei as at 31 December 2019 were HK$36,100,000, HK$16,300,000 and HK$44,900,000 (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 year end 31 December 2019 were recognised as other comprehensive income and accounted for in the investment revaluation reserve of the Group.

Impairment testing on goodwill

Goodwill was recognised in a business combination completed in 2007 that composed of Zhenjiang New Universe Solid Waste Disposal Company Limited, Yancheng New Universe Solid Waste Disposal Company Limited, and Taizhou New Universe Solid Waste Disposal Company Limited being identified as a cash-generating unit. As at 31 December 2019, the assessment on the recoverable amount of this cash-generating unit, which is principally engaged in environmental waste treatment and disposal services in Zhenjiang, Jiangsu Province, Mainland China, was determined with reference to the valuation report dated 23 March 2020 issued by the independent professional valuer, CBRE (2018: CBRE), based on reasonable assumptions, including but not limited to the cash flows projection with a growth rate at 2% (2018: 2%) of that cash-generating unit operating at the licensed capacity, and the pre-tax discount rate of 16.21% (2018: 16.66%) which reflects the risks for the industries. No impairment loss to the goodwill was considered necessary for the years ended 31 December 2019 and 2018.

Impairment testing on interest in an associate, NCIP

As at 31 December 2019, the assessment on the recoverable amount of the Group's interest in 南京化學工業園天宇固體廢物處置有限公司 (Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd.) ("NCIP"), which is principally engaged in environmental waste treatment and disposal services in Nanjing, the capital city of Jiangsu Province, Mainland China was conducted with reference to the valuation report dated 23 March 2020 issued by the independent professional valuer, CBRE (2018: CBRE), based on reasonable assumptions, including but not limited to the cash flows projection of NCIP with a growth rate at 2% (2018: 2%) of NCIP as cash-generating unit with its phase I and phase II incineration facilities both operating at the licensed capacity, and the pre-tax discount rate of 14.89% (2018: 16.41%) which reflects the risks for the business of NCIP. No impairment loss to the Group's interest in NCIP was considered necessary for the years ended 31 December 2019 and 2018.

Charges on assets

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

	2019 HK$'000	2018 HK$'000
Carrying amount of collaterals:		
Property, plant and equipment	**202,520**	239,390
Land use rights	**27,630**	38,022
Pledged bank deposits	**154**	–
	230,304	277,412

	2019 HK$'000	2018 HK$'000
Secured liabilities and guarantee issued:		
Secured borrowings outstanding under the bank facilities	**63,726**	70,804
Bills payable to suppliers	**11**	–
Bank guarantee issued in favour of independent third parties	**143**	–
	63,880	70,804

Contingent liabilities

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

Employee information

As at 31 December 2019, the Group had 624 (2018: 647) full-time employees, of which 18 (2018: 21) were based in Hong Kong, and 606 (2018: 626) in Mainland China. For the year ended 31 December 2019, staff costs, including Directors' remuneration and amount capitalised as inventories was HK$87,448,000 (2018: HK$90,785,000). Employees and Directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, and continuous development and training.

Exposure to fluctuations in exchange rates

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

The results of the Group's subsidiaries in Mainland China are translated from RMB into HK$ at the exchange rates approximating the rates ruling at the dates of the transactions. Statement of financial position items of the Group's subsidiaries in Mainland China are translated from RMB into HK$ at the closing rate ruling at the end of the reporting period. For the year ended 31 December 2019, RMB depreciated on average relatively to the HK$ resulted in an overall downside exchange difference on translation from RMB to HK$ for the financial statements of the subsidiaries in Mainland China amounted approximately to HK$17,654,000 (2018: HK$42,527,000) that were recognised as other comprehensive income and accumulated separately in equity in the translation reserve of the Company, and HK$16,000 (2018: Nil) arisen on disposal of a subsidiary in PRC that was recognised to the profit or loss of the Company in current year. The accumulated exchange differences in the translation reserve will be reclassified to profit or loss as when the interests in the relevant subsidiaries in Mainland China being entirely or partially disposed of by the Group.

Principal risks and uncertainties

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

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

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

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

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

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

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

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

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

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

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

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

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

7. The Group faces various financial risks that have been disclosed in note 45 to the financial statements on pages 180 to 187 of this report.

CONSOLIDATED RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**595,706**	493,932	382,423	318,616	281,363
Cost of sales	**(393,979)**	(311,859)	(214,778)	(173,683)	(159,740)
Gross profit	**201,727**	182,073	167,645	144,933	121,623
Other revenue	**4,152**	4,266	3,520	4,621	4,952
Other net income	**11,198**	18,512	28,539	13,254	9,310
Distribution and selling expenses	**(9,554)**	(9,987)	(4,682)	(5,745)	(7,144)
Administrative expenses	**(54,172)**	(55,624)	(50,553)	(46,684)	(41,176)
Other operating expenses	**(53,898)**	(21,752)	(20,622)	(21,335)	(16,689)
Impairment loss on trade receivables	**(4,469)**	–	–	–	–
Gain on bargain purchase	**–**	–	7,200	–	–
Operating profit	**94,984**	117,488	131,047	89,044	70,876
Finance costs	**(13,909)**	(14,302)	(9,129)	(3,962)	(2,799)
Finance income	**2,517**	5,152	(184)	3,036	640
Finance costs, net	**(11,392)**	(9,150)	(9,313)	(926)	(2,159)
Share of results of associates	**6,826**	2,510	11,716	3,985	4,154
Share of results of a joint venture	**(1,545)**	(820)	–	–	–
Profit before taxation	**88,873**	110,028	133,450	92,103	72,871
Income tax	**(17,744)**	(23,602)	(20,916)	(5,985)	(13,459)
Profit for the year	**71,129**	86,426	112,534	86,118	59,412
Profit for the year attributable to:					
Owners of the Company	**40,625**	74,386	83,577	61,947	44,336
Non-controlling interests	**30,504**	12,040	28,957	24,171	15,076
	71,129	86,426	112,534	86,118	59,412
Dividend declared for the results of the year	**21,250**	20,643	19,732	18,214	14,778

5-YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**776,848**	762,574	754,897	531,379	527,884
Prepaid lease payments for land use rights	**–**	132,402	139,670	118,447	99,984
Right-of-use assets	**131,559**	–	–	–	–
Goodwill	**33,000**	33,000	33,000	33,000	33,000
Interests in associates	**169,137**	170,802	183,520	18,236	15,360
Interest in a joint venture	**23,123**	25,181	–	–	–
Equity investments at fair value through other comprehensive income (recycling)	**–**	–	80,000	63,600	76,700
Equity investments at fair value through other comprehensive income (non-recycling)	**97,300**	92,200	–	–	–
	1,230,967	1,216,159	1,191,087	764,662	752,928
Current assets					
Inventories	**4,283**	3,573	2,460	1,476	1,042
Trade and bills receivables	**89,021**	37,726	69,175	58,507	46,857
Prepayments, deposits and other receivables	**25,858**	16,942	34,500	26,782	14,569
Contract assets	**894**	1,469	–	–	–
Prepaid lease payments for land use rights	**–**	3,657	3,811	3,084	2,599
Financial asset at fair value through profit or loss	**–**	6,210	–	–	–
Pledged bank deposits	**154**	–	–	9,606	5,318
Cash and cash equivalents	**267,393**	282,239	237,884	171,589	175,805
	387,603	351,816	347,830	271,044	246,190
Total assets	**1,618,570**	1,567,975	1,538,917	1,035,706	999,118

CONSOLIDATED ASSETS AND LIABILITIES (continued)

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current liabilities					
Bank borrowings	**174,782**	168,809	137,677	75,549	39,798
Other borrowing	**–**	25,000	–	–	–
Trade and bills payables	**32,732**	10,254	6,226	13,686	4,251
Accrued liabilities and other payables	**196,733**	159,391	196,967	107,687	114,972
Deposits received from customers	**–**	–	5,117	9,060	3,621
Contract liabilities	**25,103**	14,033	–	–	–
Lease liabilities	**451**	–	–	–	–
Considerations payable for acquisition of subsidiaries	**24,800**	49,600	35,200	–	–
Deferred government grants	**1,048**	949	504	452	447
Income tax payable	**4,112**	3,428	6,074	2,463	9,436
	459,761	431,464	387,765	208,897	172,525
Non-current liabilities					
Bank borrowings	**65,627**	85,680	45,000	2,793	7,874
Other borrowing	**25,000**	–	25,000	25,000	30,000
Lease liabilities	**139**	–	–	–	–
Considerations payable for acquisition of subsidiaries	**–**	–	49,600	–	–
Deferred government grants	**6,095**	6,592	3,637	3,454	3,790
Deferred tax liabilities	**33,632**	33,710	30,348	26,073	25,157
	130,493	125,982	153,585	57,320	66,821
Total liabilities	**590,254**	557,446	541,350	266,217	239,346
Net current (liabilities)/assets	**(72,158)**	(79,648)	(39,935)	62,147	73,665
Net assets	**1,028,316**	1,010,529	997,567	769,489	759,772
Share capital	**30,357**	30,357	30,357	29,557	29,557
Reserves	**881,171**	876,020	857,081	657,728	659,296
Equity attributable to owners of the Company	**911,528**	906,377	887,438	687,285	688,853
Non-controlling interests	**116,788**	104,152	110,129	82,204	70,919
Total equity	**1,028,316**	1,010,529	997,567	769,489	759,772

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

XI Yu ("Mr. XI", aged 62)

Chairman, Chief Executive Officer and Executive Director

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

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

Mr. XI graduated from the Chemistry Department of the University of Beijing in July 1980. Mr. XI is a director and shareholder personally holding 83.66% equity interests in New Universe Enterprises Limited ("NUEL"). On 22 May 2019, NUEL has increased its interests in the issued shares of the Company from approximately 35.31% to approximately 36.54%. Mr. XI is also the director of New Universe Holdings Limited ("NUHL") and the director of its subsidiaries, China (HK) Chemical & Plastics Company Limited ("China (HK) Chemical"), which is principally engaged in trading of plastic resins, and Sun Ngai International Investment Limited ("Sun Ngai"), which is principally engaged in property investment.

SONG Yu Qing ("Mr. SONG", aged 71)

Executive Director

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

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

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

CHEUNG Siu Ling ("Ms. CHEUNG", aged 58)

Executive Director, Compliance Officer and Authorised Representative

Ms. CHEUNG was appointed as executive Director on 1 April 2005. On 18 August 2014, Ms. CHEUNG was appointed as the authorised representative, the compliance officer and the process agent of the Company. She is a member of the executive committee of the Board. Ms. CHEUNG is the director of various major subsidiaries of the Group.

Ms. CHEUNG obtained a Master of Business Administration degree from the University of South Australia in September 2005. Ms. CHEUNG is a director and shareholder personally holding 6.07% equity interests in NUEL. She is also the director of NUHL and the director of its subsidiaries, China (HK) Chemical and Sun Ngai.

ZHANG Shuo ("Ms. ZHANG", aged 33)

Executive Director

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

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

LIU Yu Jie ("Ms. LIU", aged 55)

Executive Director

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

Ms. LIU obtained a Bachelor of Economics degree in Foreign Trade from the Dongbei University of Finance and Economics, China in July 1987 and a Postgraduate Diploma in International Trade from the University of International Business and Economics, China in June 1990. Ms. LIU served as executive director of SIIC Environment Holdings Limited (stock code: BHK, a company whose shares are listed on the Singapore Exchange) from November 2009 to August 2014. Ms. LIU is currently an executive director of China Water Affairs Group Limited (stock code: 855, a company whose shares are listed on the Stock Exchange), an executive director of Kangda International Environmental Company Limited (stock code: 6136, a company whose shares are listed on the Stock Exchange), and an independent non-executive director of Zhongyu Gas Holdings Limited (stock code: 3633, a company whose shares are listed on the Stock Exchange).

HON Wa Fai ("Mr. HON", aged 59)

Executive Director, Company Secretary, Financial Controller and Authorised Representative

Mr. HON was appointed to the Group as financial controller on 6 September 2004. He was appointed as the qualified accountant, company secretary and authorised representative of the Company on 6 October 2004, and appointed as executive Director on 28 September 2006. He is a member of the executive committee of the Board.

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

CHAN Yan Cheong ("Dr. CHAN", aged 66)

Independent Non-Executive Director

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

Dr. CHAN obtained a Bachelor of Science degree in Electrical Engineering in August 1977, a Master of Science degree in Materials Science in December 1978, and a Doctor of Philosophy degree in Electrical Engineering in July 1983, all from the Imperial College of Science and Technology, University of London, United Kingdom. He obtained a Master of Business Administration degree from the University of Hong Kong in December 1989. He was admitted as a Chartered Electrical Engineer of the Institution of Engineering & Technology (United Kingdom) in February 1988. Dr. CHAN was admitted as a Fellow of the Institute of Electrical and Electronic Engineers, INC (USA) in January 2004 and conferred the status of Life Fellow on 1 January 2020. In January 2013, Dr. CHAN was awarded the honorable title of State Specially Recruited Expert in the Mainland China. In October 2019, he was awarded the title of Guest Professor of Huazhong University of Science and Technology in Wuhan, China. Dr. CHAN retired from City University of Hong Kong as Chair Professor on 20 January 2020.

YUEN Kim Hung, Michael ("Mr. YUEN", aged 58)

Independent Non-Executive Director

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

Mr. YUEN obtained a Professional Diploma in Accountancy from the Hong Kong Polytechnic University in November 1983. He was admitted as an Associate Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in September 1988, a Fellow of the Chartered Association of Certified Accountants in October 1991, and a chartered professional accountant member of the Chartered Professional Accountants of British Columbia, Canada in June 2015. Mr. YUEN is currently providing accounting, secretarial and taxation services in Hong Kong. He was formerly an independent non-executive director of Prosperity Minerals Holdings Limited (a company whose shares had previously been listed in the London Stock Exchange) from May 2006 to September 2014, an independent non-executive director of Steed Oriental (Holdings) Company Limited (stock code: 8277, a company whose shares are listed on the GEM of the Stock Exchange) from September 2013 to August 2016, and an independent non-executive director of Prosperity International Holdings (H.K.) Ltd (stock code: 803, a company whose shares are listed on the Stock Exchange) from January 2002 to May 2019.

HO Yau Hong, Alfred ("Mr. HO", aged 62)

Independent Non-Executive Director

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

Mr. HO obtained a Bachelor of Commerce (Honours) degree from University of Windsor, Windsor, Canada in September 1984. Mr. HO was admitted as a Canadian Chartered Accountant in December 1988, a Fellow Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in September 1997, and a Fellow of the Taxation Institute of Hong Kong in April 2001. Mr. HO was a part-time professor in accounting and auditing at Algonquin College, Ottawa, Canada from September 1990 to April 1995. He was appointed as a facilitator for the Qualification Program of the Hong Kong Institute of Certified Public Accountants in taxation launched in October 2001. He was a part-time tutor in taxation at the Open University of Hong Kong from 12 March 2006 to September 2007, and was a part-time lecturer/senior lecturer in taxation and accounting at the Hong Kong Shue Yan University from September 2014 to May 2018. Mr. HO was a finance director of Sinosoft Technology PLC (a company whose shares had previously been listed on the London Stock Exchange) from October 2007 to April 2009. Mr. HO is currently practising in Hong Kong with his own accounting firm.

Notes:

(a) Mr. SONG, Ms. LIU, and Mr. HON shall retire from the office as Directors by rotation at the forthcoming annual general meeting in accordance with the Articles of Association of the Company, and being eligible, they offer themselves for re-election thereat.

(b) Details of Directors' emoluments are set out in note 9 to the financial statements on page 132 of this annual report.

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

SENIOR MANAGEMENT

WONG Lai Wa ("Ms. WONG", aged 49)

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

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

LIU Yuan ("Ms. LIU Yuan", aged 49)

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

Ms. LIU Yuan was appointed as vice president of the Company in August 2018. She is currently the director and/or the general manager of various major subsidiaries of the Group in China. Ms. LIU Yuan was appointed finance manager of Zhenjiang New Universe Solid Waste Disposal Company Limited in April 2003 and then promoted to deputy general manager in September 2005. She was appointed as director and general manager of Zhenjiang New Universe Solid Waste Disposal Company Limited in January 2009. Ms. LIU Yuan graduated from Nanjing College of Economics (now renamed as Nanjing University of Finance and Economics) with a Professional Certificate in Accounting and Statistics in June 1998, and she was conferred the title of intermediate accountant in China in May 2001.

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

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

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

HE Ling Yun ("Mr. HE", aged 48)

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

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

* *For identification purpose only*

DAI Bing Fu ("Mr. DAI", aged 46)

General Manager of Xiangshui New Universe Environmental Technology Limited
General Manager of Yancheng NUHF Environmental Technology Limited

Mr. DAI was appointed as the general manager of the Group's subsidiary, Xiangshui New Universe Environmental Technology Limited in April 2018 and also the general manager of Yancheng NUHF Environmental Technology Limited* in December 2018. As an ex-serviceman after having serviced in the armament maintenance and repairs division of the Chinese People's Liberation Army for over 12 years, he worked as the head of the production department of the Group's subsidiary, Yancheng New Universe Solid Waste Disposal Company Limited from August 2004 to May 2013. Before he became the general manager of Xiangshui New Universe Environmental Technology Limited, Mr. DAI has worked as the head of the production department and the assistant to the general manager of Yancheng NUHF Environmental Technology Limited* since May 2013. Mr. DAI graduated in September 2014 from the School of Continuing Education (Online Education), Remin University of China in the professional studies of business management.

Mr. YANG Jun Rong ("Mr. YANG", aged 52)

Deputy General Manager of Zhenjiang New Universe Solid Waste Disposal Company Limited
Deputy General Manager of Jiangsu Xin Yu Environmental Technologies Company Limited

Mr. YANG was appointed in September 2019 as deputy general manager of the Group's subsidiary, Jiangsu Xin Yu Environmental Technologies Company Limited*. Mr. YANG is the deputy general manager of Zhenjiang New Universe Solid Waste Disposal Company Limited since January 2009. Mr. YANG obtained a Bachelor of Science degree from the Nanjing Institute of Aeronautics (now renamed Nanjing University of Aeronautics and Astronautics) in materials science of corrosion and protection. He was conferred the professional qualification of senior environment engineering project manager (specialised in waste treatment) in China in March 2015.

Notes:

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

	2019 Number of individuals	2018 Number of individuals
Emolument bands (in HK dollar)		
Nil to HK$500,000	**–**	–
HK$500,001 to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**3**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	1
	6	4

* *For identification purpose only*

(b) Subsequent to the end of the reporting period, on 15 January 2020, in accordance with the share option scheme (the "Share Option Scheme") adopted by the Company on 5 May 2015, the Company has granted to the following five (5) employees of the Group ("Grantees", and each a "Grantee") share options (the "Options") to subscribe for a total of up to 11,000,000 ordinary shares (the "Shares", and each a "Share") of HK$0.01 each in the share capital of the Company (subject to adjustments under the Share Option Scheme) at an exercise price of HK$0.25 per Share and the Grantees have accepted the grant of the Options. Subject to the vesting conditions applicable to the relevant Grantee to be achieved, the Options shall vest in the proportions to be determined according to each particular offer letter ("Offer Letter") of the respective Grantee on the 30th business day after the date of publication of the annual results of the Company for the year ending 31 December 2020.

Name of Grantee	**Options granted**
Ms. WONG Lai Wa	**–**
Ms. LIU Yuan	**4,810,000**
Mr. GU Lin	**1,810,000**
Mr. HE Ling Yun	**1,350,000**
Mr. DAI Bing Fu	**1,360,000**
Mr. YANG Jun Rong	**1,670,000**
	11,000,000

The Options granted represent the number of Shares to be issued upon exercise in full of the Options granted which is subject to adjustment according to the vesting conditions specified in each particular Offer Letter. The Options granted are exercisable from the date of vesting to the earlier of (i) the date on which the Options lapse in accordance with the terms of the Share Option Scheme; or (ii) the 30th business day after the date of publication of the annual results of the Company for the year ending 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

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

(b) During the year ended 31 December 2019, the Company has applied the principles of and complied with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 ("CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), but save for the code provision A.2.1, the Directors confirmed that they were not aware of any other deviation from the CG Code for the year then ended.

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

DIRECTORS' SECURITIES TRANSACTIONS

(a) The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in The Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules.

(b) With specific enquiries having been made of all the Directors, all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2019.

BOARD OF DIRECTORS

(a) Composition of the Board

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

Executive Directors

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

Independent non-executive Directors

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

Note:

Ms. ZHANG Shuo was appointed as executive Director on 26 February 2019.

(b) Composition of the Board Committees

The Company established four Board Committees. The table below provides membership information of these committees on which each Board member served for the year ended 31 December 2019 as follows:

	Audit Committee	Nomination Committee	Remuneration Committee	Executive Committee
Mr. XI Yu				C
Mr. SONG Yu Qing				M
Ms. CHEUNG Siu Ling				M
Ms. ZHANG Shuo				M
Ms. LIU Yu Jie				M
Mr. HON Wa Fai				M
Dr. CHAN Yan Cheong	C	M	M	
Mr. YUEN Kim Hung, Michael	M	C	M	
Mr. HO Yau Hong, Alfred	M	M	C	

Notes:

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

(c) Directors' attendance to board meetings and shareholders' meeting(s)

The following table shows the attendance record of each Board member for the board meetings and Shareholders' meetings of the Company held during the year ended 31 December 2019:

	Number of meetings attended/held			
Board member	**Regular Board meeting**	**Non-regular Board meeting**	**Directors' meeting pursuant to CG Code A.2.7**	**Annual general meeting**
Executive director				
Mr. XI Yu	**4/4**	**6/6**	**1/1**	**1/1**
Mr. SONG Yu Qing	**4/4**	**6/6**	**–**	**0/1**
Ms. CHEUNG Siu Ling	**4/4**	**6/6**	**–**	**1/1**
Ms. LIU Yu Jie	**3/4**	**6/6**	**–**	**0/1**
Mr. HON Wa Fai	**4/4**	**6/6**	**–**	**1/1**
Ms. ZHANG Shuo *(note)*	**3/4**	**5/5**	**–**	**0/1**
Ms. ZHANG Ying *(note)*	**–**	**0/1**	**–**	**–**
Independent non-executive director				
Dr. CHAN Yan Cheong	**4/4**	**6/6**	**1/1**	**1/1**
Mr. YUEN Kim Hung, Michael	**4/4**	**6/6**	**1/1**	**1/1**
Mr. HO Yau Hong, Alfred	**4/4**	**6/6**	**1/1**	**1/1**

Notes:

Ms. ZHANG Shuo was appointed as executive Director on 26 February 2019.

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

(d) Directors' attendance to the meetings of Board Committees

(i) Meetings of Audit Committee

The following was an attendance record of the Audit Committee meetings held during the year ended 31 December 2019:

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

(ii) Meetings of Nomination Committee

The following was an attendance record of the Nomination Committee meetings held during the year ended 31 December 2019:

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

(iii) Meetings of Remuneration Committee

The following was an attendance record of the Remuneration Committee meetings held during the year ended 31 December 2019:

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

(iv) Meetings of Executive Committee

The following was an attendance record of the Executive Committee meetings held during the year ended 31 December 2019:

Committee member	Number of meetings attended/held
Mr. XI Yu *(chairman of committee)*	**2/3**
Mr. SONG Yu Qing	**0/3**
Ms. CHEUNG Siu Ling	**3/3**
Ms. LIU Yu Jie	**0/3**
Mr. HON Wa Fai	**3/3**
Ms. ZHANG Shuo *(note)*	**0/3**
Ms. ZHANG Ying *(note)*	**–**

Notes:

Ms. ZHANG Shuo was appointed as member of the Executive Committee on 26 February 2019.

Ms. ZHANG Ying resigned as member of the Executive Committee on 26 February 2019.

(e) Operation of the Board

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

(f) Responsibilities, accountabilities and contributions of Board and management

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

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

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

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

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

(i) Function of Executive Directors

Name	Position	Current Function
Mr. XI Yu	Chairman, CEO and executive Director	– Leading the Board – Developing vision and strategies of the Group – Developing long term mission of the Group – Ensuring good corporate governance functions and practices – Formulating strategic planning and direction – Developing corporate goals, targets and objectives of the Group – Investors relations
Mr. SONG Yu Qing	Executive Director	– Advising on vision, strategic direction and development of the Group
Ms. CHEUNG Siu Ling	Executive Director and compliance officer	– Implementing corporate governance practices – Implementing procedures to ensure compliance with applicable laws, rules and regulations – Administration of head office – Human resources management of the Group – Overseeing daily operations of the Group through delegations
Ms. ZHANG Shuo	Executive Director	– Advising on PRC legal compliance and corporate finance of the Company – Advising on merger and acquisition and investment opportunities for the Group
Ms. LIU Yu Jie	Executive Director	– Advising on corporate finance of the Company – Advising on merger and acquisition and investment opportunities for the Group
Mr. HON Wa Fai	Executive Director, financial controller, and Company Secretary	– Overseeing financial reporting, accounting, treasury, financial control, and compliance functions of the Company – Formulating merger and acquisition exercises – Investors relations

(ii) Function of Independent non-executive Directors

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

(g) Board meetings and procedures

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

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

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

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

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

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

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

(h) Supply of and access to information

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

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

(i) Independence of independent non-executive Directors

The Listing Rules stipulates that every listed issuer to have at least three independent non-executive directors representing at least one-third of the Board, and at least one of whom must have the appropriate professional qualifications, or accounting or related financial management expertise. For the year ended 31 December 2019, two of the independent non-executive Directors of the Company have the appropriate professional qualifications of accounting or related financial management expertise.

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

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

Based on the annual written confirmation given by each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred in accordance with Rule 3.13 of the Listing Rules and the undertaking in writing given by each of them as to their continuing independence, the Board believes that each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is independent.

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

(j) Relationship between Board members

Each of Mr. XI Yu and Ms. CHEUNG Siu Ling, being executive Directors of the Company, is also a director and shareholder of the Company's substantial shareholder, New Universe Enterprises Limited ("NUEL"), which holds approximately 36.54% (2018: 35.31%) of the issued share capital of the Company as of 31 December 2019.

Both Mr. XI Yu and Ms. CHEUNG Siu Ling are directors of Sun Ngai International Investment Limited ("Sun Ngai"), which is the landlord of the office premises leased by the Group as head office in Hong Kong for the year ended 31 December 2019.

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

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

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

(k) Continuous professional development of Directors

Code provision A.6.5 stipulates that all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.

All Directors are aware of their responsibilities to the shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director shall receive a formal, comprehensive and tailored induction to ensure that he or she has a proper understanding of the business and operations of the Group and that he or she is fully aware of his or her duties and responsibilities as a director under applicable statutory and regulatory rules and requirements.

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

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

CHAIRMAN AND CHIEF EXECUTIVE

(a) The identity of the chairman and chief executive

Mr. XI Yu was appointed the Chairman of the Board since 11 April 2016. He was also appointed CEO of the Company on 16 October 2018 after the resignation of Mr. SONG Yu Qing as the CEO.

(b) Deviation from the code provision A.2.1

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

Since 16 October 2018, Mr. XI Yu has performed both of the roles as the Chairman and the CEO of the Company. This deviates from code provision A.2.1 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, which requires that the roles of Chairman and the CEO of the Company should be separated and should not be performed by the same individual.

After evaluation of the current situation of the Group and taking into account of the experience and past performance of Mr. XI, the Board is of the opinion that it is appropriate and in the best interest of the Company at the present stage to vest the roles of the Chairman and the CEO of the Company on the same person as it helps to facilitate the execution of the Group's business strategies and maximises the effectiveness of its operation.

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

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

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

For the year ended 31 December 2019, the Chairman has held a meeting once with the independent non-executive Directors without presence of all executive Directors to discuss on risk management and corporate governance functions of the Company.

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

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

NON-EXECUTIVE DIRECTORS

(a) The terms of appointment of independent non-executive Directors

Each of the three independent non-executive Directors, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has signed a renewed letter of appointment with the Company for a tenure of two years commenced on 1 February 2019. Dr. CHAN Yan Cheong has signed the renewed letters of appointment for a tenure of twenty four months commenced on 1 April 2019.

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

(b) Further appointment of independent non-executive Directors

Code provision A.4.3 requires that serving more than 9 years could be relevant to the determination of a non-executive director's independence. Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred have been independent non-executive Directors of the Company since 1 February 2000, 24 April 2002, and 30 September 2004 respectively. Each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred has served as the Company's independent non-executive Director for more than 9 years, further appointment for each of them shall be subject to a separate resolution to be approved by the Shareholders at the annual general meeting of the Company. The papers to shareholders accompanying that resolution would include the reasons why the Board believes each of them is still independent and should be re-elected.

BOARD COMMITTEES

(a) The Executive Committee

(i) The Role and function

The Company has established Executive Committee with written terms of reference, pursuant to which the Board delegates its powers and authorities to the committee(s) and management to manage the business of the Group, and to make investment and business decisions for the Group within its authority and to take all actions to give effect to such decisions.

(ii) The composition

The executive committee comprises of all executive directors of the Company:

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

(iii) Summary of works during the year

(1) For the year ended 31 December 2019, the principal works performed by the Executive Committee were mainly for the consideration and approval of authorised transactions within the terms of reference of the committee, and the execution of resolutions and directions of the Board. All decisions made by the Executive Committee during the year have been reviewed, confirmed and adopted by the Board.

(2) Provided with regular updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

(3) Reported to the Board at the next scheduled regular meeting of the Board in which discussion would be carried out for any decision or commitment (made within its authority for ordinary course of business of the Group) approved by the Executive Committee and entered into on behalf of the Group.

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

(b) The Nomination Committee

(i) The Role and function

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

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

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

- Reputation for integrity;
- Relevant skills and experience in the environmental protection industry and other relevant sectors;
- Commitment in respect of sufficient time, interest and attention to the Company's business;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge;
- Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive director; and
- Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

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

(3) Nomination Procedures:

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

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

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

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

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

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

(7) Review of the Nomination Policy

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

(8) Board Diversity Policy

Pursuant to the code provision A.5.6 of the CG Code, the Company adopted a written board diversity policy and has made necessary revision according to the CG Code with aims to endorse the principle that the Board should have a balance of skills, experience and diversity of perspectives appropriate to the Company's business.

- Pursuant to the policy, the Board will consider gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal Shareholders.

- During the year ended 31 December 2019 and up to the date of this report, the Nomination Committee of the Company has kept reviewing and assessing the composition of the Board and made recommendations to the Board on appointment of new director and change of board member, and re-election of Directors of the Company having regard to the merit of candidates in accordance with the board diversity policy.

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

- The composition of the board of Directors as at 31 December 2019 has been reviewed by the Nomination Committee. The Board is currently composed of 3 females and 6 males having an average age of 58.2 (2018: 57.2), 7 out of 9 members possess post-graduate academic background, 5 out of 9 members possess professional qualification(s) recognised in different countries. The composition is considered able to meet the objective of the Board Diversity Policy to enable the effective management of the Board on the key operations of Group currently mainly located in Mainland China.

(ii) The composition

The nomination committee comprises of three independent non-executive directors of the Company:

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

(iii) Summary of works during the year

(1) Reviewed the composition of the Board;

(2) Reviewed and advised on the appointment of a new executive Director to the Board in accordance with the Nomination Policy of the Company;

(3) Discussed, reviewed and made recommendations pursuant to the Board Diversity Policy of the Company; and

(4) Assessed the independence of independent non-executive Directors proposed for re-election at the annual general meeting.

(c) The Remuneration Committee

(i) The Role and function

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

The Remuneration Committee assists the Board in making recommendations to the Board on the determination of policy for the remuneration of the Directors and senior management of the Company as follows:

(1) approval of the remuneration and compensation of the Directors and key senior management of the Group and assessment of their performance;

(2) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the implementation of a formal and transparent procedure for developing policy on such remuneration;

(3) having the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management;

(4) ensuring no director or any of his associates is involved in deciding his/her own remuneration;

(5) advising Shareholders on how to vote with respect to any service contracts of directors that requires shareholders' approval;

(6) making such alterations or additions to option scheme rules, as do not require Shareholders' consent, as the remuneration committee considers necessary or desirable subject to the limits set out in such rules; and

(7) consideration and resolving upon all grants of options under the Company's share option schemes.

(ii) The composition

The Remuneration committee comprises of three independent non-executive directors of the Company:

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

(iii) Summary of works during the year

(1) Approved and made recommendation to the Board on the remuneration of newly appointed executive Director;

(2) Reviewed and approved the remunerations of the Directors and key senior management for the year ended 31 December 2018, the 6 months ended 30 June 2019, and for the year ended 31 December 2019; and

(3) Approved and assessed on the compensation to all Board members in commensurate with their responsibility and performance.

(d) The Audit Committee

(i) The Role and function

(1) The Company has established the Audit Committee with written terms of reference adopted in alignment with the Rule 3.21 of Listing Rules and the code provision C.3 of CG Code.

(2) The Audit Committee is to serve as a focal point for communication among other Directors, the external auditor, and the management in relation to functions of financial and other reporting, statutory audits, risk management and internal control systems; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal control systems and as to the efficiency of independent audits of the Company.

(3) The Audit Committee has a monitoring function to work with the executive Board members and to ensure the whole Board is able to determine the appropriate corporate governance practices applicable to the Company's operations and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives and to discharge the duties of the Board in performing its corporate governance functions under the CG Code include:

- to develop and review the Company's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance policies applicable to employees and Directors of the Company;
- to monitor and mitigate any adverse impact arisen from any deviation from the CG Code to the Company s policies and practices on corporate governance; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

(4) The Audit Committee takes the advisory role to ensure the Board to continuously review and enhance its corporate governance practices to ensure compliance with the CG Code.

(5) The Audit Committee takes the monitoring role to ensure the Company complies with the Disclosure Policy:

The Company adopted a written Disclosure Policy with aims to provide a general guide to the Directors, officers#, senior management and relevant employees* of the Company in the handling of confidential information and/or monitoring of information disclosure pursuant to the applicable laws and regulations whereas:

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

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

(6) The Audit Committee takes the monitoring role to ensure the Company to purchase adequate insurance cover in respect of legal action against the Directors pursuant to code provision A.1.8 of the CG Code.

(ii) The composition

The Audit Committee comprises of three independent non-executive directors of the Company:

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

(iii) Summary of works during the year

(1) Reviewed the annual report for the year ended 31 December 2018;

(2) Discussed and reviewed with the independent accountant, Crowe (HK) CPA Limited on the interim results of the Company for the 6 months ended 30 June 2019, of which Crowe (HK) CPA Limited has carried out independent review;

(3) Discussed and reviewed with the Board on the quarterly unaudited results for 3 months ended 31 March and 9 months ended 30 September 2019 respectively;

(4) Reviewed semi-annually on the independent valuation reports prepared by the independent professional valuer engaged by the Company in relation to the fair value of the equity investments, impairment testing on the goodwill arisen on the business combination of environmental waste treatment operation acquired in 2007, and the fair value of the 30% equity investment in of an associate acquired through a business combination in 2017;

(5) Site-visited the key operations and facilities of the Group in Mainland China;

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

(7) Reviewed the renewal of the directors and officers liability insurance cover with appropriate indemnity limits in respect of legal action against the Directors; and

(8) Discussed with the independent auditor the nature and scope of the audit and reporting obligations before the audit commenced for the years ended 31 December 2019 and 2018.

AUDITOR'S REMUNERATION

(a) Analysis of remuneration in respect of audit and non-audit services provided by the auditor

For the years ended 31 December 2019 and 2018, the remuneration paid/payable to the independent auditor of the Company in respect of their audit and non-audit services was as follows:

	2019 **HK$'000**	2018 HK$'000
Audit services	**1,230**	1,230
Non-audit review services	**170**	170

(b) Accountability and audit

(1) Crowe (HK) CPA Limited (formerly known as Crowe Horwath (HK) CPA Limited) acknowledge their reporting responsibilities in the independent auditor's report to the consolidated financial statements of the Company for the year ended 31 December 2019.

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

(3) The Directors acknowledge their responsibility of preparing the accounts and presenting a balanced, clear and comprehensive assessment for the Company's performance, position and prospects. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(4) The Audit Committee has reviewed with the Board on the Company's financial statements for the year ended 31 December 2019.

(5) Management of the Company has provided all members of the Board with monthly updates giving a balanced and understandable assessment of the performance, position and prospects of the Company and the Group in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

(6) The Company deviates from the Recommended Best Practices under code provision C.1.6 of the CG Code not to announce and publish quarterly financial results within 45 days after the end of the relevant quarter, because the Board considers the current half-yearly financial reporting mode would be more appropriate and relevant to reflect the results performance of the business model and existing operations of the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

(a) For the year ended 31 December 2019, based on the review of the effectiveness of the risk management and internal control systems being conducted, the Board considered the risk management and internal control systems of the Company were effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The scope of review covered the adequacy of resources, qualification/experience of staff of the Group's accounting and financial reporting function, and their training and budget.

(b) It is the responsibility of the Board for the risk management and internal control systems and reviewing their effectiveness. The Board undertakes for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. In 2019, the Company has established project management team in Mainland China headed by experienced staff of the Group to closely monitoring the environmental compliance and daily operations of the key operations of the Group in China, and report timely to the Board. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems, and the management would provide confirmation to the Board on the effectiveness of these systems.

(c) The senior management of the Group, including but not limited to, the Directors and executive officer of the Company, the directors of the subsidiaries, and the general managers and deputy general managers of the Company and of the Group, maintains, monitors and implements the risk management and internal control systems on an ongoing basis.

(d) The risk management and internal control systems of the Group are designed to meet the Group's particular needs and risks to be exposed, and only to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure to achieve the Group's business objectives.

(e) The Group adopts a risk management system to identify, evaluate and manage significant risks associated with its business and operations comprised of the following phases:

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

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

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

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

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

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

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

(h) The Company has not established its own internal audit function pursuant to the code provision C.2.5 of the CG Code, though the Board has reviewed the need for one on an annual basis. The Directors consider that it would be more appropriate to set up a multifunctional project management team delegated with responsibilities of internal audit on environmental governance, cash management and financial reporting functions for the existing operations of the Group.

(i) In order to ensure the existing risk management and internal control systems work effectively, the Company has engaged with independent professional party to review on the Group's compliance with the CG Code, and review on the risk management and internal control systems of the Group on an ongoing basis. For the years ended 31 December 2018 and 2019, the Company engaged with SHINEWING Risk Services Limited, adopting the internal control model set down by the Committee of Sponsoring Organisations of the U.S. Treadway Commission for internal controls, to carry out independent review on the risk management and internal control systems of the key operations of the Group and the corporate governance functions of the Company on revolving basis. Based on the independent review reports, the Board has impartial reference on the assessment, the implementation and the continuous improvement toward more effective risk management function and internal control system for the key operations of the Company.

(j) the Company has established a project controlling team nominated by the Board comprising the deputy general manager and vice-presidents of the Company, the project assistants, and the supervisors nominated by the Company to take up the responsibilities of monitoring the day-to-day operational management, risk management function, and internal control systems of all operating units of Group, especially for the subsidiaries in the Mainland China, integrating with the systems of monthly and annual planning and budgeting process, counter-approval and implementation and control process, identifying any risk or possible failure of the operating units, and reporting and making suggestions on how each operating unit to achieve the objectives and goals set. The project controlling team meets regularly with the Executive Directors and report on matters to be updated to the Board timely.

(k) Procedures and internal controls for the handling and dissemination of inside information

The Group complies with requirements of and the Listing Rules and discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong). Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements is not false or misleading as to a material fact, nor false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

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

(b) Pursuant to Rule 3.29 of the Listing Rules, Mr. HON Wa Fai has taken no less than 15 hours of relevant professional training for the year ended 31 December 2019.

SHAREHOLDERS' RIGHTS

(a) Communication with Shareholders

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

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

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

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

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

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

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

(b) Procedures for Shareholders to convene a general meeting

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

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

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

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

(c) Procedures for nominating a person for election as a director in general meeting

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

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

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

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

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

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

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

(d) Dividend policy

For the year ended 31 December 2019, the Board recommended the payment of final dividend on 23 March 2020, and the recommendation of dividend is subject to the approval of the Shareholders of the Company.

In accordance with the requirement of code provision E.1.5 of the CG Code, the Company adopted a policy on payment of dividends (the "Dividend Policy") which is to allow Shareholders of the Company to participate in the Company's profits and performance results whilst retaining adequate reserves for the Company's future growth. The Board shall consider the following factors before declaring or recommending dividends:

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

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

(e) Procedures for directing Shareholders' enquiries to the Board

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

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

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

INVESTOR RELATIONS

(a) There is no significant change in the Company's constitutional documents during the year ended 31 December 2019.

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

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

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

On behalf of the Board

XI Yu
Chairman

Hong Kong, 28 April 2020

The directors ("Directors") of New Universe Environmental Group Limited ("Company") are pleased to present their report together with the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

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

The activities of the principal subsidiaries are summarised as follows:

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

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

(c) investments in plastic materials dyeing business.

BUSINESS REVIEW

A business and financial review of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 and the material factors underling its results and financial position together with the risk and outlook of the Company's business as required by Schedule 5 to the Hong Kong Companies Ordinance are set out in the section headed "Management Discussion and Analysis" on pages 4 to 20 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The "Environmental, Social and Governance Report 2019" of the Company for the year ended 31 December 2019 would be available on the Company's website at www.nuigl.com.

For the year ended 31 December 2019, the Group's key business operations has made continuous effort and investment in managing and monitoring environmental parameters, upgraded existing facilities to meet regulatory environmental requirements and national standards, and provided training relevant to the industry that is necessary for the sustained development of the Group. Save for the disclosure made in the Environmental, Social and Governance Report 2019 and certain environmental non-compliance incidents disclosed in this annual report, there was no other significant environmental exceedances recorded nor any material non-compliance in relation to environmental, social or governance aspects. Engagement with stakeholders has resulted in raised concerns on key material issues, which include: air emission, effluent and waste discharge, occupational health and safety, anti-corruption and use of energy. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders for advancing management on environmental, social and governance.

The Company has engaged with an independent consultant firm, Ascent Partners Advisory Service Limited, to review the Company's overall environmental, social and governance performance of the key business operations of the Group for the preparation of the Environmental, Social and Governance Report of the Company for the year ended 31 December 2019 with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules.

CORPORATE GOVERNANCE

Information on the principal corporate practices of the Company for the year ended 31 December 2019 and significant subsequent events, if any, up to the date of this report is set out in the section headed "Corporate Governance Report" on pages 31 to 59 of this annual report.

RESULTS AND FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2019 and the state of the Group's affairs as at that date are set out in the financial statements on pages 82 to 190 of this annual report.

DIVIDENDS AND APPROPRIATIONS

The dividend of HK$0.0068 per share totally amounted to approximately HK$20,643,000 paid on 31 July 2019 was made in respect of the year ended 31 December 2018.

On 23 March 2020, the Directors recommended the payment of a final dividend of HK$0.0070 per share in respect of the year ended 31 December 2019 amounting to approximately HK$21,250,000 which is subject to approval of the shareholders at the forthcoming annual general meeting:

Annual general meeting date	:	Thursday, 18 June 2020
Book close date for final dividend	:	Wednesday, 8 July 2020 to Friday, 10 July 2020
Record date for final dividend	:	Friday, 10 July 2020
Final dividend payment date	:	Friday, 31 July 2020

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years ended 31 December 2019, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 21 to 23 of this annual report.

SEGMENT INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 36 to the financial statements.

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

Neither the Company, nor any of its subsidiaries has purchased, sold, or redeemed any of the Company's listed securities during the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 86 of this annual report.

Details of the movement in the reserves of the Company during the year are set out in note 37 to the financial statements.

At 31 December 2019, the distributable reserves of the Company amounted to HK$611,462,000 (2018: HK$594,098,000) which was calculated according to Article 134 of the Articles of Association of the Company that dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

BORROWINGS

Particulars of bank and other borrowings of the Group and the Company as at 31 December 2019 are set out in notes 27 and 35 to the financial statements.

INTEREST CAPITALISED

For the year ended 31 December 2019, the Group has borrowing costs in the amount of HK$554,000 capitalised at a rate of 5.225% per annum for the bank borrowings specifically financing the construction of the hazardous waste landfill in Mainland China (2018: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total			
	Sales		Purchases	
	2019	2018	**2019**	2018
The largest customer	**8.3%**	4.0%		
Five largest customers in aggregate	**25.7%**	15.1%		
The largest supplier			**12.4%**	17.2%
Five largest suppliers in aggregate			**40.0%**	39.8%

At no time during the years ended 31 December 2019 and 2018 did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

At no time during the years ended 31 December 2019 and 2018 have the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers of the Group.

DIRECTORS OF THE COMPANY

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

Executive Directors:

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

Independent Non-Executive Directors:

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

In accordance with Article 84 of the Company's Articles of Association, Mr. SONG Yu Qing, Ms. LIU Yu Jie and Mr. HON Wa Fai retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS OF THE SUBSIDIARIES

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

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

* *For identification purpose only*

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

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

DIRECTORS' SERVICE CONTRACTS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 24 to 30 of this annual report.

CHANGE IN DIRECTORS' INFORMATION

For the year ended 31 December 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) Ms. LIU Yu Jie was appointed as an executive director of a listed company in Hong Kong, Kangda International Environmental Company Limited (stock code: 6136) with effect from 4 April 2019;

(d) 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;

(e) 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 (stock code: 803) with effect from 25 May 2019; and

(f) Dr. CHAN Yan Cheong has retired from the City University of Hong Kong as chair professor with effect from 20 January 2020.

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

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

CHANGE IN INFORMATION OF MANAGEMENT

For the year ended 31 December 2019 and 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.

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

Details of the emoluments of the Directors and the chief executives and of the five highest paid individuals in the Group are set out respectively in notes 9 and 10 to the financial statements.

EMOLUMENT POLICY

The Board has adopted an emolument policy for the employees of the Company which is governed by the Remuneration Committee on the basis of the employees' merit, qualifications and competence.

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

RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund scheme for all employees in Hong Kong. Particulars of the retirement benefit plans of the Group are set out in note 41(b) to the financial statements.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 5 May 2015. The terms of the Share Option Scheme are in accordance with the provisions set out in Chapter 17 of the Listing Rules. The Share Option Scheme shall be valid and effective for a period of ten years ending on 4 May 2025, after which no further options will be granted.

The purpose of the Share Option Scheme is to provide participants ("Participant", and each a "Participant") with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

A Participant is any person belonging to any of the following classes:

(a) any eligible employee of or any person who has accepted an offer of employment from (whether full time or part time employee, including any executive Directors but not any non-executive Director) the Company, its subsidiaries and any entity in which the Group holds any equity interest ("Invested Entity");

(b) any non-executive Director (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity acting in their capacities as advisers or consultants to the Group or any Invested Entity; and

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity from time to time determined by the Directors having contributed or may contribute to the development and growth of the Group or any Invested Entity.

The total number of Shares which might be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of the Company's shares in issue as at the date of approval of the Share Option Scheme by the Shareholders at the annual general meeting on 5 May 2015 ("Scheme Mandate Limit") unless the Company obtains an approval by its shareholders at its general meeting to refresh the Scheme Mandate Limit. Further, the maximum number of shares of the Company which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and options which may be granted and yet to be exercised under any other share option schemes of the Company shall not exceed 30% of the total number of the Company's shares in issue from time to time. Based on the issued share capital of 2,955,697,018 shares of the Company as at 5 May 2015, the Scheme Mandate Limit was 295,569,701 shares of the Company, representing approximately 9.74% of the total issued Shares as at the date of this report.

During the year ended 31 December 2019 and as at 31 December 2019, no option was granted or was outstanding under the Share Option Scheme.

The maximum number of Shares issuable under the share options to each Participant in the Share Option Scheme within any 12-month period up to and including the date of grant is limited to 1% of the Shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates under the Share Option Scheme are subject to prior approval of the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and having an aggregate value (based on the closing price of the Shares at the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a remittance of HK$10 in favour of the Company by the grantee. The exercise period of share options granted is determinable by the Board, save that such exercise period shall not be more than 10 years from the date of grant of such share options.

The exercise price of share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant which must be a day ("Trading Day") on which the Stock Exchange is open for the business of dealing in securities; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Trading Days immediately preceding the date of the grant; or (iii) the nominal value of a Share.

Subsequent to the end of the reporting period, on 15 January 2020, the Company granted to 5 employees of the Group share options to subscribe for up to 11,000,000 Shares (subject to adjustments in under the Share Option Scheme. Details of such grant are set out as follows:

Date of grant:	15 January 2020
Date of acceptance:	12 February 2020
Grantees:	5 employees of the Group, and none of the Grantees is a Director, chief executive or substantial shareholder of the Company or any of their respective associate(s) (as defined in the Listing Rules).
Exercise price of Options granted:	HK$0.25 per Share
Total number of shares to be issued upon exercise in full of the Options granted:	11,000,000 shares
Vesting period of the Options:	The Options granted shall be vested upon achievement of certain performance targets (the "Vesting Conditions") as specified in each particular Offer Letter of each respective Grantee. If the Vesting Conditions applicable to the relevant Grantee are not achieved, the unvested Options granted to such Grantee shall be cancelled as specified in the Offer Letter. Subject to the Vesting Conditions applicable to the relevant Grantee having been achieved, the Options shall vest in the proportions to be determined according to each particular Offer Letter on the 30th business day after the date of publication of the annual results of the Company for the year ending 31 December 2020.
Validity period of the Options:	the Options granted are exercisable from the date of vesting to the earlier of (i) the date on which such Options lapses in accordance with the terms of the Share Option Scheme; or (ii) the 30th business day after the date of publication of the annual results of the Company for the year ending 31 December 2022.

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

As at 31 December 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 ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 ("Model Code") of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

The Company

Long positions in shares and underlying shares of the Company

	Number of ordinary shares of HK$0.01 each		
Name of Director	**Capacity in which ordinary shares were held**	**Number of ordinary shares held**	**Approximate percentage of total shares in issue**
Mr. XI Yu *(note)*	Interests of a controlled corporation	1,109,303,201	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 of NUEL		
Name of Director	**Capacity in which ordinary shares were held**	**Number of ordinary shares held**	**Approximate percentage of total shares in issue**
Mr. XI Yu *(note)*	Beneficial owner	16,732	83.66
Ms. CHEUNG Siu Ling *(note)*	Beneficial owner and Interests of spouse	2,428	12.14

Note: New Universe Enterprises Limited ("NUEL") is beneficially interested in 1,109,303,201 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. Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of NUEL.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were entered in the register referred to therein as required pursuant to section 352 of the SFO or required, to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2019, the interests or short positions of those persons, other than the directors or the chief executives of the Company whose interests has been disclosed therein above, in the shares of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and or underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO are as follows:

	Long Positions in shares and underlying shares of the Company		
Name of shareholder	**Capacity in which ordinary shares were held**	**Number of shares held**	**Approximate percentage of total shares in issue**
Mr. XI Yu [(i)]	Interests of a controlled corporation	1,109,303,201	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-Hong Kong") [(ii)]	Interests of a controlled corporation	800,000,000	26.35
CM International Capital Limited ("CMIC-Cayman") [(ii)]	Beneficial owner	800,000,000	26.35
Ms. LIU Yu Jie [(iii)]	Beneficial owner	202,400,000	6.67

Notes:

(i) NUEL is directly owned as to 83.66% by Mr. XI Yu. The interest disclosed by Mr. XI as a shareholder deemed interested in the 1,109,303,201 shares of the Company is the same interest as disclosed by him being a Director of the Company.

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

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

Save as disclosed above, as at 31 December 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.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

CONNECTED TRANSACTIONS

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

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT

On 17 August 2018, the Company accepted a banking facility letter dated 28 June 2018 (the "Facility Letter A") issued by a bank ("Bank A") in Hong Kong. Pursuant to the Facility Letter A, Bank A granted an unsecured term loan facility of up to HK$30,000,000 (the "Facility A") to the Company. The final maturity date of Facility A is four years from the first utilisation date. In accordance with the Facility Letter A, the proceeds of the Facility A shall be used directly for payment of the capital contribution in respect of the Group's interest in the newly established joint venture, 柳州新宇榮凱固體廢物處置有限公司 (Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited*) situated at Liuzhou, Guangxi, the PRC. As at 31 December 2019, the outstanding unsecured bank loan under Facility A was HK$27,000,000 (2018: Nil).

On 17 August 2018, the Company accepted a banking facility letter dated 8 August 2018 (the "Facility Letter B") issued by a bank ("Bank B") in Hong Kong. Pursuant to the Facility Letter B, Bank B granted an unsecured term loan facility of up to HK$15,000,000 (the "Facility B") to the Company. The final maturity date of Facility B is three years from the first utilisation date. The Facility B shall be used to finance the capital expenditure in relation to environmental operations of the Group. As at 31 December 2019, the outstanding unsecured bank loan under Facility B was HK$15,000,000 (2018: Nil).

* *For identification purpose only*

On 12 December 2017, the Company accepted a banking facility letter (the "Facility Letter C") issued by a bank ("Bank C") in Hong Kong. Pursuant to the Facility Letter C, Bank C granted an unsecured term loan facility of up to HK$50,000,000 (the "Facility C") to the Company. The final maturity date of the Facility C is at the end of five years from the date of the first drawdown. In accordance with the Facility Letter C, the proceeds of Facility C shall be used to finance the capital expenditure of the Group in relation to environmental industrial treatment, medical waste treatment and/or environmental sewage treatment project. As at 31 December 2019, the outstanding unsecured bank loan under Facility C was HK$40,000,000 (2018: HK$45,000,000).

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

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

As at 31 December 2019, Mr. XI Yu, through his beneficial interest in 83.66% of the issued share capital of NUEL, is deemed interested in 1,109,303,201 shares (2018: 1,071,832,656 shares) of the Company, representing 36.54% (2018: 35.31%) of the total issued share capital of the Company beneficially owned by NUEL

In accordance with the requirements under Rule 13.21 of the Listing Rules, disclosure of an obligation arises under Rule 13.18 will be included in the annual and interim reports of the Company for so long as circumstances giving rise to the obligation continue to exist.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

As at 31 December 2019 and any time during the year, transactions, arrangements, or contracts subsisted, of which certain Directors had interests that were deemed significant to the business of the Group are set out as follows:

(a) Mr. XI Yu and Ms. CHEUNG Siu Ling, the executive Directors, are also the directors of the landlord, Sun Ngai International Investment Limited ("Sun Ngai") to the tenancy agreement dated 16 July 2018 that was entered into by Smartech Services Limited ("Smartech Services", an indirectly 100% owned subsidiary of the Company) as tenant to lease three office units at Rooms 2109 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.

(b) A renewed tenancy agreement dated 17 July 2019 was entered into between Sun Ngai as landlord and Smartech Services as tenant for leasing the Office Premises for the period from 1 August 2019 to 31 July 2020 at a monthly rental of HK$80,000.

(c) For the year ended 31 December 2019, total rentals paid by Smartech Services to Sun Ngai were HK$960,000 (2018: HK$960,000).

The above transactions were conducted on terms no less favourable than terms available from independent third parties which were in the ordinary course of business of the Group. The afore-mentioned tenancy agreements entered into between the wholly owned subsidiary of the Group, Smartech Services and Sun Ngai were de minimus transactions exempted under rule 14A.76(1)(a) of the Listing Rules.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

PERMITTED INDEMNITY PROVISION

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

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

PUBLIC FLOAT

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

SUBSEQUENT EVENTS

Significant subsequent events occurred after the reporting period are set out in note 48 to the financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

During the year ended 31 December 2019, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has reviewed with the management the consolidated financial statements of the Company for the year ended 31 December 2019

INDEPENDENT AUDITOR

The financial statements of the Company and the Group for the three years ended 31 December 2019 were audited by Crowe (HK) CPA Limited ("Crowe (HK)", formerly known as Crowe Horwath (HK) CPA Limited). Crowe (HK) retire and, being eligible, offer themselves for re-appointment and a resolution for the re-appointment of Crowe (HK) as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

XI Yu
Chairman

Hong Kong, 28 April 2020

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

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

OPINION

We have audited the consolidated financial statements of New Universe Environmental Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 82 to 190, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
(a) Impairment of trade receivables (refer to notes 23 and 45(d) to the consolidated Financial statements)	
As at 31 December 2019, trade and bills receivables of the Group amounted to HK$89,021,000 (net of provision for impairment). Expenses in respect of the provision for impairment of trade and bills receivables were recognised during the year of HK$4,469,000. Loss allowances for trade and bills receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.	Our audit procedures included assessing and testing the Group's processes and key controls relating to the monitoring of trade and bills receivables and the granting of credit terms and contract terms relating to billing milestones. We also tested the ageing analyses and obtained direct confirmations for samples of customer receivable balances. We then evaluated the adequacy of the Group's provision for impairment of trade receivables by reference to the Group's historical default data, the historical loss rates adjusted based on the current economic condition and forward-looking information and the actual losses recorded during the current financial year. We also considered the adequacy of the disclosures, in particular those included in notes 23 and 45(d) to the consolidated financial statements.

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
(b) Impairment assessment of interest in an associate (refer to notes 3(a)(vi) and 19(c) to the consolidated financial statements) At 31 December 2019, the carrying amount of the Group's 30% equity interest in 南京化學工業園天宇固體廢物處置有限公司 "Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd" ("NCIP") was approximately HK$145,495,000 and the Group's share of loss of NCIP for the year was approximately HK$1,928,000. The recoverable amount of the Group's 30% equity interest in NCIP is the higher of value-in-use and fair value less costs of disposal. At 31 December 2019, impairment assessment on the carrying amount of the Group's 30% equity interests in NCIP was performed by management by reference to the valuation of NCIP, as an identified cash-generating unit, conducted by an independent professional valuer with experiences and qualifications in valuing similar assets. The impairment assessment on the carrying value of the Group's equity interest in NCIP at the reporting period end involves significant judgements made by management of the Group and estimation uncertainty.	Our audit procedures on this area included: – Performing a review on the financial statements of NCIP for the two years ended 31 December 2018 and 2019; – Assessing the independent professional valuer's independence, competence, capabilities and objectivity; – Evaluating the appropriateness for the valuation methodologies used at the acquisition date and at reporting period end; – Checking the projection of cash flows of NCIP in the valuation models to the detailed forecasts prepared by management of NCIP and evaluating the reasonableness of key assumptions underlying the cash flow projection; – Assessing the reasonableness of the discount rate and long-term growth rate in the valuation models not exceeding the industry data at public domains; – Challenging the key assumptions in the valuation model made by management of NCIP and the independent valuer; – Evaluating management's sensitivity analysis on the key assumptions used, including assessment of effect of a reasonably possible change in growth rate, cash flow projections and discount rate. We also considered the adequacy of disclosures made in the consolidated financial statements.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants

Liu Mok Lan, Cliny
Practising Certificate Number: P07270

Hong Kong, 28 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	4(a)	**595,706**	493,932
Cost of sales		**(393,979)**	(311,859)
Gross profit		**201,727**	182,073
Other revenue	5	**4,152**	4,266
Other net income	6	**11,198**	18,512
Distribution and selling expenses		**(9,554)**	(9,987)
Administrative expenses		**(54,172)**	(55,624)
Other operating expenses		**(53,898)**	(21,752)
Impairment loss on trade receivables	23	**(4,469)**	–
Operating profit		**94,984**	117,488
Finance costs	7	**(13,909)**	(14,302)
Finance income	7	**2,517**	5,152
Finance costs – net	7	**(11,392)**	(9,150)
Share of results of associates	19	**6,826**	2,510
Share of results of a joint venture	20	**(1,545)**	(820)
Profit before taxation	8	**88,873**	110,028
Income tax	11	**(17,744)**	(23,602)
Profit for the year		**71,129**	86,426
Attributable to:			
Owners of the Company		**40,625**	74,386
Non-controlling interests	18(b)	**30,504**	12,040
		71,129	86,426
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	13	**1.34**	2.45

The notes on pages 89 to 190 are an integral part of these financial statements.

	Note	2019 HK$'000	2018 HK$'000
Profit for the year		**71,129**	86,426
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences			
– on translation of financial statements of overseas subsidiaries		**(17,654)**	(42,527)
– on translation of financial statements of overseas associates	19	**(3,610)**	(8,698)
– on translation of financial statements of an overseas joint venture	20	**(513)**	(519)
– release of translation reserve upon de-registration of an overseas subsidiary		**(16)**	–
Items that are not subsequently recycled to profit or loss:			
Fair value changes on equity investments	21, 44	**5,100**	12,200
Deferred tax effect relating to changes in fair value of equity investments	34(b)	**(620)**	(1,801)
Other comprehensive income for the year, net of income tax		**(17,313)**	(41,345)
Total comprehensive income for the year		**53,816**	45,081
Attributable to:			
Owners of the Company		**25,794**	38,671
Non-controlling interests		**28,022**	6,410
		53,816	45,081

The notes on pages 89 to 190 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	**776,848**	762,574
Prepaid lease payments for land use rights	15	**–**	132,402
Right-of-use assets	16	**131,559**	–
Goodwill	17	**33,000**	33,000
Interests in associates	19	**169,137**	170,802
Interest in a joint venture	20	**23,123**	25,181
Equity investments at fair value through other comprehensive income	21	**97,300**	92,200
		1,230,967	1,216,159
Current assets			
Inventories	22	**4,283**	3,573
Trade and bills receivables	23	**89,021**	37,726
Prepayments, deposits and other receivables	24	**25,858**	16,942
Contract assets	25	**894**	1,469
Prepaid lease payments for land use rights	15	**–**	3,657
Financial assets at fair value through profit or loss	32(b)	**–**	6,210
Pledged bank deposits		**154**	–
Cash and cash equivalents	26	**267,393**	282,239
		387,603	351,816
Current liabilities			
Bank borrowings	27	**174,782**	168,809
Other borrowing	35	**–**	25,000
Trade and bills payables	28	**32,732**	10,254
Accrued liabilities and other payables	29	**196,733**	159,391
Lease liabilities	30	**451**	–
Contract liabilities	31	**25,103**	14,033
Considerations payable for acquisition of subsidiaries	32	**24,800**	49,600
Deferred government grants	33	**1,048**	949
Income tax payable	34(a)	**4,112**	3,428
		459,761	431,464
Net current liabilities		**(72,158)**	(79,648)
Total assets		**1,618,570**	1,567,975
Total assets less current liabilities		**1,158,809**	1,136,511

The notes on pages 89 to 190 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Bank borrowings	27	**65,627**	85,680
Other borrowing	35	**25,000**	–
Lease liabilities	30	**139**	–
Deferred government grants	33	**6,095**	6,592
Deferred tax liabilities	34(b)	**33,632**	33,710
		130,493	125,982
Total liabilities		**590,254**	557,446
Net assets		**1,028,316**	1,010,529
Capital and reserves			
Share capital	36	**30,357**	30,357
Reserves	37	**881,171**	876,020
Equity attributable to owners of the Company		**911,528**	906,377
Non-controlling interests	18(b)	**116,788**	104,152
Total equity		**1,028,316**	1,010,529

The notes on pages 89 to 190 are an integral part of these financial statements.

XI Yu
Chairman

CHEUNG Siu Ling
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital HK$'000 (note 36)	Share premium HK$'000 (note 37(c)(i))	Translation reserve HK$'000 (note 37(c)(ii))	Investment revaluation reserve HK$'000 (note 37(c)(iii))	Capital reserve HK$'000 (note 37(c)(iv))	Statutory reserve HK$'000 (note 37(c)(v))	Retained profits HK$'000 (note 37(c)(vi))	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	30,357	456,465	27,441	16,300	5,172	58,990	292,713	887,438	110,129	997,567
Profit for the year	–	–	–	–	–	–	74,386	74,386	12,040	86,426
Other comprehensive income										
Exchange differences										
– on translation of financial statements of overseas subsidiaries	–	–	(36,897)	–	–	–	–	(36,897)	(5,630)	(42,527)
– on translation of financial statements of overseas associates	–	–	(8,698)	–	–	–	–	(8,698)	–	(8,698)
– on translation of financial statements of an overseas joint venture	–	–	(519)	–	–	–	–	(519)	–	(519)
Fair value changes on equity investments, net of deferred tax	–	–	–	10,399	–	–	–	10,399	–	10,399
Total comprehensive income for the year	–	–	(46,114)	10,399	–	–	74,386	38,671	6,410	45,081
Transfer to statutory reserve	–	–	–	–	–	7,207	(7,207)	–	–	–
Dividend relating to 2017	–	–	–	–	–	–	(19,732)	(19,732)	–	(19,732)
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(12,387)	(12,387)
At 31 December 2018 and 1 January 2019	30,357	456,465	(18,673)	26,699	5,172	66,197	340,160	906,377	104,152	1,010,529
Profit for the year	–	–	–	–	–	–	40,625	40,625	30,504	77,129
Other comprehensive income										
Exchange differences										
– on translation of financial statements of overseas subsidiaries	–	–	(15,172)	–	–	–	–	(15,172)	(2,482)	(17,654)
– on translation of financial statements of overseas associates	–	–	(3,610)	–	–	–	–	(3,610)	–	(3,610)
– on translation of financial statements of an overseas joint venture	–	–	(513)	–	–	–	–	(513)	–	(513)
– release of translation reserve upon de-registration of an overseas subsidiary	–	–	(16)	–	–	–	–	(16)	–	(16)
Fair value changes on equity investments, net of deferred tax	–	–	–	4,480	–	–	–	4,480	–	4,480
Total comprehensive income for the year	–	–	(19,311)	4,480	–	–	40,625	25,794	28,022	53,816
Transfer to statutory reserve	–	–	–	–	–	11,596	(11,596)	–	–	–
Dividend relating to 2018	–	–	–	–	–	–	(20,643)	(20,643)	–	(20,643)
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(15,386)	(15,386)
At 31 December 2019	**30,357**	**456,465**	**(37,984)**	**31,179**	**5,172**	**77,793**	**348,546**	**911,528**	**116,788**	**1,028,316**

The notes on pages 89 to 190 are an integral part of these financial statements.

	Note	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**88,873**	110,028
Adjustments for:			
Interest income	7	**(3,683)**	(2,410)
Interest on bank and other borrowings	7	**13,869**	14,302
Interest on lease liabilities	7	**40**	–
Dividends from equity investments	21	**(4,152)**	(4,266)
Share of results of associates	19	**(6,826)**	(2,510)
Share of results of a joint venture	20	**1,545**	820
Depreciation of property, plant and equipment	14	**66,370**	58,384
Depreciation of right-of-use assets	16	**3,905**	–
Amortisation of land lease prepayments	15	**–**	3,554
Net loss on disposal of property, plant and equipment	8	**1,433**	953
Impairment loss on trade receivables	23	**4,469**	–
Impairment loss on other receivables		**235**	–
Write down of inventories		**18**	–
Loss on disposal of a subsidiary		**236**	–
Fair value gain on compensation receivable from profit guarantee	6	**–**	(6,210)
Release of deferred government grants	33	**(1,019)**	(1,195)
Operating cash flows before movements in working capital		**165,313**	171,450
Increase in inventories		**(728)**	(1,113)
(Increase)/decrease in trade and bills receivables		**(55,764)**	31,449
(Increase)/decrease in prepayments, deposits and other receivables		**(5,404)**	30,474
Placement of bank deposits pending litigation settlement		**(3,747)**	–
Decrease/(increase) in contract assets		**575**	(1,185)
Increase in trade and bills payables		**22,478**	4,028
Increase/(decrease) in accrued liabilities and other payables		**37,059**	(37,576)
Increase in contract liabilities		**11,070**	8,916
Cash generated from operations		**170,852**	206,443
Income tax paid	34(a)	**(12,442)**	(20,105)
Dividend withholding tax paid	34(b)	**(5,237)**	(4,347)
Interest received	7	**3,683**	2,410
Net cash generated from operating activities		**156,856**	184,401

The notes on pages 89 to 190 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Dividends received from associates	19	**4,881**	6,530
Dividends received from equity investments	21	**4,152**	4,266
Cash outflow arising from acquisition of subsidiaries, net of cash acquired	32	**(18,590)**	(49,600)
Proceeds from disposal of property, plant and equipment		**365**	98
Payment for purchase of property, plant and equipment		**(97,995)**	(104,111)
Capital contribution to a joint venture	20	**–**	(26,520)
Refund of deposit paid for proposed establishment of a joint venture		**–**	1,200
Receipt of government grants	33	**777**	4,888
Net cash used in investing activities		**(106,410)**	(163,249)
FINANCING ACTIVITIES			
Dividends paid to shareholders of the Company	12(b)	**(20,643)**	(19,732)
Dividends paid to non-controlling interests of subsidiaries	18(b)	**(15,386)**	(12,387)
Proceeds from bank borrowings	26(b)	**88,200**	168,655
Repayment of bank borrowings	26(b)	**(100,188)**	(92,351)
Interest paid	26(b)	**(14,139)**	(14,302)
Interest element of lease payments	26(b)	**(40)**	–
Capital element of lease payments	26(b)	**(379)**	–
Placement of pledged bank deposits		**(11,705)**	–
Withdrawal of pledged bank deposits		**11,551**	–
Net cash (used in)/ generated from financing activities		**(62,729)**	29,883
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(12,283)**	51,035
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**282,239**	237,884
Effect of foreign exchange rate changes		**(2,563)**	(6,680)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**267,393**	282,239

The notes on pages 89 to 190 are an integral part of these financial statements.

1. GENERAL INFORMATION

(a) New Universe Environmental Group Limited was incorporated on 12 November 1999 in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability.

(b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Rooms 2110-2112, 21/F, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. The Company's issued shares have been initially listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 May 2000. With effect from 1 August 2016, the listing of the shares of the Company was transferred from the GEM to the Main Board of the Stock Exchange.

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

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

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

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

(iii) investments in plastic materials dyeing business.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Statement of compliance (continued)

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

(b) Basis of preparation of the financial statements

At 31 December 2019, the Group's current liabilities exceeded current assets by approximately HK$72,158,000 (2018: HK$79,648,000) which was mainly attributable to the non-current portions of long-term bank borrowings of approximately HK$75,325,000 (2018: HK$82,311,000). As disclosed in note 27, the loan agreements contained a standard clause enabling the financial institutions to demand for immediate repayment at their discretion. During the year ended 31 December 2019 and up to the date of approval for the consolidated financial statements, there had not been any breach of covenants of the relevant loan agreements. Notwithstanding the clause for demanding for immediate repayment in the loan agreements, the Company considered that the financial institutions will not exercise their discretionary rights to demand immediate repayment of these non-current portions of these long-term bank borrowings in the next twelve months from the date of approval of the consolidated financial statements and before their maturities.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future, after taking into consideration of (a) cash and bank balances of approximately HK$267,393,000 as at 31 December 2019, (b) unused and available banking facilities of HK$45,000,000 at 31 December 2019, and (c) potential new credit facilities which are currently in advanced stage of discussions between the Company and certain existing bankers of the Group.

Management of the Company has prepared a cash flow forecast of the Group for a period covering not less than twelve months from date of approval for the consolidated financial statements. Based on the cash flow forecast and after having taken into account of the Group's available credit facilities and the above measures taken to date, management of the Group is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources, existing and new credit facilities and the future capital expenditure requirements. Accordingly, the Company has prepared the consolidated financial statements for the year ended 31 December 2019 on a going concern basis.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(c) Changes in accounting policies

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

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

HKFRS 16, Leases

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

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

a. *New definition of a lease*

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

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

b. *Lessee accounting and transitional impact*

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

b. *Lessee accounting and transitional impact (continued)*

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

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

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

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

c. *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

c. *Impact on the financial result, segment results and cash flows of the Group (continued)*

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 26(b)). These elements are classified as financing cash outflows, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in a presentation of cash flows within the cash flow statement.

d. *Lessor accounting*

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

(d) Subsidiaries and non-controlling interests

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and joint ventures

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and joint ventures (continued)

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

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

(f) (i) Business combination

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

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

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

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

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

– lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) (i) Business combination (continued)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) (ii) Acquisition of a subsidiary not constituting a business

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

(g) Goodwill

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

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

On the disposal of the relevant cash-generating unit during the year, any attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

(h) Other investments in equity securities

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

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 44. These investments are subsequently accounted as follows, depending on their classification.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Other investments in equity securities (continued)

(i) Investments other than equity investments

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

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

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

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

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(v)(iii).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment

The following items of property, plant and equipment other than construction in progress, are stated at cost less accumulated depreciation and impairment losses.

- interests in leasehold land and buildings where the Group is the registered owner of the property interest;

- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

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

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

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

(j) Construction in progress

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy application from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognised a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with these leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(i) As a lessee (continued)

(A) Policy application from 1 January 2019 (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "other property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(v)(ii).

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

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

– contract assets an defined in HKFRS 15.

Measurement of ECLs

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

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

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

– variable-rate financial assets: current effective interest rate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Credit losses from financial instruments and contract assets (continued)

Measurement of ECLs (continued)

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

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

ECLs are measured on either of the following bases:

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

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

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

Significant increases in credit risk

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Credit losses from financial instruments and contract assets (continued)

Measurement of ECLs (continued)

Significant increases in credit risk (continued)

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

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

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

– an actual or expected significant deterioration in the operating results of a debtor; and

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

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

ECLs are measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Credit losses from financial instruments and contract assets (continued)

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

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

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

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

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

Write off policy

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Impairment of other non-current assets

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

– property, plant and equipment, including right-of-use assets;

– construction in progress;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Inventories

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

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

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

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

(n) Contract assets and contract liabilities

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

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

(o) Trade and other receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with policy set out in note (2)(l).

(q) Trade and other payables

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

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs.

(s) Employee benefits

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee benefits (continued)

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(t) Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

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

- the same taxable entity; or

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

(u) Provisions and contingent liabilities

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

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

(v) Revenue and other income

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

(i) Revenue from provision of services

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income (continued)

(i) Revenue from provision of services (continued)

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

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

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

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

(iii) Dividend income

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

(iv) Interest income

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

(v) Government grant/subsidy income

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Borrowing costs

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

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

(x) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the entity initially recognised such non-monetary assets and liabilities.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

(z) Related parties

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

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

(2) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Segment reporting

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

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(i) Fair value of equity investments

The Company has engaged an independent professional valuer to assess the fair market value of those equity investments as disclosed in note 21 to the financial statements. The Directors of the Company made a review on the judgement of the independent professional valuer in selecting an appropriate valuation technique for the financial instruments not quoted in an active market. Valuation techniques applied by the independent professional valuer are commonly used by other market practitioners. The estimation of fair value of the equity investments which are unlisted equity instruments includes the adoption of a market approach with some assumptions supported by observable market data or parameters deemed compatible to the operations of those investments.

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

Note 21 to the financial statements described that Qingdao Zhongxin Huamei Plastics Co., Limited ("Qingdao Huamei") and Danyang New Huamei Plastics Co., Limited ("Danyang New Huamei") are categorised as equity investments at fair value through other comprehensive income of the Group although the Group owns 28.67% and 24.5% equity interest in Qingdao Huamei and Danyang New Huamei, respectively. The Group has no significant influence over Qingdao Huamei and Danyang New Huamei by virtue of the contractual rights to appoint only one out of the six directors and one of the seven directors to the board of directors of Qingdao Huamei and Danyang New Huamei, respectively.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

(iii) Functional currency of the Company

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

(iv) As at 31 December 2019, included in the Group's property, plant and equipment and right-of-use assets for land use rights were certain buildings and equipment facilities ancillary to sewage treatment and the leasehold land of the eco-plating specialised zone with an aggregate carrying amount of approximately HK$198,621,000 (2018: HK$210,839,000) that are leased to the customers for use in accordance with the arrangement of the master agreements made between the Group and these customers. As the industrial sewage services provided to these customers are significant to the arrangement as whole inside the eco-plating specialised zone which is owned, operated and managed by the Group, these relevant buildings and equipment facilities, and leasehold land are accounted for and classified under property, plant and equipment and right-of-use assets, respectively, instead of investment property, in the consolidated financial statements.

(v) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 and 2018 was HK$33,000,000. Further details are set out in note 17 to the financial statements.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

(vi) Impairment assessment on interest in an associate

The Group assesses whether or not there are any indicators of impairment for interest in an associate at the end of each reporting period. Interest in an associate is tested for impairment when there are indicators that the carrying amount may not be recoverable. An impairment exists when the carrying value of interest in an associate exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, the Group estimates the present values of cash flows expected to arise from continuing to hold the investment and choose suitable discount rates in order to calculate the present values of those cash flows. The most significant judgements shall refer to the impairment assessment of the Group's 30% equity interest in Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd. 南京化學工業園天宇固體廢物處置有限公司 (NCIP). As disclosed in note 19(c), during the year ended 31 December 2019, NCIP experienced certain down time for undertaking repairs and maintenance of its incineration facilities, and unexpected time spent and costs incurred for carrying out repairs and maintenance to comply with the stricter environmental rules and regulations in the PRC, and as a result, incurred a loss of approximately HK$6,425,000 (2018: loss of approximately HK$8,371,000) of which the Group shared its loss of approximately HK$1,928,000 (2018: loss of approximately HK$2,512,000). As at 31 December 2019, the Group's interest in NCIP in the carrying amount was approximately HK$145,495,000 (2018: HK$150,566,000). The value in use of the Group's 30% equity interest in NCIP being determined and based on the discounted cash flow projections of NCIP has been prepared by the management of the Group. The key assumptions used include the discounted rate, growth rate, budget sales and gross margin of NCIP. The discounted rate applied is determined by using the Capital Assets Pricing Model which reflects specific risk of the business of NCIP, taking into account the applicable borrowing interest rates immediately before the projection period and the growth rate applied is determined based on the expected long-term inflation in the PRC, while other key assumptions relating to the estimation of cash inflows/outflows are determined by taking into account the financial budgets approved by NCIP's directors, past performance of NCIP and expectations of NCIP's management on the market development.

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

Based on the impairment assessment, the value in use of the Group's 30% equity interest in NCIP exceeds its carrying amount at 31 December 2019 and accordingly, the Directors of the Company considered that there was no impairment on the Group's 30% equity interests in NCIP.

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Sources of estimation uncertainty

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

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

The Group's major operating assets represent property, plant and equipment. Management performs review for impairment of the property, plant and equipment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. Management considered there was no impairment indicator of property, plant and equipment for the year ended 31 December 2019.

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

(ii) Impairment of trade and other receivables

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

As at 31 December 2019, the carrying amounts of trade and bills receivables and other receivables were HK$89,021,000 and HK$25,858,000 (2018: HK$37,726,000 and HK$16,942,000) respectively, which approximated to the present value of their respective estimated future cash flows.

The appraisals on allowance for expected credit loss which resulted in an impairment of trade and bills receivables and other receivables of HK$4,469,000 and HK$235,000 respectively was recognised in the consolidated financial statements for the year ended 31 December 2019 (2018: Nil).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Sources of estimation uncertainty (continued)

(iii) Income taxes and deferred taxation

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

As at 31 December 2019, the undistributed profits of the profitable PRC subsidiaries of the Group amounted to RMB154,922,000 (equivalent to approximately HK$173,203,000) (2018: RMB152,065,000 (equivalent to approximately HK$173,658,000)), which the Group can control the dividend policies in respect of the amount and timing of future distributions by the PRC subsidiaries and accordingly, at 31 December 2019, the Group has made a provision of approximately HK$10,928,000 (2018: HK$11,096,000) for deferred tax liabilities in respect of the expected withholding tax on distributions out of the distributable profits of the PRC subsidiaries.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) the provision of environmental treatment and disposal services for industrial and medical wastes (including hazardous waste incineration and landfill projects, and incineration engineering and maintenance services); and

(ii) the provision of environmental plating sewage treatment services and provision of related facilities and utilities in an eco-plating specialised zone (including industrial sewage treatment services, providing related utilities and management services, and providing factory facilities).

Disaggregation of revenue

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

4. REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

Disaggregation of revenue (continued)

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

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

(b) Segment reporting

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

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

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

(iii) investments in plastic materials dyeing business.

4. REVENUE AND SEGMENT REPORTING (continued)

(c) Segment results, assets and liabilities

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

(i) Segment assets include all tangible assets, goodwill, interests in associates and a joint venture, and current assets with the exception of intercompany receivables and other corporate assets. Segment liabilities include current taxation, deferred tax liabilities, creditors, lease liabilities, other payables and accrued expenses attributable to the activities of the individual segments and borrowings managed directly by the segments, with the exception of intercompany payables and other corporate liabilities

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

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

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

4. REVENUE AND SEGMENT REPORTING (continued)

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

Revenue from contracts with external customers, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below:

For the year ended 31 December 2019

	Operating segments					
	Environmental waste treatment and disposal services HK$'000	Environmental sewage treatment and facility services HK$'000	Plastic dyeing investments HK$'000	Segment sub-total HK$'000	Unallocated head office and corporate HK$'000	Total HK$'000
Revenue from contracts with external customers	489,242	106,464	–	595,706	–	595,706
Other revenue	–	–	4,152	4,152	–	4,152
Reportable segment revenue	489,242	106,464	4,152	599,858	–	599,858
Reportable segment results	103,516	3,426	3,537	110,479	–	110,479
Other net income	10,610	588	–	11,198	–	11,198
Finance income	1,603	528	(244)	1,887	630	2,517
Finance costs	(6,759)	(1,076)	–	(7,835)	(6,074)	(13,909)
Depreciation and amortisation	(52,533)	(17,229)	–	(69,762)	(513)	(70,275)
Impairment loss on trade receivables	(735)	(3,734)	–	(4,469)	–	(4,469)
Reportable segment assets	1,131,369	293,839	97,834	1,523,042	95,528	1,618,570
Additions to non-current segment assets	85,831	13,693	–	99,524	–	99,524
Reportable segment liabilities	493,348	69,780	4,121	567,249	23,005	590,254

4. REVENUE AND SEGMENT REPORTING (continued)

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

For the year ended 31 December 2018

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

4. REVENUE AND SEGMENT REPORTING (continued)

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

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

(e) Geographic information

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

(f) Major customers

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

5. OTHER REVENUE

	2019 HK$'000	2018 HK$'000
Dividend income from equity investments at fair value through other comprehensive income	**4,152**	4,266

6. OTHER NET INCOME

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

Notes:

(i) Pursuant to the tax rules and regulations in the PRC with effect from 2015, subsidiaries of the Group that engage in the environmental operations, comply with the requirements in the PRC and pay Value-added tax ("VAT") are entitled to a refund up to 70% of the VAT paid. There were no unfulfilled conditions and other contingencies attached to such tax refunds. There is no assurance that the Group will continue to receive such tax refunds in the future.

(ii) Government subsidies received during the year ended 31 December 2019 was to subsidise certain hazardous and solid waste treatment projects of the Group in the PRC. There were no unfulfilled conditions and other contingencies attached to the receipts of those subsidies. There is no assurance that the Group will continue to receive such subsidies in the future.

7. FINANCE INCOME AND COSTS

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

Note:

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

8. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	2019 HK$'000	2018 HK$'000
Amortisation of land lease prepayments	–	3,554
Depreciation of right-of-use assets	3,905	–
Depreciation of property, plant and equipment	66,370	58,384
Operating lease charges: minimum lease payments		
– land and buildings in Hong Kong	1,080	1,062
– land and buildings in PRC	–	312
– landfill in PRC	113	117
	1,193	1,491
Net loss on disposal of property, plant and equipment	1,433	953
Impairment loss on trade receivables	4,469	–
Impairment loss on other receivables	235	–
Loss on disposal of a subsidiary	236	–
Costs on litigation settlements and non-compliance incidents	13,978	–
Costs on land restoration and soil remediation of obsolete plant	3,249	–
Costs arising from temporary suspension of plants for repairs and maintenance	16,835	–
Research and development expenses	7,310	7,360
Auditor's remuneration:		
– audit service	1,230	1,230
– non-audit services	170	170
	1,400	1,400
Staff costs:		
– Directors' emoluments *(note 9)*	4,085	4,383
– salaries, wages and other benefits of employees other than Directors	72,989	76,329
– contributions to retirement benefits schemes	10,374	10,073
Total staff costs	87,448	90,785
Cost of sales *(note)*	393,979	311,859

Note:

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

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap.622, Laws of Hong Kong) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Director fee HK$'000	Salaries and allowance HK$'000	Benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2019					
Executive Directors					
Mr. XI Yu	**34**	**1,653**	**–**	**18**	**1,705**
Mr. SONG Yu Qing	**180**	**–**	**–**	**–**	**180**
Ms. CHEUNG Siu Ling	**194**	**–**	**–**	**–**	**194**
Ms. ZHANG Shuo[(i)]	**152**	**–**	**–**	**–**	**152**
Ms. ZHANG Ying[(ii)]	**29**	**–**	**–**	**–**	**29**
Ms. LIU Yu Jie	**180**	**–**	**–**	**–**	**180**
Mr. HON Wa Fai	**–**	**1,087**	**–**	**18**	**1,105**
Independent non-executive Directors					
Dr. CHAN Yan Cheong	**180**	**–**	**–**	**–**	**180**
Mr. YUEN Kim Hung, Michael	**180**	**–**	**–**	**–**	**180**
Mr. HO Yau Hong, Alfred	**180**	**–**	**–**	**–**	**180**
	1,309	**2,740**	**–**	**36**	**4,085**
Year ended 31 December 2018					
Executive Directors					
Mr. XI Yu	28	1,652	–	18	1,698
Mr. SONG Yu Qing	45	450	–	14	509
Ms. CHEUNG Siu Ling	194	–	–	–	194
Ms. ZHANG Ying[(ii)]	180	–	–	–	180
Ms. LIU Yu Jie	180	–	–	–	180
Mr. HON Wa Fai	–	1,064	–	18	1,082
Independent non-executive Directors					
Dr. CHAN Yan Cheong	180	–	–	–	180
Mr. YUEN Kim Hung, Michael	180	–	–	–	180
Mr. HO Yau Hong, Alfred	180	–	–	–	180
	1,167	3,166	–	50	4,383

Notes:

(i) Ms. ZHANG Shuo was appointed as executive Director with effect from 26 February 2019.

(ii) Ms. ZHANG Ying resigned as executive Director with effect from 26 February 2019.

During the year, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the Directors has waived any emoluments for the years ended 31 December 2019 and 2018.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2018: two) are Directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other four (2018: three) individuals during the year are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**2,087**	1,472
Discretionary bonuses	**4,610**	3,712
Retirement scheme contribution	**–**	–
	6,697	5,184

The emoluments of the four (2018: three) individuals with the highest emoluments fell within the following bands:

	2019 Number of individuals	2018 Number of individuals
Emolument bands (in HK dollar)		
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	1
	4	3

During the year, no emoluments were paid by the Group to the above four (2018: three) individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

11. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2019 HK$'000	2018 HK$'000
Current tax		
Hong Kong Profits Tax	**–**	–
PRC Corporate Income Tax	**12,835**	14,682
PRC Dividend Withholding Tax	**5,237**	4,347
Under-provision in respect of prior years	**370**	3,012
	18,442	22,041
Deferred tax *(note 34(b))*		
PRC Dividend Withholding Tax	**(5,237)**	(4,347)
Origination and reversal of other temporary differences	**4,539**	5,908
	17,744	23,602

11. INCOME TAX (continued)

(a) Taxation in the consolidated statement of profit or loss represents: (continued)

Notes:

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

(ii) Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the years. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2019 and 2018.

(iii) The Company's subsidiaries in PRC are subject to a statutory Corporate Income Tax ("CIT") at the rate of 25% (2018: 25%), except for the subsidiaries which are qualified as the High and New Technology Enterprise in PRC that would be entitled to enjoy a preferential CIT at the rate of 15% (2018: 15%). Dividend distribution from subsidiaries in PRC to the holding companies in Hong Kong is subject to a reduced withholding tax rate of 5% (2018: 5%),

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

	2019 **HK$'000**	2018 HK$'000
Profit before taxation	**88,873**	110,028
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdiction concerned	**24,944**	29,281
Tax effect of expenses not deductible for tax purpose	**12,353**	15,981
Tax effect of income not taxable for tax purpose	**(6,555)**	(5,746)
Under-provision in relation to prior years	**370**	3,012
Tax effect of temporary differences recognised	**4,539**	5,908
Effect of income tax preferential policy in PRC	**(17,907)**	(24,834)
Tax expense for the year	**17,744**	23,602

12. DIVIDENDS

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

	2019 HK$'000	2018 HK$'000
Final dividend proposed after the end of the reporting period of HK$0.0070 (2018: HK$0.0068) per share	**21,250**	20,643

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

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

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

13. EARNINGS PER SHARE

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

(a) Profit attributable to owners of the Company

	2019 HK$'000	2018 HK$'000
Earnings for the purpose of basic and diluted earnings per share	**40,625**	74,386

(b) Weighted average number of ordinary shares

	2019	2018
Ordinary shares in issue at 1 January and 31 December	**3,035,697,018**	3,035,697,018
Weighted average number of ordinary shares at 31 December	**3,035,697,018**	3,035,697,018

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Computers and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 January 2018	481,742	76,321	350,769	7,995	2,033	9,307	928,167
Exchange adjustments	(24,690)	(2,310)	(19,094)	(395)	(143)	(383)	(47,015)
Additions	7,347	91,089	1,395	1,534	2,032	714	104,111
Disposals	(367)	–	(1,910)	(671)	–	(374)	(3,322)
Reclassification	47,187	(127,964)	79,862	915	–	–	–
At 31 December 2018 and 1 January 2019	511,219	37,136	411,022	9,378	3,922	9,264	981,941
Exchange adjustments	(10,859)	(1,212)	(8,897)	(232)	(88)	(163)	(21,451)
Additions	2,431	87,843	3,009	3,771	787	708	98,549
Disposals	(681)	–	(6,643)	(302)	(18)	(507)	(8,151)
Reclassification	6,453	(28,154)	20,834	867	–	–	–
At 31 December 2019	**508,563**	**95,613**	**419,325**	**13,482**	**4,603**	**9,302**	**1,050,888**
Depreciation and impairment							
At 1 January 2018	86,011	–	75,605	4,977	647	6,030	173,270
Exchange adjustments	(5,174)	–	(4,306)	(228)	(35)	(273)	(10,016)
Charge for the year	20,567	–	35,138	1,152	398	1,129	58,384
Eliminated on disposals	(151)	–	(1,141)	(632)	–	(347)	(2,271)
At 31 December 2018 and 1 January 2019	101,253	–	105,296	5,269	1,010	6,539	219,367
Exchange adjustments	(2,410)	–	(2,665)	(125)	(25)	(119)	(5,344)
Charge for the year	21,287	–	40,688	2,500	707	1,188	66,370
Eliminated on disposals	(319)	–	(5,302)	(268)	(9)	(455)	(6,353)
At 31 December 2019	**119,811**	**–**	**138,017**	**7,376**	**1,683**	**7,153**	**274,040**
Carrying amount							
At 31 December 2019	**388,752**	**95,613**	**281,308**	**6,106**	**2,920**	**2,149**	**776,848**
At 31 December 2018	409,966	37,136	305,726	4,109	2,912	2,725	762,574

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

As at 31 December 2019, certain property, plant and equipment with an aggregate carrying amount of approximately HK$202,520,000 (2018: HK$239,390,000) had been pledged to secure banking facilities granted to the Group (note 40).

At 31 December 2019, included in the Group's property, plant and equipment there were certain buildings and equipment facilities ancillary to industrial sewage treatment erected on the leasehold land in the eco-plating specialised zone with an aggregate carrying amount of approximately HK$133,005,000 (2018: HK$142,957,000) that were leased to customers for use in accordance with the contractual arrangement thereunder the master agreements entered into between the Group and the customers entering the eco-plating specialised zone which is owned, operated and managed by the Group. As the centralised industrial sewage treatment services provided by the Group to the customers are significant to the arrangement as a whole inside the eco-plating specialised zone, these relevant buildings and equipment facilities being leased to the customers are accounted for and classified under property, plant and equipment in the consolidated financial statements.

At the end of both reporting periods, no impairment was recognised on the property, plant and equipment at 31 December 2019 and 2018.

15. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS

	HK$'000
Cost	
At 1 January 2018	162,949
Exchange adjustments	(4,301)
Additions	–
At 31 December 2018 and at 1 January 2019	158,648
Reclassification as right-of-use assets upon application of HKFRS 16	(158,648)
At 31 December 2019	–
Amortisation	
At 1 January 2018	19,468
Exchange adjustments	(433)
Charge for the year	3,554
At 31 December 2018 and at 1 January 2019	22,589
Reclassification as right-of-use assets upon application of HKFRS 16	(22,589)
At 31 December 2019	**–**
Carrying amount	
At 31 December 2019	**–**
At 31 December 2018	136,059

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

Analysed for reporting purpose as:

	2019 HK$'000	2018 HK$'000
Current assets	–	3,657
Non-current assets	–	132,402
	–	136,059

16. RIGHT-OF-USE ASSETS

	HK$'000
Cost	
At 1 January 2019	–
Reclassification from prepaid lease payments for land use rights upon application of HKFRS 16	158,648
Exchange adjustments	(1,791)
Additions arising from new leases	975
At 31 December 2019	**157,832**
Amortisation	
At 1 January 2019	–
Reclassification from prepaid lease payments for land use rights upon application of HKFRS 16	22,589
Exchange adjustments	(221)
Charge for the year	
– land use rights	3,491
– office premises	414
At 31 December 2019	**26,273**
Carrying amount	
At 31 December 2019	**131,559**
At 31 December 2018	–

16. RIGHT-OF-USE ASSETS (continued)

As at 31 December 2019, certain land use rights with an aggregate carrying amount of approximately HK$27,630,000 (2018: HK$38,022,000) had been pledged to secure banking facilities granted to the Group (note 40).

As at 31 December 2019, certain land use rights with carrying amount of approximately HK$8,721,000 (2018: HK$9,103,000) together with property, plant and equipment with total carrying amount of approximately HK$128,697,000 (2018: HK$141,767,000) located at Xiangshui, Yancheng City, Jiangsu Province, PRC is subject to the requirement of new incineration facility to be further constructed thereon in order to comply with the stipulated minimum floor-area ratio by 23 November 2020. The Group has submitted a development plan for constructing new incineration facility on the land, which is still pending governmental approval up to the date of approval of these consolidated financial statements. In the opinion of the Directors of the Company, once the government approval for the construction of new additional incineration facility is obtained, the construction work will be commenced accordingly and there would be no material impact to the Group's operation and financial position.

At the end of both reporting periods, there were no impairment recognised on the Group's land use rights.

17. GOODWILL

	2019 HK$'000	2018 HK$'000
Carrying amount at 1 January	**33,000**	33,000
Impairment loss recognised in consolidated statement of profit or loss	**–**	–
Carrying amount at 31 December	**33,000**	33,000

Goodwill is attributable to the business segment of environmental integrated waste treatment services that arose from the acquisition of 82% equity interest of NUET(JS) (as referred to in note 18(a)) in 2007. NUET(JS), through its subsidiaries, is engaged in the provision of environmental waste integrated treatment and disposal services in the Jiangsu Province, PRC.

Impairment test assessment

The goodwill, together with related property, plant and equipment with carrying amount of HK$109,536,000 (2018: HK$78,436,000), and land use rights with carrying amount of HK$10,864,000 (2018: HK$11,207,000), are allocated to NUET(JS) Group as an identified CGU under the operating segment of environmental waste treatment services.

As at 31 December 2019, the assessment on the recoverable amount of this CGU was determined by CBRE Limited ("CBRE") (2018: CBRE), an independent firm of professional valuers, on the basis of value-in-use calculations which use cash flow projections based on financial budgets approved by management covering a five-year period, that are discounted to their present values at a pre-tax discount rate of 16.21% (2018: 16.66%). Cash flows beyond the five-year period are extrapolated using an annual growth rate of approximately 2.0% (2018: 2.0%) which does not exceed the long-term growth rate for the waste treatment industries. Other key assumptions for the value-in-use calculation relates to the estimated cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based the CGU's past performance, future business plan and management's expectations for the future market development.

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

	2019	2018
Gross profit margin	**59.8%**	59.2%
Compound annual growth rate in the initial five-year period	**1.9%**	2.0%
Growth rate used to extrapolate cash flows beyond the budget period	**2.0%**	2.0%
Pre-tax discount rate applied to the cash flow projections	**16.21%**	16.66%

17. GOODWILL (continued)

Impairment test assessment (continued)

Since the recoverable amount of the NUET(JS) Group as an identified CGU, to which goodwill and related property, plant and equipment are allocated, exceeded the aggregate carrying amount of these assets of the NUET(JS) Group as an identified CGU, no impairment loss on goodwill and the relevant assets was considered necessary at 31 December 2019 and 2018.

Sensitivity analysis of unforeseen downsize effect to the recoverable amount of the CGU had been performed on each of the following scenarios with the assumptions of (i) gross profit margin down by 5%, (ii) compound annual growth rate in the initial five-year period down by 2%, or (iii) pre-tax discount rate applied to the cash flow projections up by 2%, respectively. There was no impairment loss on goodwill and the relevant assets of the CGU was considered necessary at 31 December 2019 in each of these scenarios.

18. INTERESTS IN SUBSIDIARIES

(a) The following list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group as at 31 December 2019:

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Ever Champ (China) Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
Fair International Investment Enterprise Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
Fair Industry Waste Recyclables Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
Fair Time International Limited ("Fair Time")	Hong Kong	Limited liability company	99,327,000 ordinary shares	100%	–	100%	Investment holding
Jiangsu New Universe Environmental Engineering Management Limited* 江蘇宇新環保工程管理有限公司 ("Jiangsu New Universe Engineering")	PRC	Wholly owned domestic enterprise	Registered RMB50,000,000 and paid-up RMB12,000,000	100%	–	100%	Environmental technical consultancy and engineering services
Jiangsu Xin Yu Environmental Technologies Limited* 江蘇新宇環保科技有限公司	PRC	Wholly foreign owned enterprise	Registered and paid-up HK$48,500,000	100%	–	100%	Environmental technical consultancy
New Sinotech Investments Limited ("NSIL")	British Virgin Islands/Hong Kong	Limited liability company	5,000,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe (China) Investment Limited	British Virgin Islands/Hong Kong	Limited liability company	1,800,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe (China) Limited	Hong Kong	Limited liability company	1,000,000 ordinary shares	100%	–	100%	Investment holding

18. INTERESTS IN SUBSIDIARIES (continued)

(a) The following list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group as at 31 December 2019: (continued)

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
New Universe Environmental Protection Investment Limited	British Virgin Islands/Hong Kong	Limited liability company	4,000,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)")	Hong Kong	Limited liability company	21,640,000 ordinary shares	82%	–	82%	Investment holding
New Universe International Ecology Limited	British Virgin Islands/Hong Kong	Limited liability company	10,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe International Group Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
New Universe International Holdings Limited	British Virgin Islands/Hong Kong	Limited liability company	10,000 ordinary shares of US$1 each	100%	100%	–	Investment holding
New Universe Recyclable Investments Limited	British Virgin Islands/Hong Kong	Limited liability company	10,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe Recyclables Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
Smartech International Group Limited	British Virgin Islands/Hong Kong	Limited liability company	1,000,000 ordinary shares of US$1 each	100%	100%	–	Investment holding
Smartech Manufacturing Limited	Hong Kong	Limited liability company	70,380,000 ordinary shares	100%	–	100%	Asset holding
Smartech Plastic Moulding Limited	Hong Kong	Limited liability company	100 ordinary shares	100%	–	100%	Dormant
Smartech Services Limited ("Smartech Services")	Hong Kong	Limited liability company	2 ordinary shares	100%	–	100%	Provision of management services
Suqian New Universe Environmental Solid Waste Disposal Limited* 宿遷宇新固體廢物處置有限公司	PRC	Wholly foreign owned enterprise	Registered and paid-up HK$97,000,000	100%	–	100%	Environmental hazardous waste treatment and disposal services

18. INTERESTS IN SUBSIDIARIES (continued)

(a) The following list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group as at 31 December 2019: (continued)

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Taixing Xin Xin Resources Recycling Company Limited* 泰興新新資源再生利用有限公司	PRC	Wholly foreign owned enterprise	Registered and paid-up HK$30,000,000	100%	–	100%	Holding land and buildings
Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe")	PRC	Wholly foreign owned enterprise	Registered and paid-up US$700,000	82%	–	100%	Environmental waste treatment services
Xiangshui New Universe Environmental Technology Limited ("Xiangshui New Universe")	PRC	Sino foreign joint equity enterprise	Registered and paid-up HK$50,750,000	65%	–	65%	Environmental hazardous waste treatment and disposal services
Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe")	PRC	Wholly foreign owned enterprise	Registered and paid-up US$700,000	82%	–	100%	Business operation ceased
Yancheng NUHF Environmental Technology Limited* 鹽城新宇輝豐環保科技有限公司 ("Yancheng NUHF")	PRC	Sino foreign joint equity enterprise	Registered and paid-up HK$83,000,000	65%	–	65%	Environmental hazardous waste treatment and disposal services
Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe")	PRC	Wholly foreign owned enterprise	Registered and paid-up US$10,850,000	82%	–	100%	Environmental hazardous waste treatment and disposal services
Zhenjiang Sinotech Eco- Electroplating Development Limited ("Zhenjiang Sinotech")	PRC	Wholly foreign owned enterprise	Registered and paid-up US$33,400,000	100%	–	100%	Environmental industrial sewage and sludge treatment and facility provision services in an eco-plating zone

* *For identification purpose only*

18. INTERESTS IN SUBSIDIARIES (continued)

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

For the year ended 31 December 2019

	NUET(JS) Group (note) HK$'000	Xiangshui NU HK$'000	Yancheng NUHF HK$'000
NCI percentage	18%	35%	35%
Non-current assets	144,042	146,682	244,085
Current assets	116,113	45,827	33,107
Current liabilities	(106,086)	(76,680)	(109,612)
Non-current liabilities	(6,101)	–	(25,826)
Net assets	147,968	115,829	141,754
Carrying amount of NCI	26,634	40,540	49,614
Revenue	144,850	144,573	135,078
Profit for the year	55,872	52,150	6,270
Total comprehensive income	51,935	50,139	3,235
Profit allocated to NCI	10,057	18,252	2,195
Dividend paid to NCI	10,244	2,571	2,571
Cash flows generated from operating activities	16,609	17,147	40,216
Cash flows used in investing activities	(39,082)	(1,392)	(36,755)
Cash flows used in financing activities	(50,385)	(28,190)	(6,183)

18. INTERESTS IN SUBSIDIARIES (continued)

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

For the year ended 31 December 2018

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

Note:

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

* *For identification purpose only*

19. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Share of net assets		
At 1 January	**170,802**	183,520
Share of results	**6,826**	2,510
Share of other comprehensive income	**(3,610)**	(8,698)
Dividends received	**(4,881)**	(6,530)
At 31 December	**169,137**	170,802

The following list contains the particulars of the associates at 31 December 2019:

Name of associate	Place of incorporation and business	Form of business structure	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zhenjiang New District Solid Waste Disposal Limited* 鎮江新區固廢處置股份有限公司 ("Zhenjiang New District")	PRC	Joint equity enterprise	Registered and paid-up RMB36,000,000	24.60%	–	30%	Environmental hazardous waste landfill disposal services
Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd. 南京化學工業園天宇固體廢物處置有限公司 ("NCIP")	PRC	Sino foreign joint equity enterprise	Registered and paid-up HK$93,600,000	30%	–	30%	Environmental hazardous waste treatment and disposal services

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

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

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

* *For identification purpose only*

19. INTERESTS IN ASSOCIATES (continued)

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

During the year ended 31 December 2019, NCIP incurred downtime for conducting repairs and maintenance and upgrading both phase I and phase II incineration facilities.

As disclosed in (d) below, NCIP incurred a loss of approximately HK$6,425,000 (2018: loss of approximately HK$8,371,000) for the year ended 31 December 2019.

At 31 December 2019, the recoverable amount of the Group's interests in NCIP as a cash-generating-unit has been determined based on value-in-use calculations. The Group has appointed CBRE (2018: CBRE), an independent firm of professional qualified valuers, to perform such valuation. The calculations use cash flow projections of NCIP covering a five-year period according to the forecast of its management. The pre-tax discount rate applied to the cash flow projections is 14.89% (2018: 16.41%). The growth rate used to extrapolate the cash flows of this cash-generating unit is 2% (2018: 2%) per annum. Other key assumptions for the value-in-use calculations relate to estimation of the performance which is based on Phase I and Phase II incineration facilities with capacity of 38,000 (2018: 38,000) tons for the hazardous waste treatment of NCIP, and management's expectation for market demand in Nanjing , the capital city of Jiangsu Province, PRC.

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

Projected cash flow – The projected cash flow from NCIP is based on the performance of the Phase I and Phase II incineration facilities with capacity of 38,000 (2018: Phase I and Phase II in total 38,000) tons for the hazardous waste treatment of NCIP, and the management's expectation of the market demand in Nanjing.

Discount rate – The pre-tax discount rate 14.89% (2018: 16.41%) was determined using the Capital Assets Pricing Model on the cash flows projection before tax and under specific risks relating to the business of NCIP. In determining an appropriate discount rate, consideration has been given to the applicable borrowing interest rates in the year immediately before the projection period. The decrease in the discount rate for this year's assessment is mainly attributable to the fact that NCIP has obtained the necessary operating permission licence for its processing facilities for hazardous waste treatment and there is less company specific risk for the assessment in the current year.

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

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

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

19. INTERESTS IN ASSOCIATES (continued)

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

For the year ended 31 December 2019

	Zhenjiang New District HK$'000	NCIP HK$'000
Gross amounts of the associate's		
Non-current assets	32,703	598,419
Current assets	70,719	29,063
Current liabilities	(8,173)	(45,010)
Non-current liabilities	(16,444)	(97,488)
Net assets	78,805	484,984
Revenue	45,576	92,882
Profit/(loss) for the year	29,180	(6,425)
Other comprehensive income		
– Exchange difference on translation of financial statements	(1,555)	(10,479)
Total comprehensive income	27,625	(16,904)
Dividend received from the associate	4,881	–
Reconciliation to the Group's interest in the associate		
Gross amount of net assets of the associate	78,805	484,984
Group's share of net assets of the associate	23,642	145,495
Carrying amount in the consolidated financial statements	23,642	145,495
Aggregate amounts of the Group's share of the associate's		
Profit/(loss) for the year	8,754	(1,928)
Other comprehensive income		
– Exchange difference on translation of financial statements	(466)	(3,144)
Total comprehensive income	8,288	(5,072)

19. INTERESTS IN ASSOCIATES (continued)

(d) (continued)

For the year ended 31 December 2018

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

20. INTEREST IN A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Share of net assets		
At 1 January	**25,181**	–
Capital contribution	**–**	26,520
Share of results	**(1,545)**	(820)
Share of other comprehensive income	**(513)**	(519)
At 31 December	**23,123**	25,181

The following list contains the particulars of the joint venture at 31 December 2019:

Name of joint venture	Place of incorporation and operations	Form of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited * 柳州新宇榮凱固體廢物處置有限公司 ("LZXYRK")	PRC	Sino foreign joint equity enterprise	Registered RMB70,000,000 and paid-up RMB36,323,469.75	65%	–	65%	Construction in progress

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

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

* *For identification purpose only*

20. INTEREST IN A JOINT VENTURE (continued)

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

LZXYRK

For the years ended 31 December 2019 and 2018

	2019 HK$'000	2018 HK$'000
Gross amounts of the joint venture's		
Non-current assets	**23,548**	20,655
Current assets	**17,554**	23,409
Current liabilities	**(5,528)**	(5,324)
Non-current liabilities	**–**	–
Equity	**35,574**	38,740
Included in the above assets:		
Cash and cash equivalents	**5,091**	16,532
Revenue	**–**	–
Loss for the year	**(2,377)**	(1,262)
Other comprehensive income		
– Exchange difference on translation of financial statements	**(789)**	(798)
Total comprehensive income	**(3,166)**	(2,060)
Dividend received from the joint venture	**–**	–
Included in the above loss:		
Depreciation and amortisation	**(351)**	(75)
Interest income	**87**	13
Reconciliation to the Group's interest in the joint venture		
Gross amount of net assets of the joint venture	**35,574**	38,740
Group's share of net assets of the joint venture	**23,123**	25,181
Carrying amount in the consolidated financial statements	**23,123**	25,181
Aggregate amounts of the Group's share of the joint venture's		
Loss for the year	**(1,545)**	(820)
Other comprehensive income		
– Exchange difference on translation of financial statements	**(513)**	(519)
Total comprehensive income	**(2,058)**	(1,339)

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
Equity instrument designated as measured at fair value through other comprehensive income (non-recycling)	**97,300**	92,200

	2019 HK$'000	2018 HK$'000
At 1 January	**92,200**	80,000
Net fair value change transfer to equity through statement of other comprehensive income	**5,100**	12,200
At 31 December	**97,300**	92,200

Starting from 1 January 2018, the Group designated the unlisted equity investments as measured at fair value through other comprehensive income on non-recycling basis ("FVOCI (non-recycling)"), as the investments are held for strategic purposes. Dividends with amount of HK$4,152,000 (2018: HK$4,266,000) were received on the unlisted equity investments for the year ended 31 December 2019.

As at 31 December 2019, the Group has interests in the following unlisted equity investments:

				Proportion of ownership interest			
Name of investee	**Place of incorporation and operations**	**Form of legal entity**	**Particulars of issued and paid-up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Suzhou New Huamei Plastics Co., Limited ("Suzhou New Huamei") (note (a))	PRC	Sino foreign joint equity enterprise	Registered US$16,000,000 and paid-up US$5,000,000	18.62%	–	18.62%	Plastic materials dyeing
Danyang New Huamei Plastics Co., Limited ("Danyang New Huamei") (notes (a), (b))	PRC	Sino foreign joint equity enterprise	Registered and paid-up US$1,600,000	24.50%	–	24.50%	Plastic materials dyeing
Qingdao Zhongxin Huamei Plastics Co., Limited ("Qingdao Huamei") (notes (a), (b))	PRC	Sino foreign joint equity enterprise	Registered and paid-up US$1,650,000	28.67%	–	28.67%	Plastic materials dyeing

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

Notes:

(a) The unlisted equity investments carried at fair value represent investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei, which are principally engaged in plastic materials dyeing manufacturing business in Mainland China. As at 31 December 2019, the fair value of these unlisted equity investments was determined by reference to the valuation carried out by CBRE (2018: CBRE), an independent firm of professional valuers, using a market approach model based on the EBIT multiple of enterprise value to earnings before interest and tax ("EV/EBIT") of comparable listed companies in the same industry, after having taken into account of the discount for lack of marketability of 15.41% (2018: 15%) for these unlisted investments. Details of fair value hierarchy for these investments are disclosed in note 44 below.

	EBIT		**Dividend yield** (note (i))		**Fair value** (note (ii))		**Fair value relative to the Group's total assets**	
	2019 HK$'000	2018 HK$'000	**2019**	2018	**2019 HK$'000**	2018 HK$'000	**2019**	2018
Suzhou New Huamei	**11,649**	13,238	**4.8%**	4.8%	**36,100**	38,600	**2.2%**	2.5%
Danyang New Huamei	**6,301**	6,745	**3.5%**	3.7%	**16,300**	14,900	**1.0%**	1.0%
Qingdao Huamei	**12,220**	10,737	**3.5%**	4.4%	**44,900**	38,700	**2.8%**	2.5%

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

(ii) The fair value of each of the unlisted equity investments at the end of the reporting period was determined by reference to the respective independent and professional valuation performed by CBRE (2018: CBRE).

(iii) In the opinion of the Directors of the Company, there was no impairment on each of the above unlisted investments at the end of both reporting periods, and there was no impairment charge to the consolidated statement of profit or loss for both years.

(b) Qingdao Huamei and Danyang New Huamei were not regarded as associates of the Group, because the Group could not exercise significant influence over their financial and operating policies under the constitutional frameworks that the Group has less than 20% voting power of the board directors of these investees. Accordingly, the investments in Qingdao Huamei and Danyang New Huamei are accounted for as unlisted equity investments.

22. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**4,283**	3,573

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

	2019 HK$'000	2018 HK$'000
Carrying amount of inventories consumed	**62,369**	56,792

23. TRADE AND BILLS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**85,156**	30,330
Bills receivable	**8,334**	7,396
	93,490	37,726
Less: allowance for impairment of trade receivables	**4,469**	–
	89,021	37,726

(a) Ageing analysis

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

	2019 HK$'000	2018 HK$'000
0 to 30 days	**56,049**	23,121
31 days to 60 days	**22,719**	5,862
61 days to 90 days	**5,079**	3,489
91 days to 180 days	**4,205**	2,048
181 days to 360 days	**969**	3,206
	89,021	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 the environmental industrial waste, sewage and sludge treatment services, and an extended average credit period of 180 days to the customers of regulated medical waste treatment which are hospitals and medical clinics. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 45(d) below.

23. 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 31 December 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 ECL during the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**–**	–
Impairment loss recognised	**4,469**	–
At 31 December	**4,469**	–

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. The Group does not hold any collateral over these balances.

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets (note 25). The provision rates are based on days past due for groupings of the customers. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 45(d) to the financial statements.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments	**10,114**	8,649
Deposits paid for acquisition of property, plant and equipment	**4,875**	256
Other receivables	**7,122**	8,037
Bank deposits on pending litigation settlement	**3,747**	–
	25,858	16,942

25. CONTRACT ASSETS

The Group's contract assets are analysed as follows:

	2019 HK$'000	2018 HK$'000
Provision of incineration engineering works	**894**	1,469

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

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

	2019 HK$'000	2018 HK$'000
Within one year	**894**	1,469
After one year	**–**	–
	894	1,469

No impairment was made for contract assets as at 31 December 2019 and 2018. Since the adoption of HKFRS 9 on 1 January 2018, the Group has assessed impairment for its contract assets on an individual basis based on internal credit rating. ECL is estimated based on historical observed default rates over the expected life of debtors and are adjusted for forward-looking information that is available without undue cost or effort. No lifetime ECL was made for contract assets as at 31 December 2019.

26. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2019	2018
	HK$'000	HK$'000
Cash and bank balances	**75,813**	112,089
Time deposits	**191,734**	170,150
	267,547	282,239
Less: Pledged bank deposits	**154**	–
Cash and cash equivalents in the consolidated statement of cash flow	**267,393**	282,239

The bank balances and time deposits carried interest at market rates within the range from 0.01% to 3.00% (2018: 0.01% to 2.80%) per annum for the year ended 31 December 2019. Cash at banks earns interest at floating rates on daily deposit rates. Short-term time deposits are placed for varying periods within a tenure of 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.

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

(b) Reconciliation of liabilities arising from financing activities:

	Lease liabilities (note 30) HK$'000	**Accrued interests (note 29) HK$'000**	**Bank borrowings (note 27) HK$'000**	**Total HK$'000**
At 1 January 2019	–	253	254,489	254,742
Changes from financing cash flows:				
Proceeds from bank borrowings	–	–	88,200	88,200
Repayment of bank borrowings	–	–	(100,188)	(100,188)
Finance costs paid	–	(14,139)	–	(14,139)
Capital element of lease payments	(379)	–	–	(379)
Interest element of lease payments	(40)	–	–	(40)
Total changes from financing cash flows	(419)	(14,139)	(11,988)	(26,546)
Exchange adjustments	(6)	(1)	(2,092)	(2,099)
Other non-cash changes:				
Interest expense capitalised into construction in progress	–	554	–	554
Interest expenses recognised in profit or loss	40	13,869	–	13,909
New lease	975	-	–	975
At 31 December 2019	**590**	**536**	**240,409**	**241,535**

	Accrued interests (note 29) HK$'000	Bank borrowings (note 27) HK$'000	Total HK$'000
At 1 January 2018	378	182,677	183,055
Changes from financing cash flows:			
Proceeds from bank borrowings	–	168,655	168,655
Repayment of bank borrowings	–	(92,351)	(92,351)
Finance costs paid	(14,302)	–	(14,302)
Total changes from financing cash flows	(14,302)	76,304	62,002
Exchange adjustments	(125)	(4,492)	(4,617)
Other non-cash changes:			
Interest expenses recognised in profit or loss	14,302	–	14,302
At 31 December 2018	253	254,489	254,742

27. BANK BORROWINGS

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

	2019 HK$'000	2018 HK$'000
Current liabilities		
Current portion of bank borrowings due for repayment within one year	**99,457**	86,498
Non-current portion of bank borrowings subject to standard clause to demand for immediate repayment	**75,325**	82,311
	174,782	168,809
Non-current liabilities		
Between 1 year and 2 years	**40,714**	32,408
Between 2 years and 5 years	**24,913**	53,272
	65,627	85,680
Total interest-bearing bank borrowings	**240,409**	254,489

	2019 HK$'000	2018 HK$'000
– Unsecured	**176,683**	183,685
– Secured	**63,726**	70,804
	240,409	254,489

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

	2019 HK$'000	2018 HK$'000
Within one year	**99,457**	86,498
After one but within two years	**73,339**	74,394
After two but within five years	**67,613**	93,597
	240,409	254,489

27. BANK BORROWINGS (continued)

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

	2019 HK$'000	2018 HK$'000
Hong Kong dollar	**156,725**	140,799
Renminbi	**83,684**	113,690
	240,409	254,489

Notes:

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

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements.

As at 31 December 2019, none of covenants relating to the drawn down facilities had been breached (2018: Nil). All of the bank borrowings, including amounts repayable on demand, are carried at amortised cost. None of the portion of bank borrowings due for repayment after one year which contains a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

(b) As at 31 December 2019, total unsecured bank loans of approximately HK$156,725,000 (2018: HK$140,799,000) payable by the Company in Hong Kong bore interest at variable rates ranging from 2.52% to 5.41% per annum in current year (2018: 2.23% to 5.09% per annum).

(c) As at 31 December 2019, total unsecured bank loans of approximately HK$19,958,000 (2018: HK$42,886,000) owed by the subsidiaries in the PRC, Yancheng NUHF and Xiangshui New Universe, bore interests at fixed rates ranging from 5.4% to 5.9% per annum in current year (2018: 5.0% to 5.9% per annum). The outstanding bank loans have been fully repaid subsequent to the year ended 31 December 2019.

27. BANK BORROWINGS (continued)

Notes: (continued)

(d) As at 31 December 2019, total secured bank loans of approximately HK$63,726,000 (2018: HK$70,804,000) owed by the subsidiaries in the PRC, Yancheng NUHF and Suqian New Universe were secured by pledge of land use rights and certain property, plant and equipment with an aggregate carrying amount of approximately HK$27,630,000 (2018: HK$28,842,000) and HK$202,520,000 (2018: HK$216,829,000) respectively. The bank loans bore interest at fixed rate at 5.2% per annum in current year (2018: 5.0% to 5.2% per annum).

(e) As at 31 December 2019, unsecured bank loans of HK$82,000,000 (2018: HK$45,000,000) owed by the Company under banking facility letters granted by different banks contained specific performance covenants. Pursuant to which, if Mr. XI Yu as the controlling shareholder of Company (i) ceases to be directly or indirectly the single largest shareholder of the Company; (ii) ceases to own directly or indirectly at least 30% of the issued shares with voting rights of the Company; or (iii) ceases to have the management control over the Company, the Bank may cancel all or any part of the facility and declare all or any part of the outstanding facility, together with accrued interest, and all other amounts accrued under the banking facility letter immediately due and payable, whereupon all or part of the facility shall be immediately cancelled and all such outstanding amounts shall become immediately due and payable.

(f) As at 31 December 2019, Mr. XI Yu, through his direct beneficial interests in 83.66% of the issued share capital of New Universe Enterprises Limited ("NUEL"), indirectly owns approximately 36.54% (2018: 35.31%) of the total issued share capital of the Company.

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

28. TRADE AND BILLS PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**32,721**	10,254
Bills payable	**11**	–
	32,732	10,254

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

	2019 HK$'000	2018 HK$'000
0 to 30 days	**21,965**	6,606
31 days to 60 days	**3,350**	447
61 days to 90 days	**3,082**	242
Over 91 days	**4,324**	2,959
	32,721	10,254

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

29. ACCRUED LIABILITIES AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Salaries and bonuses payable	**17,477**	21,447
Accounts payable for acquisition of property, plant and equipment	**41,343**	47,611
Accrued interest payable	**536**	253
Cost accrued for litigation settlements	**10,360**	–
Cost accrued for land restoration and soil remediation of obsolete plants	**25,228**	–
Other payables and accruals	**101,789**	90,080
	196,733	159,391

30. LEASE LIABILITIES

At the end of the reporting period, the Group leases certain office premises under operating leases with the remaining contractual maturities of the lease liabilities as follows:

	2019		2018	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Current liabilities				
Within one year	**451**	**472**	–	–
Non-current liabilities				
After one but within two years	**110**	**115**	–	–
After two but within five years	**29**	**29**	–	–
	139	**144**	–	–
	590	**616**	–	–
Less: total future interest expenses		**26**		–
Present value of lease liabilities		**590**		–

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2(c).

31. CONTRACT LIABILITIES

	2019 **HK$'000**	2018 HK$'000
Deposits received from customers	**25,103**	14,033

Movements in contract liabilities:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**14,033**	5,117
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(13,513)**	(4,541)
Increase in contract liabilities as a result of receiving forward sales deposits during the year	**25,000**	13,936
Exchange adjustments	**(417)**	(479)
At 31 December	**25,103**	14,033

32. CONSIDERATIONS PAYABLE FOR ACQUISITION OF SUBSIDIARIES

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

	2019 **HK$'000**	2018 HK$'000
Current portion of considerations payable within one year	**24,800**	49,600

32. CONSIDERATIONS PAYABLE FOR ACQUISITION OF SUBSIDIARIES (continued)

Notes:

(a) On 25 June 2019, the Company's 100% indirectly owned subsidiary, New Universe International Holdings Limited as the purchase (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 (formerly at a rate referring to the HSBC Prime Rate minus 1.0% per annum).

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), the Group was entitled to deduct an amount equivalent to approximately RMB5,438,000 (equivalent to approximately HK$6,210,000, which was accounted for as change in fair value of profit guarantee through profit and loss as of 31 December 2018) from the fifth instalment payable to the Vendor on 30 June 2019, and after being translated into Hong Kong Dollars. On 30 June 2019, the net amount of the fifth instalment pursuant to the Supplemental Agreement paid by the Group to the Vendor was approximately HK$8,590,000.

33. DEFERRED GOVERNMENT GRANTS

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

	HK$'000
Receipt of grants	
At 1 January 2018	9,702
Exchange adjustments	(591)
Receipt for the year	4,888
At 31 December 2018 and at 1 January 2019	13,999
Exchange adjustments	(276)
Receipt for the year	777
Recognised in previous year	(2,418)
At 31 December 2019	**12,082**
Release of grants	
At 1 January 2018	5,561
Exchange adjustments	(298)
Release for the year	1,195
At 31 December 2018 and at 1 January 2019	6,458
Exchange adjustments	(120)
Release for the year	1,019
Recognised in previous year	(2,418)
At 31 December 2019	**4,939**
Carrying amount	
At 31 December 2019	**7,143**
At 31 December 2018	7,541

33. DEFERRED GOVERNMENT GRANTS (continued)

The government grants were analysed for reporting purpose as:

	2019 HK$'000	2018 HK$'000
Current liabilities	**1,048**	949
Non-current liabilities	**6,095**	6,592
	7,143	7,541

34. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2019 HK$'000	2018 HK$'000
Provision of PRC Corporate Income Tax for current year	**12,835**	14,682
Provision of PRC Corporate Income Tax for prior years	**3,799**	9,085
Exchange adjustments	**(80)**	(234)
Income tax paid	**(12,442)**	(20,105)
	4,112	3,428

(b) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustment on equity investments HK$'000	Fair value adjustment of assets on business combination HK$'000	Effect of withholding tax on distributable profits of the Group's PRC subsidiaries HK$'000	Total HK$'000
At 1 January 2018	1,700	19,645	9,003	30,348
Charge to other comprehensive income	1,801	–	–	1,801
Released upon distribution of dividends	–	–	(4,347)	(4,347)
Charge to profit or loss	–	(532)	6,440	5,908
At 31 December 2018 and 1 January 2019	3,501	19,113	11,096	33,710
Charge to other comprehensive income	620	–	–	620
Released upon distribution of dividends	–	–	(5,237)	(5,237)
Charge to profit or loss	–	(530)	5,069	4,539
At 31 December 2019	**4,121**	**18,583**	**10,928**	**33,632**

34. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax assets not recognised:

At the end of the reporting period, certain entities of the Group have unused tax losses amounted to approximately HK$69,614,000 (2018: HK$61,339,000) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams of the relevant group entities. The unused tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised:

At 31 December 2019 and 2018 there was no significant unrecognised deferred tax liability.

35. OTHER BORROWING

As at 31 December 2019, other borrowing outstanding to an independent third party was HK$25,000,000 (2018 HK$25,000,000), which is unsecured and bearing interest at HSBC Prime Rate minus 0.5% per annum (2018: fixed rate at 4.0%) per annum.

On 25 June 2019, the Company entered into the fourth supplemental deed with the lender in relation to the unsecured other borrowing in the amount of HK$25,000,000, pursuant to which, the final maturity date was extended to 31 December 2021 (formerly 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 (formerly fixed at 4% per annum).

36. SHARE CAPITAL

	Number of shares		Share capital	
	2019	2018	**2019**	2018
	’000	’000	**HK$’000**	HK$’000
Ordinary shares of HK$0.01 each				
Authorised				
At 1 January and 31 December	**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid				
At 1 January and 31 December	**3,035,697**	3,035,697	**30,357**	30,357

As at 31 December 2019 the holders of ordinary shares are entitled to receive dividend to be declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

37. RESERVES

(a) The Group

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

(b) The Company

	Share premium HK$'000 (note (c)(i))	**Retained profits** HK$'000 (note (c)(vi))	**Total** HK$'000
At 1 January 2018	456,465	112,359	568,824
Profit for the year	–	45,006	45,006
Dividend relating to 2017	–	(19,732)	(19,732)
At 31 December 2018 and at 1 January 2019	456,465	137,633	594,098
Profit for the year	–	38,007	38,007
Dividend relating to 2018	–	(20,643)	(20,643)
At 31 December 2019	**456,465**	**154,997**	**611,462**

(c) Nature and purpose of reserves and their movements

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The balance of share premium is distributable and for such use as permissible under the laws of Cayman Islands and the Articles of Association of the Company.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations. The reserve is dealt with in accordance with the accounting policies of translation of foreign currencies. The balance of this general reserve is distributable and available for such use as permissible under the laws of Cayman Islands and the Articles of Association of the Company. The reserve is dealt with in accordance with the accounting policies set in note 2(x) to the financial statements.

37. RESERVES (continued)

(c) Nature and purpose of reserves and their movements (continued)

(iii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(h) and 2(l)(ii) to the financial statements.

(iv) Capital reserve

On 17 February 2011, the Group's effective interest in NSIL was increased from 38% to 98%, and NSIL Group became 98% indirectly owned subsidiaries of the Company, and the excess of fair value of net assets acquired over cost of acquisition of 98% equity interests in NSIL Group of HK$4,185,000 (after deduction of acquisition related costs) was recognised as deemed contribution from the transferors, New Universe Enterprises Limited and another party, in their capacity as shareholders of the Company and fully credited as capital reserve in the equity of the Group.

On 7 October 2015, the Group's effective interest in NSIL was increased from 98% to 100%, and the excess of carrying value of net assets acquired over cost of acquisition of the remaining 2% equity interests in NSIL Group of HK$378,000 (after deduction of acquisition related costs) was recognised as deemed contribution from the transferor in his capacity as shareholder of the Company and fully credited as capital reserve in the equity of the Group.

(v) Statutory reserve

In accordance with the relevant regulations in the PRC, the Company's subsidiaries established in the PRC are required to transfer a certain percentage of its profits after tax to reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiary's articles of association, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

(vi) Distributability of reserves

At 31 December 2019, the Company had reserves in the amount of HK$611,462,000 (2018: HK$594,098,000) available for distribution to its owners.

38. OPERATING LEASES COMMITMENTS

The Group as lessee

As at 31 December 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2019 **HK$'000**	2018 HK$'000
Within 1 year	**560**	650

The Group as lessor

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

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

	2019 **HK$'000**	2018 HK$'000
Within 1 year	**21,126**	20,478
After 1 year but within 5 years	**62,131**	69,592
After 5 years	**23,002**	35,878
	106,259	125,948

39. CAPITAL COMMITMENTS

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

	2019 HK$'000	2018 HK$'000
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	**57,188**	64,005
– Capital contribution payable to a joint venture (note below)	**25,435**	25,980
– Capital contribution payable to the equity investment	**15,976**	15,976

On 17 November 2017, the Group and an independent third party entered into a framework agreement, pursuant to which, the Group paid a refundable deposit of HK$1,200,000 and a joint venture company was registered on 26 December 2017 with a registered capital of RMB70,000,000 of which the Group shall contribute RMB45,500,000 for its 65% share of the equity interest in this joint venture. Based on the terms of the joint venture agreement entered into between the Group and the other joint venture partner, the Group and the other joint venture partner of the joint venture company shall share jointly the control of the joint venture company and accordingly the Group's interest in the joint venture company which shall be accounted for using equity method. For the year ended 31 December 2019, the Group has made no capital contribution to the joint venture company (2018: RMB22,750,000 (approximately to HK$26,520,000)). After the end of the reporting period, on 16 January 2020, the Group has further paid up capital of RMB22,750,000 (approximately to HK$25,435,000) to the joint venture company.

40. PLEDGE OF ASSETS AND AVAILABLE CREDIT FACILITIES

(a) Pledge of assets

At 31 December 2019, the carrying amounts of assets pledged as collaterals for banking facilities granted to the Group by certain banks and for trading purpose in favour of clients and suppliers are set out as follows:

	2019 HK$'000	2018 HK$'000
Property, plant and equipment	**202,520**	239,390
Land use rights	**27,630**	38,022
Pledged bank deposits	**154**	–
	230,304	277,412

(b) Available credit facilities

At 31 December 2019, the total banking facilities of the Group amounted to HK$285,409,000 (2018: HK$337,359,000) which were utilised to the extent of unsecured bank loans of HK$176,683,000 (2018: HK$183,685,000) and secured bank loans of HK$63,726,000 (2018: HK$70,804,000) and the available unutilised banking facilities amounted to HK$45,000,000 (2018: HK$82,870,000).

41. SHARE OPTION SCHEME AND EMPLOYEE RETIREMENT BENEFITS

(a) Share option scheme

The Company has adopted a share option scheme 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 Share Option Scheme shall be valid and effective for a period of ten years ending on 4 May 2025, after which no further options will be granted.

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

As at 31 December 2019, no option was granted or was outstanding under the Share Option Scheme (2018: Nil).

(b) Employee retirement benefits

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution benefit schemes (the "Schemes") organised by the relevant local government authorities in Jiangsu Province, whereby the Group is required to make contributions to the Schemes at certain percentage of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligation payable to the retired employees.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2018: HK$30,000). Contributions to the plan vest immediately. The Group has no other material obligation for the payment of pension benefits associated with the MPF Scheme beyond the annual contributions described above.

42. RELATED PARTY TRANSACTIONS

(a) List of related parties

For the years ended 31 December 2019 and 2018, the Directors are of the view that the following entities and persons are related parties to the Group:

Name of the related party	**Relationship**
New Universe Enterprises Limited (“NUEL”)	A shareholder beneficially interested in 36.54% (2018: 35.31%) of the issued share capital of the Company. The Company’s Directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of NUEL.
Sun Ngai International Investment Limited (“Sun Ngai”)	A company being 100% owned by New Universe Holdings Limited (“NUHL”). The Company’s Director, Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of Sun Ngai and NUHL.
Mr. XI Yu	A shareholder of NUEL beneficially interested in 83.66% of the issued share capital of NUEL. Mr. XI Yu is also the director of NUEL, NUHL and Sun Ngai.
Ms. CHEUNG Siu Ling	A shareholder of NUEL beneficially interested in 6.07% of the issued share capital of NUEL. Ms. CHEUNG Siu Ling is also the director of NUEL, NUHL and Sun Ngai.
Zhenjiang New District *(note 19)*	An associate of the Group, of which the Company holds an effective equity interest of 24.6%.

42. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	Note	2019 HK$'000	2018 HK$'000
Recurring transactions			
Rental expenses			
– Sun Ngai	(i)	**960**	960
Charges on hazardous waste landfill disposal			
– Zhenjiang New District	(ii)	**17,944**	15,082

Notes:

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

ii. For the year ended 31 December 2019, the charges on hazardous waste landfill disposal paid by 4 (2018: 2) subsidiaries in PRC of the Group to Zhenjiang New District was made according to the contracted prices and conditions and subject to the compliance with the relevant administrative requirements promulgated by the National Pricing Bureau in PRC. These transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

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

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group and the Company, including amounts paid to the Directors of the Company as disclosed in note 9 and certain of the highest paid individual as disclosed in note 10 to the financial statements, is presented as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**10,989**	11,221
Retirement scheme contributions	**56**	84
Discretionary bonuses	**6,118**	6,953
	17,163	18,258

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amount of the financial assets and liabilities for each category of the Group's financial instruments as at the end of the reporting period are as follows:

	2019	2018
	HK$'000	HK$'000
(i) Financial assets		
Financial assets at amortised cost		
Trade and bills receivables	**89,021**	37,726
Refundable deposits and other receivables	**7,122**	8,037
Pledged bank deposits	**154**	–
Cash and cash equivalents	**267,393**	282,239
Financial asset at fair value through profit and loss		
Compensation receivable under a profit guarantee	**–**	6,210
Financial assets at fair value through other comprehensive income		
Equity investments at fair value through other comprehensive income (no recycling adjustment to profit or loss)	**97,300**	92,200
Total financial assets	**460,990**	426,412
(ii) Financial liabilities		
Financial liabilities at amortised cost		
Bank borrowings	**240,409**	254,489
Other borrowing	**25,000**	25,000
Trade and bills payables	**32,732**	10,254
Accrued liabilities and other payables	**196,733**	159,391
Lease liabilities	**590**	–
Considerations payables for acquisition of subsidiaries	**24,800**	49,600
Total financial liabilities	**520,264**	498,734

Details of the financial instruments are disclosed in the respective notes to the financial statements.

44. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonable approximate to fair values, are as follows:

	Carrying amount		Fair value	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Financial assets at fair value through other comprehensive income				
Equity investments at fair value through other comprehensive income (non-recycling) *(note 21)*	**97,300**	92,200	**97,300**	92,200

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, financial assets included in refundable deposits and other receivables, contract assets, trade payables, financial liabilities included in accrued liabilities and other payables, deposits received from customers, contract liabilities, amounts due from/to subsidiaries approximately to their carrying amounts largely due to the short term maturity of these instruments. The Directors consider the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The carrying amount of financial assets and financial liabilities at amortised cost of the Group is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable markets transactions.

The fair values of non-current portion of interest-bearing bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for the instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings and other borrowings as at 31 December 2019 was assessed to be insignificant.

The fair values of unlisted equity investments in plastic materials dyeing have been estimated based on assumption that are not supported by observable market prices or rates. The valuation requires the Directors of the Company to make estimates using the enterprise value to earnings before interest and tax ratio of comparable listed companies adjusted for discount on lack of marketability. The Directors believe that the estimated fair value resulting from the valuation methodology, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable and they were appropriate values at the end of the reporting period.

44. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following table presents the fair value of the Group's other financial instruments that are measured at fair value at the end of the reporting period on recurring basis, which categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market date are available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	2019				2018			
	Fair value at 31 December 2019 HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	Fair value at 31 December 2018 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Equity investments at fair value through other comprehensive income (no recycling adjustment to profit or loss) *(note 21)*	**97,300**	**–**	**–**	**97,300**	92,200	–	–	92,200

During the year ended 31 December 2019, there were no transfers between level 1 and Level 2, or transfer into or out of Level 3 (2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements:

	Valuation techniques	**Significant unobservable inputs**	**Key data applied**	
			2019	2018
Unlisted equity investments in plastic materials dyeing	Market comparable companies	Discount for lack of marketability	**15.41%**	15.00%
		EV/EBIT ratio	**16.0**	14.8

44. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2019, it was estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by HK$5,800,000 (2018: HK$3,100,000).

The movements during the year in the balance of Level 3 fair value measurements are follows:

	2019 HK$'000	2018 HK$'000
Unlisted equity investments:		
At 1 January	**92,200**	80,000
Net unrealised income in fair value recognised in other comprehensive income	**5,100**	12,200
At 31 December	**97,300**	92,200

45. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise bank loans and other interest-bearing loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from the Group's operations.

The Group's activities expose it to risks associated with the financial instruments include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management of the Company and its subsidiaries coordinates with the board of Directors at its headquarter in Hong Kong that monitors and manages the risk exposures and provides written policies to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not actively engage in the trading of financial instruments for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are summarised below.

(a) Foreign currency risk

The Group adopted Hong Kong dollars (HK$) as the currency for presentation purposes. The functional currencies of the Company and its PRC subsidiaries are HK$ and RMB respectively.

Some of the trading transactions of the Group were denominated in United States dollar (US$). The Group's exposure to currency risk arises from financial instruments that are monetary items or from financial instruments denominated not in the functional currencies of the respective entities within the Group, which are HK$ and RMB. For the years ended 31 December 2019 and 2018, no sales of the Group were denominated in foreign currencies other than the functional currencies of the Group.

45. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(a) Foreign currency risk (continued)

At the end of the reporting period, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities translated into Hong Kong dollars at the closing rate are as follows:

	2019 US'000	2018 US'000
Monetary financial assets		
Other receivables	**10**	10
Cash and cash equivalents	**1,162**	968
	1,172	978
Monetary financial liabilities	**–**	–
Current net exposure	**1,172**	978

Sensitivity analysis of currency risk

The management considered that the currency risk to be low as the exchange rates of US$ relative to HK$ or RMB were not significant for both 2019 and 2018. Therefore, no hedging or similar measures have been implemented by the Group. At 31 December 2019 and 2018, the impact of the Group's exposure to currency risk was minimal. Accordingly, no sensitivity analysis was presented.

(b) Interest rate risk

The Group is exposed to the risk of changes in market interest rate in relation to bank borrowings at fixed and variable interest rates (note 27) and considerations payable at variable rate (note 32) and bank balances (note 26 to the financial statements for details of these deposits) and fair value interest rate risk in relation to the other borrowing at fixed rate (note 35). It is the Group's policy to manage its interest costs using a mix of fixed and variable rate debts, and to minimise fair value interest rate risk in relation to borrowings. At 31 December 2019, approximately 31.5% (2018: 49.6%) of the Group's bank borrowings and other borrowing, bore interest at fixed rates. The Group has no significant interest-bearing assets apart from bank balances with their interest rate profile disclosed in note 26 to the financial statements. The interest rate profiles of the bank borrowings and other borrowings are disclosed in notes 27, 32 and 35 to the financial statements respectively.

Sensitivity analysis of interest rate risk

The following table details the Group's sensitivity to a reasonably possible change of interest rates, with all other variables held constant, for 100 basis points ("bp", whereas 1 bp is equivalent to 0.01%) increase and decrease in interest rate as the sensitivity rate, assuming that the financial instruments outstanding at the end of the reporting period had been outstanding for the whole year. A positive number below indicates an increase in post-tax profit and total equity where interest rates generally decreased by 100 bp. For an increase in 100 bp, there would be an equal and opposite impact on the profit and total equity and the balances below would be negative.

45. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(b) Interest rate risk (continued)

Sensitivity analysis of interest rate risk (continued)

	+ 100 bp impact		– 100 bp impact	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
(Decrease)/increase in profit after tax	**(2,908)**	(3,041)	**2,908**	3,041
(Decrease)/increase in total equity	**(2,908)**	(3,041)	**2,908**	3,041

The sensitivity to interest rates of the Group has increased during the current year mainly due to the increase in variable rate borrowings. The analysis has been presented on the same basis for both years.

(c) Equity price risk

The Group is exposed to equity price risk on its unlisted equity investments designated at fair value through other comprehensive income, which are determined by reference to the EBIT multiple of comparable listed companies in the same industry as set out in note 21 to the financial statements.

The Group's unlisted equity investments are held for long-term strategic purpose, which are confined to equity investments with key operations in plastic materials dyeing industry in Mainland China, and have risk and return profiles different from the core operations of the Group. The performance of the respective investees has been monitored by the Group's delegates appointed to the respective board of directors of the respective investees, and is assessed by independent professional valuer at least semi-annually by referring to the performance of other listed entities with similar business operations, comparing with the financial data of those investments available to the Group, and adjusted for the marketability of these investments relative to the benchmark data available in the market.

Sensitivity analysis of other price risk

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date. The following table illustrates the sensitivity if the prices of the respective equity investments had been 5% (2018: 5%) higher/lower, as a result of the changes in the multiple of enterprise value to earnings before interest and tax of comparable listed companies in the same industry, at the reporting date. A positive number below indicates an increase in post- tax profit and/or total equity, if any, where price of the equity investments increased by 5%. For a decrease in 5%, there would be an opposite impact on the profit and/or total equity and the balances below would be negative.

	+ 5% impact		– 5% impact	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Increase/(decrease) in profit after tax	**–**	–	**–**	–
Increase/(decrease) in total equity	**4,379**	4,149	**(4,379)**	(4,149)

The Group's sensitivity to unlisted equity investments has applied the same basis for both years.

45. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables (note 23), other receivables (note 24) and contract assets (note 25). The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. As at 31 December 2019, the Group does not provide any guarantees which would expose the Group to credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period 40.3% (2018: 0.8%) and 43.2% (2018: 16.8%) of the total trade receivables was due from the Group's largest customers and the five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by services line). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security over these balances.

ECLs rates are based on actual loss experience over the past years, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period over the expected lives of the receivables. Impairment of trade receivables in the amount of HK$4,469,000 was provided as amount of impairment measured under the ECLs model (2018: Nil).

45. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(d) Credit risk (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Trade receivables					
	Days past due					
	Not yet due or current HK$'000	**Less than 30 days HK$'000**	**More than 30 but less than 120 days HK$'000**	**More than 120 but less than 360 days HK$'000**	**More than 360 days HK$'000**	**Total HK$'000**
Expected credit loss rate	**0.10%**	**0.22%**	**1.48%**	**8.41%**	**100.00%**	**4.78%**
Gross carrying amount	**78,845**	**5,090**	**4,268**	**1,058**	**4,229**	**93,490**
Expected credit loss	**77**	**11**	**63**	**89**	**4,229**	**4,469**

As at 31 December 2018

	Trade receivables					
	Days past due					
	Not yet due or current HK$'000	Less than 30 days HK$'000	More than 30 but less than 120 days HK$'000	More than 120 but less than 360 days HK$'000	More than 360 days HK$'000	Total HK$'000
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%
Gross carrying amount	28,983	3,489	2,048	3,206	–	37,726
Expected credit loss	–	–	–	–	–	–

45. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(e) Liquidity risk

The Group manages its liquidity through maintaining a balance between continuity of funding and flexibility through the use of bank borrowings, banking facilities, and other interest-bearing borrowings. In management of the liquidity risk, the Group maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group regularly monitors its liquidity requirements and its compliance of financial covenants, and ensures sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms. As at 31 December 2019, the Group did not have any available secured banking facilities not yet drawn down and the unsecured banking facilities not yet drawn down by the Group were approximately HK$45,000,000 (2018: HK$82,870,000).

Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly. Funding for long-term liquidity needs will be considered when there is any potential investment identified. For term loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the following table shows the cash outflow based on the contractual repayment schedule and, separately, the impact of the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The following table details the remaining contractual maturities at the end of the reporting period for the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	As at 31 December 2019						
	Carrying amount HK$'000	Total undiscounted cash flows HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000
Financial liabilities							
Bank borrowings							
– at variable rates	156,725	161,475	6,525	12,800	101,400	40,750	–
– at fixed rates	83,684	85,901	4,306	15,652	34,099	31,844	–
Other borrowing							
– at variable rate	25,000	26,969	–	–	–	26,969	–
Considerations payable for acquisition of subsidiaries	24,800	24,800	–	–	24,800	–	–
Trade and bills payables	32,732	32,732	4,325	6,443	21,964	–	–
Accrued liabilities and other payables	196,733	196,733	28,595	3,073	165,065	–	–
Lease liabilities	590	616	39	79	354	144	–
	520,264	529,226	43,790	38,047	347,682	99,707	–

45. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(e) Liquidity risk (continued)

	As at 31 December 2018						
	Carrying amount HK$'000	Total undiscounted cash flows HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000
Financial liabilities							
Bank borrowings							
– at variable rates	140,799	145,149	22,949	1,250	76,600	44,350	–
– at fixed rates	113,690	119,606	2,284	14,676	30,664	71,982	–
Other borrowing							
– at fixed rate	25,000	25,000	–	–	25,000	–	–
Considerations payable for acquisition of subsidiaries	49,600	49,600	–	–	49,600	–	–
Trade payables	10,254	10,254	6,606	688	2,960	–	–
Accrued liabilities and other payables	159,391	159,391	23,056	3,716	132,619	–	–
	498,734	509,000	54,895	20,330	317,443	116,332	–

The undiscounted cash flows of the other borrowings and the current portions of bank borrowings, trade payables, accruals, other payables, and deposits received are approximate to their carrying amount, as the impact of discounting is not significant.

(f) Capital management

The Group's capital management objectives are:

(i) to safeguard the Group's ability to continue as a going concern;

(ii) to provide returns for shareholders and benefits for other stakeholders;

(iii) to maintain an optimal capital structure to reduce the cost of capital;

(iv) to support the Group's sustainable growth; and

(v) to provide capital for the purpose of potential mergers and acquisitions.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain and adjust the capital structure, the Group will adjust the dividend payment to shareholders, issue new shares, buy back its shares, issue new debts or redeem existing debts.

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(f) Capital management (continued)

There was no change in the objectives, policies or process for managing the capital during the years ended 31 December 2019 and 2018.

The Group monitors its capital using gearing ratio. The Group expects to maintain its gearing ratio at less than 50%. The gearing ratios as at 31 December 2019 and 2018 were as follows:

	2019 **HK$'000**	2018 HK$'000
Current liabilities		
Bank borrowings	**174,782**	168,809
Other borrowing	**–**	25,000
Lease liabilities	**451**	–
Considerations payable for acquisition of subsidiaries	**24,800**	49,600
	200,033	243,409
Non-current liabilities		
Bank borrowings	**65,627**	85,680
Other borrowing	**25,000**	–
Lease liabilities	**139**	–
	90,766	85,680
Total interest-bearing debts	**290,799**	329,089
Total equity	**1,028,316**	1,010,529
Gearing ratio	**28.3%**	32.6%

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Interests in subsidiaries		**624,893**	636,763
Current assets			
Amount due from subsidiaries		**107,569**	118,436
Prepayments		**622**	437
Cash and cash equivalents		**91,500**	36,492
		199,691	155,365
Current liabilities			
Bank borrowings		**120,725**	100,799
Other borrowing		**–**	25,000
Accrued liabilities and other payables		**1,040**	1,874
		121,765	127,673
Net current assets		**77,926**	27,692
Total assets		**824,584**	792,128
Total assets less current liabilities		**702,819**	664,455
Non-current liabilities			
Bank borrowings		**36,000**	40,000
Other borrowing		**25,000**	–
		61,000	40,000
Total liabilities		**182,765**	167,673
Net assets		**641,819**	624,455
Capital and reserves			
Share capital	36	**30,357**	30,357
Reserves	37	**611,462**	594,098
Total equity		**641,819**	624,455

47. ENVIRONMENTAL CONTINGENCIES

For the year ended 31 December 2019, the Group's subsidiaries have provided regulated medical waste treatment and disposal services to hospitals and medical clinics, and provided hazardous industrial waste treatment services and industrial sewage treatment and disposal services in Jiangsu Province, PRC. The related operations require valid operating permission licences for processing specific categories of hazardous waste and/or regulated medical waste and industrial sewage treatment services issued by the Environmental Protection Department of the Jiangsu Province, PRC. To the best knowledge of the Company's Directors, each of the Group's subsidiaries which carries out treatment operations for hazardous industrial waste treatment and/or regulated medical waste and industrial sewage treatment services has complied with the relevant regulations to ensure continuous renewal of the licences concerned with best efforts, or otherwise, the subsidiary would cease its operations temporarily until the relevant licence(s) is being issued.

Save as disclosed therein, for the year ended 31 December 2019 and up to the date of this report, the Group's subsidiaries in the PRC have not incurred significant expenditures for environmental remediation and have not currently involved in any significant environmental remediation. In addition, the Company and the Group's subsidiaries in the PRC have not accrued any amounts for environmental remediation relating to its operations. Under existing legislations and regulations, the management believes that there are no probable liabilities that will have a material adverse effect to the financial position or operating results of the Group.

48. EVENTS AFTER THE REPORTING PERIOD

(i) The outbreak of novel coronavirus (COVID-19) epidemic in early 2020 has led to a series of precautionary and control measures implemented across Mainland China, which has impact to the operations of the Group located mainly in the Jiangsu Province. As of the date of this report, all operations of the Group have resumed normal. As of the date of approval of the consolidated financial statements, the Directors of the Company consider that there is no material uncertainty as result of COVID-19 outbreak that casts a doubt on the Group's ability to carry on its business as a going concern in the next twelve months.

(ii) After the end of the reporting period, the Directors of the Company recommended a final dividend. Further details are disclosed in note 12(a) to financial statements.

49. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019. using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

50. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2019, and which have not been adopted in these financial statements.

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors of the Company on 28 April 2020.