



NEW UNIVERSE **ENVIRONMENTAL GROUP LIMITED**

(incorporated in the Cayman Islands with limited liability)

Stock Code : 436

INTERIM REPORT
2020





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PLACE OF INCORPORATION

Cayman Islands

BOARD OF DIRECTORS**Executive Directors**

Mr. XI Yu (*Chairman and CEO*)¹
 Mr. SONG Yu Qing¹
 Ms. CHEUNG Siu Ling¹
 Ms. ZHANG Shuo¹
 Ms. LIU Yu Jie¹
 Mr. HON Wa Fai¹

Independent Non-Executive Directors

Dr. CHAN Yan Cheong^{2,3,4,5}
 Mr. YUEN Kim Hung, Michael^{2,3,4,6}
 Mr. HO Yau Hong, Alfred^{2,3,4,7}

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

AUTHORISED REPRESENTATIVES

Ms. CHEUNG Siu Ling
 Mr. HON Wa Fai

COMPLIANCE OFFICER

Ms. CHEUNG Siu Ling

COMPANY SECRETARY

Mr. HON Wa Fai

REGISTERED OFFICE

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

**HEAD OFFICE AND
PRINCIPAL PLACE OF BUSINESS**

Rooms 2110-2112
 Telford House
 16 Wang Hoi Road
 Kowloon Bay
 Kowloon
 Hong Kong

**SHARE REGISTRAR AND
TRANSFER OFFICES****Principal**

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

Hong Kong Branch

Tricor Tengis Limited
 Level 54, Hopewell Centre
 183 Queen's Road East
 Hong Kong

LEGAL ADVISERS**As to Hong Kong Laws**

Lau, Horton & Wise LLP

As to China Laws

Beijing Sinobridge PRC Lawyers

FINANCIAL ADVISER

OCTAL Capital Limited

INDEPENDENT AUDITOR

Crowe (HK) CPA Limited

PRINCIPAL BANKERS

Bank of 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

WEBSITE

www.nuigl.com

FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2020 increased by 40.8% to HK\$363,389,000 compared to HK\$258,041,000 for the corresponding period in 2019.
- Net profit for the six months ended 30 June 2020 increased by 280.3% to HK\$54,762,000 compared to HK\$14,399,000 for the corresponding period in 2019.
- Profit attributable to owners of the Company for the six months ended 30 June 2020 increased by 2,554.7% to HK\$38,360,000 compared to HK\$1,445,000 for the corresponding period in 2019.
- Total earnings per share attributable to owners of the Company for the six months ended 30 June 2020 were HK cents 1.26 compared to HK cents 0.05 for the corresponding period in 2019.
- Equity attributable to owners of the Company was approximately HK\$939,795,000 at 30 June 2020 compared to HK\$911,528,000 at 31 December 2019.
- Cash and cash equivalents of the Group was approximately HK\$240,353,000 at 30 June 2020 compared to HK\$267,393,000 at 31 December 2019.
- The Board resolved not to declare a dividend for the six months ended 30 June 2020.

BUSINESS REVIEW

Industrial and Medical Waste Integrated Treatment and Disposal Services

For the six months ended 30 June 2020, the Group collected from external customers for treatment and disposal in aggregate of approximately 46,314 metric tonnes (2019: 28,460 metric tonnes) of hazardous industrial waste, 3,084 metric tonnes (2019: 3,378 metric tonnes) of regulated medical waste, and 1,749 metric tonnes (2019: 2,039 metric tonnes) of general industrial waste in the Jiangsu Province, China. For the six months ended 30 June 2020, the total revenue of the Group's operations of providing environmental treatment and disposal of industrial and medical waste services was approximately HK\$305,862,000 (2019: HK\$205,907,000) of which the revenue from treatment and disposal of hazardous industrial waste, medical waste and general industrial waste were HK\$289,515,000, HK\$14,696,000 and HK\$1,651,000 (2019: HK\$185,015,000, HK\$15,861,000 and HK\$5,031,000) respectively. For the six months ended 30 June 2020, the Group has not yet recognised revenue on the incineration facility engineering contract works (2019: HK\$1,301,000).

The Group holds interests in two associates, with 30% equity interest in Zhenjiang Xin Qu Solid Waste disposal Limited ("Zhenjiang Xin Qu") and 30% equity interest in Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Limited ("NCIP"), that principally engaged in the operations of providing environmental treatment and disposal of hazardous industrial waste services in Mainland China. The attributable results of Zhenjiang Xin Qu and NCIP are accounted for on equity method and classified under the operating segment of industrial and medical waste integrated treatment and disposal services. For the six months ended 30 June 2020, the Group shared a net profit of HK\$4,552,000 from Zhenjiang Xin Qu (2019: net profit of HK\$5,974,000) and shared a net profit of HK\$1,421,000 (2019: net loss of HK\$1,686,000) from NCIP respectively.

The Group also holds 65% equity interest in a Sino-foreign joint venture, Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited (“Xinyu Rongkai”), which is under construction to build incineration and landfill facilities to engage in providing environmental treatment and disposal services for hazardous industrial waste in Liuzhou, Guangxi Province, China. The attributable results of Xinyu Rongkai is accounted for on equity method and classified under the operating segment of industrial and medical waste integrated treatment and disposal services. For the six months ended 30 June 2020, the Group shared a net loss of HK\$653,000 (2019: net loss of HK\$839,000).

For the six months ended 30 June 2020, the profit margin (pre-tax) of the Group’s environmental treatment of industrial and medical waste services was approximately 21.9% (2019: 13.8%).

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

	Note	Annualised capacity	
		30 June 2020 metric tonnes	31 December 2019 metric tonnes
Licensed hazardous waste incineration facilities		138,400	138,400
Licensed epidemic medical waste incineration facilities	(ii)	3,080	6,080
Licensed epidemic medical waste detoxification treatment facilities		3,300	3,300
Total licensed treatment and disposal facilities	(i)	144,780	147,780
Constructed hazardous waste landfill facilities pending issue of operating permission licence	(iii)	18,000	18,000
Total constructed treatment and disposal facilities pending licenses		18,000	18,000

Notes:

- (i) The total capacity of the licensed waste treatment and disposal facilities represents the total effective treatment and disposal quantity of hazardous waste allowable to handle under the valid operating permission licences owned by the Group as at the end of the reporting period calculated on annualised basis.
- (ii) During the six months ended 30 June 2020, the renewal of the operating permission licence for handling regulated medical waste of the incineration facilities located at Yancheng, Jiangsu Province was granted with an approved annual incineration capacity reduced from 6,000 metric tonnes to 3,000 metric tonnes.
- (iii) The hazardous waste operating permission licence for the hazardous waste landfill facilities with an annual capacity of 18,000 metric tonnes located in Yancheng, Jiangsu Province, has expired since November 2017, and the application for renewal of the licence is subject to further governmental approval of the enhancement facilities having been basically completed during the current period under review.

Industrial Sewage Treatment Services in Eco-plating Specialised Zone

For the six months ended 30 June 2020, the total revenue of the Group's operations of providing treatment and disposal services of industrial sewage and sludge and providing facilities to the manufacturers in the eco-plating specialised industrial zone (the "Eco-plating Specialised Zone") was approximately HK\$57,527,000 (2019: HK\$50,833,000) and the profit margin (pre-tax) was approximately 10.1% (2019: 0.7%).

At the end of the reporting periods, the Group's operations in the eco-plating specialised industrial zone were summarised as follows:

	For the six months ended 30 June	
	2020	2019
Total gross floor area of factory buildings and facilities built (square metres)	106,808	106,605
Average utilisation rate of factory buildings and facilities	87.4%	83.2%
Plating sewage handled by the centralised sewage treatment plant during the reporting period (metric tonnes)	206,974	228,531
Average utilisation rate of sewage treatment capacity	25.1%	27.7%

Investments in Plastic Materials Dyeing Operations

The Group has held the equity interests in three Sino-foreign joint equity enterprises that principally engaged in plastic materials dyeing business in Mainland China as long term investments since October 2007. For the six months ended 30 June 2020, the profit margins (pre-tax) of Suzhou New Huamei Plastics Company Limited (“Suzhou New Huamei”), Danyang New Huamei Plastics Company Limited (“Danyang New Huamei”) and Qingdao Zhongxin Huamei Plastics Company Limited (“Qingdao Huamei”) were 3.6%, 1.8% and 8.0% (2019: 3.4%, 1.4% and 3.8%) respectively.

The Company accounts for the results of the three Sino-foreign joint equity enterprises based on the actual dividend declared and receivable from the investments. For the six months ended 30 June 2020, the Group recognised the dividend declared by Qingdao Huamei in June 2020 for its results in 2019 and attributable to the Company approximately amounted to HK\$1,882,000 (before withholding tax). In July 2020, the dividends declared by Suzhou New Huamei and Danyang new Huamei for their results in 2019 attributable to the Company approximately amounted to HK\$1,634,000 and HK\$591,000 (both before withholding tax) respectively would be recognised by the Group as dividend income in the second half of the year 2020.

Outlook

Entering 2020, the Group has well-prepared to meet the challenge in running the environmental related business and operations in Mainland China. During the six months ended 30 June 2020, after taking into account of the impact of the COVID-19, the overall down-time of the Group’s incineration facilities has been significantly reduced as compare to the corresponding period in 2019, though the Group has to absorb costs on district lockdown with a period of about a month to avoid and control any possible spread of the coronavirus and during the period there were temporary restriction on transportation for collection of hazardous waste from the clients of the Group. The business operations of the Group have resumed normal since early March 2020. With the united effort of the Group’s colleagues to take well-precaution of the coronavirus pandemic and environmental compliance of the Group’s operations, there was no significant adverse operational and financial impact to the Group’s business during the current period under review.

The Group is committed to uphold the strict compliance with the national environmental regulations and standards, and also support the governmental urban development directions. During the six months ended 30 June 2020, the Group has co-operated with the local government in relation to its urban development plan and has entered into a relocation compensation agreement with the local authorities for land expropriation and removal of an obsolete plant at Yancheng, Jiangsu Province. The Group has recognised an impairment loss on assets held for sale of approximately HK\$12,242,000 as irrecoverable land development and restoration costs of the plant. The Board considered the entering into land expropriation agreement is a social responsibility to line up with the development enthusiasm of the society and the impairment loss to the assets of the obsolete plant would not have significant adverse impact to the Company.

As at 30 June 2020, the combined licensed capacity of the Group for the collection, storage, detoxification treatment, incineration and disposal of hazardous industrial and medical waste in Mainland China was approximately 144,780 metric tonnes per annum (31 December 2019: 147,780 metric tonnes per annum). The effective capacity is expected to increase upon the renewal of the hazardous waste operating license for the hazardous waste landfill facilities with annual capacity of 18,000 metric tonnes at Yancheng, Jiangsu Province, of which the enhancement construction works have entered into final stage during the period under review.

During the six months ended 30 June 2020, the construction of the phase II centralised sewage filtering plant for the Eco-plating Specialised Zone of the Group has been completed and under trial operation. Upon entire completion and optimization of the phase II industrial sewage treatment facilities, the industrial sewage discharge of the existing 42 manufacturing clients in the zone and the potential new incoming clients would be better de-toxified through the enhanced filtering system.

The Group continues to support the development of 65% owned joint venture located in Liuzhou, Guangxi Province, and the fundamental construction works for the integrated hazardous waste treatment facilities is expected to be completed by the end of 2020.

The Group is committed to uphold practices of corporate governance and environmental governance. The Group will leverage on its experience on the operations of hazardous waste treatment and disposal services in Jiangsu Province, and is committed to become one of the best service providers in environmental industry in the Mainland China. Looking forward, apart from continuously strengthening our environmental quality management of the hazardous waste incineration and landfill facilities, the Group will work hard in a united effort to ensure the business of the Group would grow stably and sustainably in the foreseeable future. Barring any unforeseeable risks from the global and local economies and continuous uncertainties arising from the coronavirus pandemic, the Group is expected to deliver a reasonable results in the current year.

FINANCIAL REVIEW

The changes in unaudited consolidated financial information of the Group's for the six months ended 30 June 2020 as comparing to the unaudited figures for the corresponding period in 2019 are summarised as follows:

(Expressed in HK\$'000 unless indicated otherwise)	Note	For the six months ended 30 June		
		2020	2019	Change %
Revenue from environmental waste treatment, waste disposal and related services	(a)(i)	305,862	207,208	+47.6
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities	(a)(ii)	57,527	50,833	+13.2
Total revenue	(a)	363,389	258,041	+40.8
Average gross profit margin (in percentage)	(b)	29.6	34.1	-13.2
Other revenue	(c)	1,882	4,152	-54.7
Other net income	(d)	5,835	6,546	-10.9
Distribution and selling expenses	(e)	6,167	8,619	-28.4
Administrative expenses	(f)	24,158	23,884	+1.1
Other operating expenses	(g)	8,249	40,158	-79.5
Impairment loss on assets classified as held for sale	(h)	12,242	–	N/A
Impairment loss on trade receivables	(i)	1,826	2,347	-22.2
Finance income	(j)	1,047	1,346	-22.2
Finance costs	(k)	5,363	7,146	-25.0
Share of net profit of associates	(l)	5,973	4,288	+39.3
Share of net loss of a joint venture	(m)	(653)	(839)	-22.2
Income tax	(n)	8,813	6,850	+28.7
Net profit for the period	(o)	54,762	14,399	+280.3
Profit attributable to owners of the Company	(o)	38,360	1,445	+2,554.7
Basic and diluted EPS attributable to owners of the Company (HK cents)	(o)	1.26	0.05	+2,420.0
EBITDA	(p)	104,382	64,390	+62.1

Notes:

- (a) Net increase in total revenue for the six months ended 30 June 2020 was mainly attributable to:
- (i) all key incineration facilities of the Group was generally in normal operations during the current period, while the hazardous waste incineration facilities with 40,000 metric tonnes capacity per annum of the Group's 100% owned subsidiary at Suqian, Jiangsu Province, were entirely ceased for repairs and maintenance in the last corresponding period; and
 - (ii) the leasing and management fees in the Eco-plating Specialised Zone has been reviewed and adjusted upward according to the master agreements in the current period.
- (b) Decrease in gross profit margin of the Group for the six months ended 30 June 2020 was mainly attributable to the increase in outsourcing landfill cost for disposal the secondary residues and ashes produced by the incineration process of the Group.
- (c) Net decrease in other revenue for the six months ended 30 June 2020 was mainly attributable to the fact that only dividend declared by one equity investment in June 2020 was recognised in the current period, and the dividends declared by other two equity investments in July 2020 would be recognised in the second half of the current year 2020.
- (d) Net decrease in other net income for the six months ended 30 June 2020 was mainly attributable to the net decrease in refunds of China Value-Added Tax ("VAT") paid on environmental-related operations under tax preferential policy of China because the payment of VAT has decreased following the national adjustment to reduce the VAT rates in the current period.
- (e) Net decrease in distribution and selling expenses for the six months ended 30 June 2020 was mainly attributable to decrease in costs on marketing activities in the current period.
- (f) Net increase in administrative expenses for the six months ended 30 June 2020 was mainly attributable to the equity-settled share-base payment expenses for grant of share options recognised in the current period.
- (g) Net decrease in other operating expenses for the six months ended 30 June 2020 was mainly attributable to:
- (i) the one-off costs on litigations settlements in respect of non-compliance incidents occurred in Mainland China of approximately HK\$13,873,000 recognised in last corresponding period, and such expenses did not recur in current period;
 - (ii) the costs arising from temporary suspension of plants for repairs and maintenance of approximately HK\$13,148,000 recognised in last corresponding period, and such expenses have not been recurred in the current period after the plant at Suqian, Jiangsu Province, has resumed normal operations since September 2019; and
 - (iii) relative decrease in other regular repairs and maintenance expenses in the current period after necessary corrective works carried out for certain facilities have been completed in 2019.
- (h) The impairment loss on assets held for sale recognised for the six months ended 30 June 2020 was attributable to the expected loss on foreseeable disposal of the obsolete plant that composed of land and buildings held by the subsidiary, Yancheng New Universe Solid Waste Disposal Company Limited after its entering into the demolition and relocation compensation agreement on 16 June 2020 and taking into account of the costs on land restoration and soil remediation for the site to comply with the national standards before vacant delivery of the land back to the local authorities for land expropriation under the urban development plan.

- (i) Decrease in impairment loss on trade receivables was mainly due to the catch-up adjustment made in relation to the operations in the Eco-plating Specialized Zone as at 31 December 2019.
- (j) Net decrease in finance income for the six months ended 30 June 2020 was mainly attributable to decrease in interest income on deposits with banks from cash generated from operating activities in Mainland China in the current period.
- (k) Net decrease in finance costs for the six months ended 30 June 2020 was mainly attributable to decrease in overall borrowings of the Group in the current period.
- (l) Net increase in profit shared from the associates for the six months ended 30 June 2020 was mainly attributable to the performance of the associate located in Nanjing has been improved after repairs and maintenance for both phases I and II incineration facilities completed in the current period.
- (m) Net loss shared from the joint venture for the six months ended 30 June 2020 was mainly attributable to the preliminary expenses incurred before the project located in Liuzhou, Guangxi, China is be put into operations.
- (n) Net increase in income tax for the six months ended 30 June 2020 was mainly attributable to increase in profits of the Group's operations in Mainland China in the current period.
- (o) For the six months ended 30 June 2020, the increases in net profit of the Group, net profit attributable to owners of the Company, and increase in EPS were mainly attributable to:
 - (i) increase in revenue from both operating segments of the hazardous waste treatment and disposal services and the sewage treatment operations in the Eco-plating Specialised Zone;
 - (ii) decrease in other operating costs arisen from non-compliance incidents that did not recur in the current period;
 - (iii) the impairment loss on assets of an obsolete plant held for sale recognised in the current period was less than the total effect of exceptional loss and incidental costs recognised as other operating expenses in the corresponding period in 2019; and
 - (iv) decrease in costs incurred on down-time for repairs and maintenance of all facilities of the Group in the current period as compared to the costs on the complete suspension of the plant at Suqian for repairs and maintenance in the corresponding period in 2019.
- (p) The Company uses earnings before interest, tax, depreciation and amortisation ("EBITDA") to measure the earnings performance of the Group's operations, which represents the consolidated profit before taxation and adding back finance costs, depreciation and amortisation charges over the reporting period. Increase in EBITDA for the six months ended 30 June 2020 was mainly attributable to the increase in profits of the Group in the current period.

Seasonality of operations

For the year ended 31 December 2019, the operations of providing hazardous waste treatment and disposal services has encountered a relatively higher demand of services in the first half of a year.

For the 12 months ended 30 June 2020, the hazardous waste treatment and disposal services reported a revenue of HK\$587,896,000 (12 months ended 30 June 2019: HK\$402,474,000) and pre-tax profit of HK\$141,900,000 (12 months ended 30 June 2019: HK\$88,607,000).

Capital expenditure

For the six months ended 30 June 2020, the Group incurred capital expenditure to increase property, plant and equipment and right-of-use assets (i) for the operating segment of hazardous waste treatment and disposal services amounted approximately to HK\$15,345,000 (2019: HK\$48,566,000), (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\$11,548,000 (2019: HK\$7,286,000), and (iii) for corporate use at the head office in Hong Kong was Nil (2019: Nil).

Commitments

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Contracted for but not provided for:		
– Capital expenditure in respect of property, plant and equipment	37,322	57,188
– Capital contribution to a joint venture in PRC	–	25,435
– Capital contribution to an equity investment in PRC	15,976	15,976

Liquidity and financial resources

- (a) For the six months ended 30 June 2020, the Group financed its operations and discharged its debts and liabilities due timely with internally generated cash flows, banking facilities and other borrowings.
- (b) As at 30 June 2020, the Group remained stable in its financial position with equity attributable to owners of the Company amounted approximately to HK\$939,795,000 (31 December 2019: HK\$911,528,000) and consolidated total assets amounted approximately to HK\$1,645,406,000 (31 December 2019: HK\$1,618,570,000) respectively.
- (c) The Company did not have any equity fund raising activity within the past 12 months immediately prior to the date of this report (2019: Nil).
- (d) At the end of the reporting period, the Group had:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
(i) Cash and bank balances	240,353	267,393
(ii) Available unused unsecured banking facilities	31,455	45,000

Key performance indicators

- (a) The Group monitors the earnings performance of its operations through EBITDA. EBITDA of the Group was HK\$104,382,000 for the six months ended 30 June 2020 (2019: HK\$64,390,000).

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

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Profit for the period	54,762	14,399
Add:		
Depreciation on property, plant and equipment	33,506	34,051
Depreciation on right-of-use assets	1,938	1,944
Gross interest expenses	5,363	7,146
Income tax	8,813	6,850
EBITDA	104,382	64,390

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

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
EBITDA of associates:		
Zhenjiang Xin Qu	18,189	24,751
NCIP	17,480	6,622

- (c) The Group monitors the proportion of its profits that being converted to cash flows through cash conversion rate. The cash conversion rate of the Group being the net cash generated from operating activities as a percentage of the consolidated operating profit was 100.2% for the six months ended 30 June 2020 (2019: 191.5%).

- (d) The Group monitors its liquidity through current ratio. The current ratio of the Group representing the ratio of the consolidated current assets to the consolidated current liabilities was 0.9 times as at 30 June 2020 (31 December 2019: 0.8 times). The current ratio being less than 1 as at 30 June 2020 was mainly attributable to certain bank loans having been classified as current liabilities because those banking facilities bore standard terms and conditions that the bankers reserve the overriding right at any time to cancel or vary the facilities and demand immediate repayment of all outstanding amounts.
- (e) The Group monitors its capital by reference to the gearing ratio. This ratio is calculated as the total interest-bearing borrowings (including lease liabilities) divided by total equity. The gearing ratio at the end of the reporting period was as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Bank borrowings	224,930	240,409
Other borrowing	25,000	25,000
Consideration payable for acquisition of subsidiaries	12,400	24,800
Lease liabilities	361	590
Total interest-bearing borrowings	262,691	290,799
Total equity	1,070,519	1,028,316
Gearing ratio	24.5%	28.3%

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

Capital structure

There was no significant change to the capital structure of the Company as at 30 June 2020 as compared to that as at 31 December 2019.

Material acquisitions and disposals of subsidiaries and affiliated companies

There were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the six months ended 30 June 2020.

Significant investments held and their performance

According to the valuation report dated 14 August 2020 prepared by an independent professional valuer, CBRE Limited (“CBRE”) (31 December 2019: CBRE), the fair value attributable to the Group’s interests in the equity investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei as at 30 June 2020 were HK\$30,300,000, HK\$10,700,000 and HK\$65,600,000 (31 December 2019: HK\$36,100,000, HK\$16,300,000 and HK\$44,900,000) respectively. The changes in fair value of the equity investments for the six months ended 30 June 2020 were recognised as other comprehensive income and accounted for in the investment revaluation reserve of the Company.

Impairment testing on goodwill

The 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 having been identified as a cash-generating unit. As at 30 June 2020, the assessment on the recoverable amount of this cash-generating unit, which is principally engaged in environmental waste treatment and disposal services mainly in Zhenjiang, Jiangsu Province, Mainland China, was carried out with reference to the valuation report dated 14 August 2020 issued by the independent professional valuer, CBRE (31 December 2019: CBRE), based on reasonable assumptions, including but not limited to the cash flows projection with a growth rate at 2% (31 December 2019: 2%) of that cash-generating unit operating at the licensed capacity, and the pre-tax discount rate of 16.64% (31 December 2019: 16.21%) which reflects the risks for the industries. No impairment loss to the goodwill was considered necessary for the six months ended 30 June 2020 (31 December 2019: Nil).

Impairment testing on interest in an associate, NCIP

As at 30 June 2020, the assessment on the recoverable amount of the Group’s interest in NCIP, which is principally engaged in environmental waste treatment and disposal services in Nanjing, the capital city of Jiangsu Province, Mainland China was carried out with reference to the valuation report dated 14 August 2020 issued by the independent professional valuer, CBRE (31 December 2019: CBRE), based on reasonable assumptions, including but not limited to the cash flows projection of NCIP with a growth rate at 2% (31 December 2019: 2%) of NCIP as cash-generating unit with its phase I and phase II incineration facilities both operating at the licensed capacity, and the pre-tax discount rate of 15.30% (31 December 2019: 14.89%) which reflects the risks for the business of NCIP. No impairment loss to the Group’s interest in NCIP was considered necessary for the six months ended 30 June 2020 (31 December 2019: Nil).

Charges on assets

As at 30 June 2020, the following assets of the Group were pledged as collaterals for banking facilities granted by the current bankers and for other suppliers and clients of the Group.

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Carrying amount of collaterals:		
Property, plant and equipment	90,282	202,520
Land use rights	18,512	27,630
Pledged bank deposits	11,771	154
	120,565	230,304
Secured liabilities and guarantee issued:		
Secured borrowings outstanding under the banking facilities granted	60,335	63,726
Bills payable to suppliers	–	11
Bank guarantees issued in favour of clients	11,760	143
	72,095	63,880

Contingent liabilities

There were no significant contingent liabilities of the Group as at 30 June 2020 (31 December 2019: Nil).

Employee information

As at 30 June 2020, the Group had 647 (2019: 628) full-time employees, of which 18 (2019: 19) were based in Hong Kong, and 629 (2019: 609) in Mainland China. For the six months ended 30 June 2020, staff costs, including the Directors' remuneration, equity-settled share-based payment expenses and amount capitalised as inventories was HK\$41,840,000 (2019: HK\$40,343,000). Employees and Directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as share option scheme, bonus, medical insurance, mandatory provident fund, continuing development and trainings.

Foreign currency risk

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 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 six months ended 30 June 2020, RMB depreciated on average relatively to the HK\$ that resulted in an overall downside exchange difference on the translation from RMB to HK\$ for the financial statements of the subsidiaries in China amounted approximately to HK\$16,106,000 (2019: downside exchange difference of HK\$2,975,000), which were recognised in other comprehensive income and accumulated separately in equity under the translation reserve of the Company and did not have any effect to the profit or and loss of the Company in the current period. The accumulated exchange differences in the translation reserve will be reclassified to profit or loss as when the interests in the relevant subsidiaries in China being entirely or partially disposed of by the Group.

Interest rate risk

As at 30 June 2020, the bank borrowings and other borrowing of the Group were managed using a mix of fixed and floating rates, of which borrowings denominated in HK\$ were stipulated at floating interest rates within range from 2.05% to 5.41% (31 December 2019: 2.52% to 5.9%) per annum and borrowings denominated in RMB were stipulated at fixed interest rates within range from 4.0% to 5.4% (31 December 2019: 5.2%) per annum. Whereby any fluctuations in interest rates will affect the finance costs of the Group for the existing borrowings and any new borrowing obtained by the Group calculated on a floating interest rate basis. The Group has no significant interest-bearing assets apart from bank balances and time deposits carrying at prevailing market interest rates within range from 0.01% to 2.83% (2019: 0.01% to 3.00%) per annum. The Group considers the interest rate risk is moderate and will review and monitor its interest rate exposure from time to time, and when appropriate hedge its interest rate risk.

Credit risk

The Group's credit risk is mainly attributable to trade receivables. As at 30 June 2020, 28.2% (31 December 2019: 40.3%) and 37.2% (31 December 2019: 43.2%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. An impairment analysis would be performed at the end of each reporting period using a provision matrix to measure expected credit losses ("ECL"). The ECL rates are based on days past due for grouping of various customer segments with similar loss patterns (i.e. by services line). Trade receivables are generally 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. The Group has recognised an impairment loss on trade receivables of approximately HK\$1,826,000 (2019: HK\$2,347,000) measured under the ECL model for the six months ended 30 June 2020.

Principal risks and uncertainties related to the Company's business operations

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, and the operations of the Group located mainly in the Jiangsu Province have not been significantly impacted after all operations of the Group were resumed normal in March 2020. As of the date of approval of this condensed 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.

Save as disclosed therein, as at 30 June 2020 and up to the date of this report, there was no significant change to the principal risks and uncertainties related to the Company's business operations since the date of last annual report of the Company for the year ended 31 December 2019.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: Nil).

The final dividend for the year ended 31 December 2019 recommended by the Board on 23 March 2020 of HK\$0.007 per share in a total amount of approximately to HK\$21,250,000 has not been recognised as a liability at the end of the reporting period. After the proposed declaration of final dividend was approved by the shareholders of the Company at the annual general meeting on 18 June 2020. The final dividend for 2019 has been distributed to the shareholders of the Company on 31 July 2020.

CHANGE IN DIRECTORS' INFORMATION

Information on Directors

For the six months ended 30 June 2020 and up to the date of this report, there were changes in Directors' information as follows:

Dr. CHAN Yan Cheong has been approved by the City University of Hong Kong to retire as chair professor of the university with effect from 20 January 2020.

On 14 August 2020, Mr. SONG Yu Qing has tendered his resignation as executive Director and member of the executive committee of the Company with effect from 30 September 2020.

On 14 August 2020, the Board has approved the appointment of Ms. XI Man Shan Erica as executive Director and member of the executive committee of the Company, that will be effective from 1 October 2020.

Save as disclosed therein, there was no other significant change in details of the Directors' information since the date of last annual report of the Company for the year ended 31 December 2019.

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

Information on management

Up to the date of this report, there was no significant change in details of the management team members of the Company since the date of last annual report of the Company for the year ended 31 December 2019.

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

Neither the Company, nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICES

The Directors of the Company and the management of the Group are committed to upholding good corporate governance practices and procedures. The Company believes that maintenance of high standard of business ethics and good corporate governance is essential for effective management, healthy business growth and fostering a contemporary corporate culture, which drives the Group to growing sustainably and safeguarding the interests of shareholders of the Company.

CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 ("CG Code") to the Listing Rules throughout the six months ended 30 June 2020, and the Directors confirmed that they were not aware of any deviation from the CG Code during the period then ended, except for the code provision A.2.1.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the six months ended 30 June 2020, Mr. XI Yu (“Mr. XI”) has assumed the roles of both chairman of the Board (“Chairman”) and the chief executive officer of the Company (“CEO”) that constitutes a deviation from code provision A.2.1 of the CG Code. After evaluation of the current situation of the Group and taking into account of the experience and performance of Mr. XI, the Board is of the opinion that it is appropriate and in the best interest of the Company at the present stage to vest the roles of the Chairman and the CEO of the Company on the same person as it helps to facilitate the execution of the Group’s business strategies and maximizes the effectiveness of its operation. The Board also considers that: (i) the Company has sufficient internal controls to provide checks and balances on the functions of the Chairman and CEO; (ii) Mr. XI as the Chairman and CEO is fully accountable to the shareholders of the Company and contributes to the Board and the Group on all top level and strategic decisions and is responsible for ensuring that all Directors act in the best interests of the Shareholders; and (iii) this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and will enable the Company to make and implement decisions promptly and effectively. However, the Board will continue to review and consider splitting the role of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Director’s securities transactions in the securities of the Company. Having made specific enquiry of all Directors of the Company, the Directors confirmed that they have complied with or they were not aware of any non-compliance with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2020.

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 (“Participants”, 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.

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.

During the six months ended 30 June 2020 and as at 30 June 2020, share options to subscribe for up to 11,000,000 Shares were granted under the Share Option Scheme (31 December 2019: Nil).

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) 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 EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong, "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("Model Code"), 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

Name of Director	Capacity in which ordinary shares are held	Number of ordinary shares of HK\$0.01 each	
		Number of shares held	Approximate percentage of total shares in issue
Mr. XI Yu (note)	Interests of a controlled corporation	1,109,303,201	36.54%
Ms. LIU Yu Jie	Beneficial owner	202,400,000	6.67%

Associated corporation

Long positions in ordinary shares of NUEL

Number of ordinary shares of US\$1.00 each

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

Note: 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 and totally 12.14% by Ms. CHEUNG Siu Ling and her spouse. Mr. XI Yu and Ms. CHEUNG Siu Ling are directors of NUEL.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were entered in the register referred to therein as required pursuant to section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

As at 30 June 2020, the interests or short positions of those persons, other than the directors or the chief executive of the Company whose interests has been disclosed therein above, in the shares of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or underlying shares are recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company			
Name of shareholder	Capacity in which ordinary shares are held	Number of shares held	Approximate percentage of total shares in issue
Mr. XI Yu ⁽ⁱ⁾	Interests of a controlled corporation	1,109,303,201	36.54%
NUEL ⁽ⁱ⁾	Beneficial owner	1,109,303,201	36.54%
China Minsheng Investment Group Corporation Ltd (中國民生投資股份有限公司) ("中民投") ⁽ⁱⁱ⁾	Interests of a controlled corporation	800,000,000	26.35%
中民投亞洲資產管理有限公司 ("CMIG-Asia") ⁽ⁱⁱ⁾	Interests of a controlled corporation	800,000,000	26.35%
CMI Financial Holding Corporation ("CMIF-BVI") ⁽ⁱⁱ⁾	Interests of a controlled corporation	800,000,000	26.35%
CMIG International Capital Limited ("CMIG-HK") ⁽ⁱⁱ⁾	Interests of a controlled corporation	800,000,000	26.35%
CM International Capital Limited ("CMIC-Cayman") ⁽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 shareholding interest disclosed by Mr. XI Yu as the shareholder deemed interested in 1,109,303,201 shares of the Company is the same interest disclosed by him as a Director of the Company.
- (ii) CMIC-Cayman is 100% directly owned by CMIG-HK. CMIG-HK is 31.5% directly owned by 中民投 and 68.5% directly owned by CMIF-BVI. CMIF-BVI is 100% directly owned by CMIG-Asia. CMIG-Asia is 100% directly owned by 中民投. CMIG-HK, CMIF-BVI, CMIG-Asia and 中民投 are all deemed interested in the 800,000,000 shares of the Company that beneficially owned by CMIC-Cayman.
- (iii) The shareholding interest disclosed by Ms. LIU Yu Jie is the same interest disclosed by her as a Director of the Company.

Save as disclosed above, as at 30 June 2020, 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under "Directors' and Chief Executive's Interests and/or Short Positions in Shares and Underlying Shares, and Debenture of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporation", at no time during the six months ended 30 June 2020 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company of a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS

There was no connected transactions (defined under the Listing Rules) which were discloseable in the current reporting period or any time during the six months ended 30 June 2020.

LOAN AGREEMENTS WITH SPECIFIC PERFORMANCE COVENANT

On 17 August 2018, the Company accepted a banking facility letter dated 28 June 2018 (the "Facility Letter A") issued by a bank ("Bank A") in Hong Kong. Pursuant to the Facility Letter A, Bank A granted an unsecured term loan facility of up to HK\$30,000,000 (the "Facility A") to the Company. The final maturity date of Facility A is four years from the first utilisation date in January 2019. In accordance with the Facility Letter A, the proceeds of the Facility A shall be used directly for payment of the capital contribution in respect of the Group's 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 30 June 2020, the outstanding unsecured bank loan under Facility A was HK\$24,000,000 (31 December 2019: HK\$27,000,000).

On 17 August 2018, the Company accepted a banking facility letter dated 8 August 2018 (the "Facility Letter B") issued by a bank ("Bank B") in Hong Kong. Pursuant to the Facility Letter B, Bank B granted an unsecured term loan facility of up to HK\$15,000,000 (the "Facility B") to the Company. The final maturity date of Facility B is three years from the first utilisation date in January 2019. The Facility B shall be used to finance the capital expenditure in relation to environmental operations of the Group. As at 30 June 2020, the outstanding unsecured bank loan under Facility B was HK\$15,000,000 (31 December 2019: HK\$15,000,000).

On 12 December 2017, the Company accepted a banking facility letter (the "Facility Letter C") issued by a bank ("Bank C") in Hong Kong. Pursuant to the Facility Letter C, Bank C granted an unsecured term loan facility of up to HK\$50,000,000 (the "Facility C") to the Company. The final maturity date of the Facility C is at the end of five years from the date of the first drawdown in December 2017. 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 30 June 2020, the outstanding unsecured bank loan under Facility C was HK\$40,000,000 (31 December 2019: HK\$40,000,000).

* For identification purpose only

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 30 June 2020, Mr. XI Yu, through his beneficial interest in 83.66% of the issued share capital of NUEL, is deemed interested in 1,109,303,201 shares (31 December 2019: 1,109,303,201 shares) of the Company, representing 36.54% (31 December 2019: 36.54%) of the total issued share capital of the Company beneficially owned by NUEL.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at 30 June 2020 and any time during the six months then ended up to the date of this report, transactions, arrangements, or contracts subsisted, of which certain Directors had interests that were deemed significant to the business of the Group are set out as follows:

- (a) Mr. XI Yu and Ms. CHEUNG Siu Ling, the executive Directors of the Company, are also the directors of the landlord, Sun Ngai International Investment Limited (“Sun Ngai”) to the tenancy agreement dated 5 July 2018 and the renewed agreement dated 17 July 2019 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 (as renewed from 1 August 2019 to 31 July 2020) at a monthly rental of HK\$80,000.
- (b) A renewed tenancy agreement dated 20 July 2020 was entered into between Sun Ngai as Landlord and Smartech Services as tenant for leasing the Office Premises for the period from 1 August 2020 to 31 July 2021 at a monthly rental of HK\$80,000.
- (c) For the six months ended 30 June 2020, total rentals paid by Smartech Services to Sun Ngai were HK\$480,000 (2019: HK\$480,000).

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 period.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

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

Save as disclosed therein, during the six months ended 30 June 2020 and up to the date of this report, the Directors were not aware of any business or interest of the Directors or any substantial shareholder of the Company and their respective associates that had competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company during the six months ended 30 June 2020 and up to the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

During the six months ended 30 June 2020, the Group did not incur any significant costs on litigation settlement and incident non-compliance cases (2019: HK\$13,873,000). Save as disclosed therein, it was not aware of other 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 of the Company comprises three independent non-executive Directors, Dr. CHAN Yan Cheong, who chairs the Audit Committee, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has reviewed with the management the unaudited consolidated financial results and financial information of the Company for the six months ended 30 June 2020.

INDEPENDENT REVIEW OF INTERIM FINANCIAL RESULTS

The condensed consolidated financial statements for the six months ended 30 June 2020 of the Company (“Interim Financial Report”) were unaudited, but which have been reviewed in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by the Company’s independent auditor, Crowe (HK) CPA Limited, whose report on review of the Interim Financial Report is set out on pages 30 to 68 of this report and nothing has come to their attention that causes them to believe that the Interim Financial Report is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

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

Hong Kong, 14 August 2020

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



國富浩華（香港）會計師事務所有限公司

Crowe (HK) CPA Limited

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77 Leighton Road,

Causeway Bay, Hong Kong

To the board of directors of

New Universe Environmental Group Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 31 to 68 which comprises the condensed consolidated statement of financial position of New Universe Environmental Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2020 and the related condensed consolidated statement of profit or loss, condensed statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34. Our responsibility is to form a conclusion based on our review on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Crowe (HK) CPA Limited

Certified Public Accountants

LIU Mok Lan, Cliny

Practising Certificate Number: P07270

Hong Kong, 14 August 2020

	Note	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	4(a)	363,389	258,041
Cost of sales		(255,893)	(170,131)
Gross profit		107,496	87,910
Other revenue	5	1,882	4,152
Other net income	6	5,835	6,546
Distribution and selling expenses		(6,167)	(8,619)
Administrative expenses		(24,158)	(23,884)
Other operating expenses	8	(8,249)	(40,158)
Impairment loss on assets classified as held for sale	20	(12,242)	–
Impairment loss on trade receivables, net	17(b)	(1,826)	(2,347)
Operating profit		62,571	23,600
Finance income	7	1,047	1,346
Finance costs	7	(5,363)	(7,146)
Finance costs, net	7	(4,316)	(5,800)
Share of results of associates		5,973	4,288
Share of results of a joint venture		(653)	(839)
Profit before taxation	8	63,575	21,249
Income tax	9	(8,813)	(6,850)
Profit for the period		54,762	14,399
Attributable to:			
Owners of the Company		38,360	1,445
Non-controlling interests		16,402	12,954
		54,762	14,399
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	10	1.26	0.05

The notes on pages 37 to 68 are an integral part of these financial statements.

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit for the period	54,762	14,399
Other comprehensive income:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences		
– on translation of financial statements of overseas subsidiaries	(16,106)	(2,975)
– on translation of financial statements of overseas associates	(3,154)	(597)
– on translation of financial statements of an overseas joint venture	(906)	(87)
<i>Items that are not subsequently recycled to profit or loss:</i>		
Fair value changes on equity investments	9,300	6,800
Deferred tax effect relating to changes in fair value of equity investments	(2,070)	(270)
Other comprehensive income for the period, net of income tax	(12,936)	2,871
Total comprehensive income for the period	41,826	17,270
Attributable to:		
Owners of the Company	27,890	4,727
Non-controlling interests	13,936	12,543
Total comprehensive income for the period	41,826	17,270

The notes on pages 37 to 68 are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	12	731,004	776,848
Right-of-use assets	13	126,333	131,559
Goodwill		33,000	33,000
Interests in associates	14	163,583	169,137
Interest in a joint venture	15	46,998	23,123
Equity investments at fair value through other comprehensive income	16	106,600	97,300
		1,207,518	1,230,967
Current assets			
Inventories		4,667	4,283
Trade and bills receivables	17	136,474	89,021
Prepayments, deposits and other receivables	18	28,398	25,858
Contract assets	19	110	894
Dividend receivable from an equity investment		1,788	–
Pledged bank deposits	21	11,771	154
Cash and cash equivalents	21	240,353	267,393
		423,561	387,603
Assets classified as held for sale	20	14,327	–
		437,888	387,603
Current liabilities			
Bank borrowings	22	205,251	174,782
Other borrowing	23	12,500	–
Trade and bills payables	24	62,424	32,732
Accrued liabilities and other payables	25	194,251	196,733
Lease liabilities		278	451
Contract liabilities	26	8,318	25,103
Considerations payable for acquisition of subsidiaries	27	12,400	24,800
Deferred government grants		1,028	1,048
Income tax payable		5,734	4,112
		502,184	459,761
Net current liabilities		(64,296)	(72,158)
Total assets		1,645,406	1,618,570
Total assets less current liabilities		1,143,222	1,158,809

The notes on pages 37 to 68 are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Non-current liabilities			
Bank borrowings	22	19,679	65,627
Other borrowing	23	12,500	25,000
Lease liabilities		83	139
Deferred government grants		5,467	6,095
Deferred tax liabilities		34,974	33,632
		72,703	130,493
Total liabilities		574,887	590,254
Net assets		1,070,519	1,028,316
Capital and reserves			
Share capital	28	30,357	30,357
Reserves		909,438	881,171
Equity attributable to owners of the Company		939,795	911,528
Non-controlling interests		130,724	116,788
Total equity		1,070,519	1,028,316

The notes on pages 37 to 68 are an integral part of these financial statements.

	Attributable to owners of the Company										
	Share capital	Share premium	Translation reserve	Investment revaluation reserve	Capital reserve	Share option reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (Audited)	30,357	456,465	(18,673)	26,699	5,172	-	66,197	340,160	906,377	104,152	1,010,529
Changes in equity for the six months ended 30 June 2019											
Profit for the period	-	-	-	-	-	-	-	1,445	1,445	12,954	14,399
Other comprehensive income	-	-	(3,248)	6,530	-	-	-	-	3,282	(411)	2,871
Total comprehensive income	-	-	(3,248)	6,530	-	-	-	1,445	4,727	12,543	17,270
At 30 June 2019 (Unaudited)	30,357	456,465	(21,921)	33,229	5,172	-	66,197	341,605	911,104	116,695	1,027,799
At 1 January 2020 (Audited)	30,357	456,465	(37,984)	31,179	5,172	-	77,793	348,546	911,528	116,788	1,028,316
Changes in equity for the six months ended 30 June 2020											
Profit for the period	-	-	-	-	-	-	-	38,360	38,360	16,402	54,762
Other comprehensive income	-	-	(17,700)	7,230	-	-	-	-	(10,470)	(2,466)	(12,936)
Total comprehensive income	-	-	(17,700)	7,230	-	-	-	38,360	27,890	13,936	41,826
Equity-settled share-based transactions	-	-	-	-	-	377	-	-	377	-	377
At 30 June 2020 (Unaudited)	30,357	456,465	(55,684)	38,409	5,172	377	77,793	386,906	939,795	130,724	1,070,519

The notes on pages 37 to 68 are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Operating activities		
Net cash generated from operating activities	62,689	45,197
Investing activities		
– Dividend received from an associate	8,373	4,925
– Cash outflow arising from acquisition of subsidiaries	(12,400)	(8,590)
– Proceeds from disposal of property, plant and equipment	203	360
– Payment for purchases of property, plant and equipment	(26,646)	(54,766)
– Capital contribution to a joint venture	(25,434)	–
– Receipt of government grants	–	784
Net cash used in investing activities	(55,904)	(57,287)
Financing activities		
– Proceeds from bank borrowings	73,175	60,600
– Repayment of bank borrowings	(87,185)	(50,944)
– Interest paid	(5,727)	(6,925)
– Interest element of lease payments	(13)	–
– Capital element of lease payments	(220)	(191)
– Placement of pledged bank deposits	(11,617)	(11,551)
Net cash used in financing activities	(31,587)	(9,011)
Net decrease in cash and cash equivalents	(24,802)	(21,101)
Cash and cash equivalents at 1 January	267,393	282,239
Effect of foreign exchange rate changes	(2,238)	(294)
Cash and cash equivalents at 30 June	240,353	260,844

The notes on pages 37 to 68 are an integral part of these financial statements.

1. GENERAL INFORMATION

- (a) The Company, New Universe Environmental Group Limited, was incorporated on 12 November 1999 in the Cayman Islands under the Companies Law, 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.
- (c) These unaudited consolidated financial statements are presented in Hong Kong dollars (“HK\$”) that is also the functional currency of the Company while the functional currency of the subsidiaries in the mainland of The People’s Republic of China (“China” or “PRC”) is Renminbi (“RMB”). As the Company’s shares are listed in Hong Kong where most of its investors are located, the Directors of the Company consider that it is more appropriate to present the financial statements in HK\$. All values presented in these unaudited consolidated financial statements are rounded to the nearest thousand (“HK\$’000”) unless otherwise stated.
- (d) The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as follows:
 - (i) environmental treatment and disposal of hazardous industrial and medical wastes;
 - (ii) environmental plating sewage treatment services and provision of related facilities and utilities in an eco-plating specialised zone; and
 - (iii) investments in plastic materials dyeing operations.

2. BASIS OF PREPARATION

The interim financial statements for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. BASIS OF PREPARATION (continued)

At 30 June 2020, the Group's current liabilities exceeded current assets by approximately HK\$64,296,000 which was mainly attributable to the non-current portions of long-term bank borrowings under loan agreements contained a standard clause enabling the financial institutions to demand for immediate repayment at their discretion. During the six months ended 30 June 2020 and up to the date of approval for these unaudited interim financial statements, there had not been any breach of covenants of the relevant loan agreements. Notwithstanding the standard clause for demanding for immediate repayment in the loan agreements, the Company considered that those 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 these unaudited interim financial statements and before the related loans' maturities. Notwithstanding the aforesaid conditions, these unaudited interim 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\$240,353,000 as at 30 June 2020, (b) unused and available banking facilities of HK\$31,455,000 at 30 June 2020, and (c) potential new credit facilities which are currently in advanced stage of discussions between the Company and certain existing bankers of the Group. The 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 unaudited interim 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 unaudited interim financial statements for the six months ended 30 June 2020 on a going concern basis.

The interim financial statements of the Company for the six months ended 30 June 2020 was approved and authorised for issue by the board of Directors on 14 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements.

2. BASIS OF PREPARATION (continued)

The unaudited interim financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2019 that is included in this interim financial report as comparative information does not constitute the Group’s financial statements for that financial year but is derived from those annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF AMENDMENTS TO HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group as follows:

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

None of the developments have had a material effect on how the Group’s results and financial position for the current period or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

(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 leasing out 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 INFORMATION (continued)

(a) Revenue (continued)

Disaggregation of revenue (continued)

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers within the scope by HKFRS 15		
Disaggregation by service lines		
– Revenue from hazardous waste incineration and landfill projects	305,862	205,907
– Revenue from incineration engineering and maintenance services	–	1,301
– Revenue from industrial sewage treatment services and providing related utilities and management services	45,396	40,896
– Revenue from providing factory facilities	12,131	9,937
	363,389	258,041
Timing of revenue recognition		
– Services transferred at a point in time	317,993	217,145
– Services transferred over time	45,396	40,896
	363,389	258,041

(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 INFORMATION (continued)

(c) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, information regarding the results, assets and liabilities of the Group attributable to each reportable segment for the period under review is as follows:

For the six months ended 30 June 2020

	Operating segments					Total HK\$'000
	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	
Revenue from external customers	305,862	57,527	-	363,389	-	363,389
Other revenue	-	-	1,882	1,882	-	1,882
Reportable segment revenue	305,862	57,527	1,882	365,271	-	365,271
Reportable segment results	66,961	5,818	1,771	74,550	(10,975)	63,575
Other net income	5,518	317	-	5,835	-	5,835
Finance income	1,056	(63)	(1)	992	55	1,047
Finance costs	(2,051)	(559)	-	(2,610)	(2,753)	(5,363)
Depreciation of property, plant and equipment	(25,813)	(7,573)	-	(33,386)	(120)	(33,506)
Depreciation of right-of-use assets	(988)	(950)	-	(1,938)	-	(1,938)
Impairment loss on assets classified as held for sale	(12,242)	-	-	(12,242)	-	(12,242)
(Impairment loss)/reversal of impairment loss on trade receivables	(2,236)	410	-	(1,826)	-	(1,826)
Reportable segment assets at end of reporting period	1,189,900	297,509	108,815	1,596,224	49,182	1,645,406
Additions to non-current segment assets	15,345	11,548	-	26,893	-	26,893
Reportable segment liabilities at end of reporting period	471,416	64,525	6,191	542,132	32,755	574,887

4. REVENUE AND SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2019

	Operating segments					Unallocated head office and corporate HK\$'000	Total HK\$'000
	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			
Revenue from external customers	207,208	50,833	–	258,041	–	258,041	
Other revenue	–	–	4,152	4,152	–	4,152	
Reportable segment revenue	207,208	50,833	4,152	262,193	–	262,193	
Reportable segment results	28,577	374	3,804	32,755	(11,506)	21,249	
Other net income	6,269	277	–	6,546	–	6,546	
Finance income	960	223	–	1,183	163	1,346	
Finance costs	(3,870)	(498)	–	(4,368)	(2,778)	(7,146)	
Depreciation of property, plant and equipment	(26,059)	(7,731)	–	(33,790)	(261)	(34,051)	
Depreciation of right-of-use assets	(988)	(956)	–	(1,944)	–	(1,944)	
Impairment loss on trade receivables	–	(2,347)	–	(2,347)	–	(2,347)	
Reportable segment assets at 31 December 2019	1,131,369	293,839	97,834	1,523,042	95,528	1,618,570	
Additions to non-current segment assets for 12 months ended 31 December 2019	85,831	13,693	–	99,524	–	99,524	
Reportable segment liabilities at 31 December 2019	493,348	69,780	4,121	567,249	23,005	590,254	

4. REVENUE AND SEGMENT INFORMATION (continued)

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue		
Consolidated revenue	363,389	258,041
Elimination of inter-segment revenue	–	–
Other revenue	1,882	4,152
Reportable segment revenue	365,271	262,193
Profit		
Reportable segment profit	74,550	32,755
Unallocated head office and corporate expenses, net	(10,975)	(11,506)
Consolidated profit before taxation	63,575	21,249
	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Assets		
Reportable segment assets	1,596,224	1,523,042
Unallocated head office and corporate assets	49,182	95,528
Consolidated total assets	1,645,406	1,618,570
Liabilities		
Reportable segment liabilities	542,132	567,249
Unallocated head office and corporate liabilities	32,755	23,005
Consolidated total liabilities	574,887	590,254

4. REVENUE AND SEGMENT INFORMATION (continued)

(e) Geographical information

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

(f) Major customer

For the six months ended 30 June 2020, approximately 20.7% of the Group's revenue was contributed by an external customer of the operating segment of provision of environmental treatment and disposal services for industrial and medical wastes. No revenue from the Group's sales to a single customer amounted to 10% of the Group's revenue for the six months ended 30 June 2019.

5. OTHER REVENUE

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Dividend income from equity investments at fair value through other comprehensive income	1,882	4,152

6. OTHER NET INCOME

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Refunds of PRC Value-Added Tax	3,744	4,359
Government subsidies	1,442	1,247
Release of deferred government grants	519	494
Sundry	130	446
	5,835	6,546

7. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest expenses on:		
Bank borrowings wholly repayable within 5 years	4,484	5,634
Other borrowings and considerations payable wholly repayable within 5 years	1,113	1,512
Lease liabilities	13	–
Less: interest expense capitalised into construction in progress (note)	(247)	–
Total finance costs	5,363	7,146
Finance income from:		
Interest income on short-term bank deposits	1,435	1,410
Net foreign exchange loss	(388)	(64)
Total finance income	1,047	1,346
Net finance costs	4,316	5,800

Note:

The borrowing costs have been capitalised at a rate of 5.225% per annum (six months ended 30 June 2019: 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:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Depreciation of right-of-use assets	1,938	1,944
Depreciation of property, plant and equipment	33,506	34,051
Operating lease charges for minimum lease payments		
– Office premises in Hong Kong	540	540
– Landfill in the PRC	55	57
Other operating expenses:		
– Costs on litigation settlements and non-compliance incidents	–	13,873
– Costs arising from temporary suspension of plants for repairs and maintenance	–	13,148
– Net loss on disposal of property, plant and equipment	178	251
– Legal and professional fees	2,524	1,818
– Research and development expenses	3,522	3,051
– Other expenses	2,025	8,017
	8,249	40,158
Staff costs (inclusive of Director's emoluments)		
– Salaries, bonuses and allowances	41,378	40,244
– Equity-settled share-based payment expenses	377	–
– Retirement scheme contributions	85	99
	41,840	40,343
Cost of sales (note)	255,893	170,131

Note:

Included in cost of sales were raw materials in the amount of HK\$37,732,000 (2019: HK\$29,594,000), water and electricity in the amount of HK\$17,891,000 (2019: HK\$15,642,000), staff costs of HK\$19,480,000 (2019: HK\$14,930,000), and depreciation of HK\$32,214,000 (2019: HK\$26,898,000), and of which depreciation and staff costs were included in the respective total amount disclosed above.

9. INCOME TAX

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	–	–
PRC Corporate Income Tax	10,313	6,816
(Over)/under-provision in respect of prior periods	(772)	299
	9,541	7,115
Deferred tax		
Origination and reversal of other temporary differences	(728)	(265)
	8,813	6,850

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax has been made, as the Group had no assessable profits arising in Hong Kong for both periods.
- (iii) The Company's subsidiaries in the PRC are subject to a statutory Corporate Income Tax ("CIT") at the rate of 25% for both periods, except for the subsidiaries which are qualified as a High and New Technology Enterprise in the PRC that would be entitled to enjoy a preferential CIT at the rate of 15% for both periods.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the profit attributable to owners of the Company of HK\$38,360,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$1,445,000) and the weighted average number of 3,035,697,018 (six months ended 30 June 2019: 3,035,697,018) ordinary shares of the Company in issue during the period.

(a) Profit attributable to owners of the Company:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Earnings for the purpose of basic and diluted earnings per share	38,360	1,445

(b) Weighted average number of ordinary shares:

	Six months ended 30 June	
	2020	2019
Ordinary shares in issue at the beginning of the period	3,035,697,018	3,035,697,018
Weighted average number of ordinary shares in issue at the end of the period	3,035,697,018	3,035,697,018

For the six months ended 30 June 2020, no assumption is made for the exercise of share options because the exercise price of share options exceeded the average market prices of the Company's shares. For the six months ended 30 June 2019, there was no dilutive ordinary shares in existence. Accordingly, diluted earnings per share is the same as basic earnings per share for both periods.

11. DIVIDEND

The Board does not recommend the payment of an interim dividend for both periods.

Dividend payable to owners of the Company attributable to the previous financial year, approved during the interim period, and paid after the interim period.

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Final dividend proposed on 23 March 2020 of HK\$0.0070 (2019: proposed on 22 March 2019 of HK\$0.0068) per share	21,250	20,643

12. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are analysed as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Carrying amount at 1 January	776,848	762,574
Additions	26,893	98,549
Disposals	(1,771)	(8,151)
Depreciation		
– charge for the period/year	(33,506)	(66,370)
– eliminated on disposals	1,390	6,353
Reclassified as assets held for sale (note 20)	(24,769)	–
Exchange adjustments	(14,081)	(16,107)
Carrying amount at the end of the reporting period	731,004	776,848

As at 30 June 2020, certain property, plant and equipment with an aggregate carrying amount of approximately HK\$90,282,000 (31 December 2019: HK\$202,520,000) had been pledged to secure banking facilities granted to the Group.

At the end of the reporting periods, there was no impairment recognised on the Group's property, plant and equipment.

13. RIGHT-OF-USE ASSETS

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Carrying amount at 1 January	131,559	–
Reclassification from prepaid lease payments for land use rights upon the application of HKRFS 16	–	136,059
Additions arising from new leases	–	975
Depreciation for the period/year	(1,938)	(3,905)
Reclassified as assets held for sale (note 20)	(1,937)	–
Exchange adjustments	(1,351)	(1,570)
Carrying amount at the end of the reporting period	126,333	131,559

As at 30 June 2020, certain land use rights classified under right-of-use assets with an aggregate carrying amount of approximately HK\$18,512,000 (31 December 2019: HK\$27,630,000) had been pledged to secure banking facilities granted to the Group.

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

14. INTERESTS IN ASSOCIATES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Share of net assets		
At 1 January	169,137	170,802
Share of results for the period/year	5,973	6,826
Share of other comprehensive income for the period/year	(3,154)	(3,610)
Dividend received	(8,373)	(4,881)
At the end of the reporting period	163,583	169,137

15. INTEREST IN A JOINT VENTURE

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Share of net assets		
At 1 January	23,123	25,181
Capital contribution	25,434	–
Share of loss for the period/year	(653)	(1,545)
Share of other comprehensive income for the period/year	(906)	(513)
At the end of the reporting period	46,998	23,123

16. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Equity investments measured at fair value through other comprehensive income (non-recycling)		
At 1 January	97,300	92,200
Net fair value change transferred to equity through statement of other comprehensive income for the period/year	9,300	5,100
At the end of the reporting period	106,600	97,300

Notes:

- (a) During the period under review, in June 2020, one of the three unlisted equity investments has declared dividend for its results of the year 2019 with an amount of approximately HK\$1,882,000 attributable the Group (2019: all three unlisted equity investments declared dividends with a total of approximately HK\$4,152,000) before PRC withholding tax. Subsequent to the end of the current reporting period, in July 2020, the other two unlisted equity investments have declared dividends for their results of the year 2019 with a total of approximately HK\$2,225,000 attributable the Group before PRC withholding tax.
- (b) As at 30 June 2020, the fair value of the unlisted equity investments was determined by reference to the valuation carried out by CBRE Limited ("CBRE") (31 December 2019: CBRE), an independent firm of professional valuers, using a market approach model based on the multiple of enterprise value to the earnings before interest and tax ("EV/EBIT) of comparable listed companies in the same industry at 15.26 (31 December 2019: 16.48), and after having taken into account of the discount for lack of marketability of 16.49% (31 December 2019: 15.41%) for these unlisted investments.

17. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade receivables	140,076	85,156
Bills receivable	2,546	8,334
	142,622	93,490
Less: allowance for impairment of trade receivables	6,148	4,469
	136,474	89,021

(a) Aging analysis

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
0 to 30 days	52,873	56,049
31 to 60 days	55,867	22,719
61 to 90 days	18,459	5,079
91 to 180 days	4,619	4,205
181 to 360 days	4,656	969
	136,474	89,021

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

17. TRADE AND BILLS RECEIVABLES (continued)

(b) Impairment loss 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 the end of the reporting periods.

Impairment loss 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:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
At 1 January	4,469	–
Impairment loss recognised for the period/year, net	1,826	4,469
Exchange adjustments	(147)	–
At the end of the reporting period	6,148	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.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Prepayments	17,415	10,114
Deposits paid for acquisition of property, plant and equipment	6,170	4,875
Bank deposits for pending litigation settlement	221	3,747
Other receivables	4,592	7,122
	28,398	25,858

19. CONTRACT ASSETS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Provision of civil engineering works	110	894

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 year	110	894
After 1 year	–	–
	110	894

No impairment loss was made for contract assets as at the end of the reporting periods. 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 30 June 2020 (31 December 2019: Nil).

20. ASSETS CLASSIFIED AS HELD FOR SALE

The major classes of assets classified as held for sale:

	30 June 2020 (Unaudited) HK\$'000
Property, plant and equipment (note 12)	24,769
Right-of-use assets (note 13)	1,937
Impairment loss on assets classified as held for sale (see below)	(12,242)
Exchange adjustments	(137)
	14,327

On 16 June 2020, the Company's subsidiary, Yancheng New Universe Solid Waste Disposal Company Limited has entered into a demolition and relocation compensation agreement with the local authorities to dispose of the land and buildings situated at Yancheng, Jiangsu Province, the PRC at a total compensation of approximately RMB13,061,000 (or equivalent to HK\$14,327,000) under an urban development plan promulgated by the local government. The payment of the compensation is subject to the satisfactory compliance with the national standards on land restoration and soil remediation of the site to be delivered to the local authorities.

The net proceeds of disposal are less than the carrying amount of the relevant assets, and accordingly, an impairment loss of HK\$12,242,000 has been recognised and charged to the profit or loss for the current period ended 30 June 2020, before these assets were reclassified as held for sale.

21. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Cash and bank balances	101,554	75,813
Time deposits	150,570	191,734
	252,124	267,547
Less: Pledged bank deposits for short term banking facilities	11,771	154
Cash and cash equivalents in the consolidated statement of cash flows	240,353	267,393

The bank balances and time deposits carried interest at market rates within the range from 0.01% to 2.83% (2019: 0.01% to 3.00%) per annum for the six months ended 30 June 2020. 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.

21. CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of liabilities arising from financing activities:

	Lease liabilities HK\$'000	Accrued interests HK\$'000	Bank borrowings HK\$'000	Total HK\$'000
At 1 January 2020	590	536	240,409	241,535
Changes from financing cash flows:				
Proceeds from bank borrowings	–	–	73,175	73,175
Repayment of bank borrowings	–	–	(87,185)	(87,185)
Finance costs paid	–	(5,727)	–	(5,727)
Capital element of lease payments	(220)	–	–	(220)
Interest element of lease payments	(13)	–	–	(13)
Total changes from financing cash flows	(233)	(5,727)	(14,010)	(19,970)
Exchange adjustments	(9)	–	(1,469)	(1,478)
Other non-cash changes:				
Interest expense capitalised into construction in progress	–	247	–	247
Interest expenses recognised in profit or loss	13	5,350	–	5,363
At 30 June 2020	361	406	224,930	225,697

21. CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of liabilities arising from financing activities: (continued)

	Lease liabilities HK\$'000	Accrued interests HK\$'000	Bank borrowings HK\$'000	Total HK\$'000
At 1 January 2019	–	253	254,489	254,742
Changes from financing cash flows:				
Proceeds from bank borrowings	–	–	60,600	60,600
Repayment of bank borrowings	–	–	(50,944)	(50,944)
Finance costs paid	–	(6,925)	–	(6,925)
Capital element of lease payments	(191)	–	–	(191)
Interest element of lease payments	–	–	–	–
Total changes from financing cash flows	(191)	(6,925)	9,656	2,540
Exchange adjustments	–	–	(397)	(397)
Other non-cash changes:				
Interest expenses recognised in profit or loss	–	7,146	–	7,146
New leases	1,086	–	–	1,086
At 30 June 2019	895	474	263,748	265,117

22. BANK BORROWINGS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Bank loans:		
– Secured and guaranteed	60,335	63,726
– Unsecured and unguaranteed	164,595	176,683
	224,930	240,409
Carrying amounts payable:		
Within 1 year	128,476	99,457
After 1 year but within 2 years	51,854	73,339
After 2 years but within 5 years	44,600	67,613
	224,930	240,409
Less: Amounts included under current liabilities (including bank loans with a repayable on demand clause)	(205,251)	(174,782)
Amounts included under non-current liabilities	19,679	65,627

22. BANK BORROWINGS (continued)

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Hong Kong Dollar	153,625	156,725
Renminbi	71,305	83,684
	224,930	240,409

Notes:

- (a) The bank loans of the Group are subject to certain financial covenants. The Group regularly monitors its compliance with these covenants, and adherence to the timetable of the scheduled repayments of the term loans and does not consider that it probable that the banks will exercise its discretion to demand payment so long as the Group continues to meet these requirements. None of the covenants relating to drawn down facilities had been breached.
- (b) As at 30 June 2020, total secured bank loans of approximately HK\$60,335,000 (31 December 2019: HK\$63,726,000) in the PRC were secured by pledge of land use rights and certain property, plant and equipment with an aggregate carrying amount of approximately HK\$18,512,000 (31 December 2019: HK\$27,630,000) and HK\$90,282,000 (31 December 2019: HK\$202,520,000) respectively. The bank loans bore interest at various fixed rates ranging from 4.00% to 5.23% per annum (2019: 5.23% per annum).

The secured bank loans were guaranteed by certain subsidiaries in the PRC.

- (c) As at 30 June 2020, total unsecured bank loans of approximately HK\$153,625,000 (31 December 2019: HK\$156,725,000) bore interest at variable rates ranging from 2.05% to 5.41% per annum (2019: 2.52% to 5.41% per annum).

Out of which unsecured bank loans of HK\$79,000,000 (31 December 2019: HK\$82,000,000) were 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 banks may cancel all or any part of the facility and declare all or any part of the outstanding facility, together with accrued interest, became immediately due and payable.

As at 30 June 2020, 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% (31 December 2019: 36.54%) of the total issued share capital of the Company.

- (d) As at 30 June 2020, total unsecured bank loans of approximately HK\$10,970,000 (31 December 2019: HK\$19,958,000) in the PRC bore interest at a fixed rate of 3.95% per annum (2019: 5.40% to 5.94% per annum).

23. OTHER BORROWING

The other borrowing was analysed for reporting purpose as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current liability	12,500	–
Non-current liability	12,500	25,000
	25,000	25,000

The other borrowing due to an independent third party is unsecured and bearing interest at HSBC Prime Rate minus 0.5% (31 December 2019: HSBC Prime Rate minus 0.5%) per annum. Pursuant to the fourth supplemental deed entered into on 25 June 2019 with the lender, the other borrowing is repayable in two equal instalments on 30 June 2021 and 31 December 2021.

24. TRADE AND BILLS PAYABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade payables	62,424	32,721
Bills payable	–	11
	62,424	32,732

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
0 to 30 days	20,786	21,965
31 to 60 days	22,700	3,350
61 to 90 days	9,223	3,082
Over 90 days	9,715	4,324
	62,424	32,721

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

25. ACCRUED LIABILITIES AND OTHER PAYABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Salaries and bonuses payable	11,409	17,477
Accounts payable for acquisition of property, plant and equipment	26,607	41,343
Accrued interest payable	406	536
Costs accrued for litigation settlements	9,061	10,360
Costs accrued for land restoration and soil remediation	24,754	25,228
Other payables and accruals	122,014	101,789
	194,251	196,733

26. CONTRACT LIABILITIES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Deposits received from customers	8,318	25,103

Movements in contract liabilities:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
At 1 January	25,103	14,033
Decrease in contract liabilities as a result of recognising revenue during the period/year	(39,666)	(13,513)
Increase in contract liabilities as a results of receiving forward sales deposits during the period/year	23,196	25,000
Exchange adjustments	(315)	(417)
At the end of the reporting period	8,318	25,103

27. CONSIDERATIONS PAYABLE FOR ACQUISITION OF SUBSIDIARIES

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current portion of considerations payable within one year	12,400	24,800

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).

28. SHARE CAPITAL

	Numbers of shares		Share capital	
	30 June 2020 '000	31 December 2019 '000	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised				
At 1 January and at the end of the reporting period	100,000,000	100,000,000	1,000,000	1,000,000
Issued and fully paid				
At 1 January	3,035,697	3,035,697	30,357	30,357
At the end of the reporting period	3,035,697	3,035,697	30,357	30,357

29. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 year	80	560

(b) The Group as lessor

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

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 year	24,398	21,126
After 1 year but within 5 years	69,013	62,131
After 5 years	22,653	23,002
	116,064	106,259

30. CAPITAL COMMITMENTS

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	37,322	57,188
– Capital contribution payable to a joint venture	–	25,435
– Capital contribution payable to an equity investment	15,976	15,976

31. PLEDGE OF ASSETS AND AVAILABLE UNUSED CREDIT FACILITIES

(a) Pledge of assets

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Property, plant and equipment	90,282	202,520
Land use rights	18,512	27,630
Pledged bank deposits	11,771	154
	120,565	230,304

(b) Available credit facilities

At 30 June 2020, the total banking facilities of the Group amounted to HK\$256,385,000 (31 December 2019: HK\$285,409,000), which were utilised to the extent of unsecured bank loans of HK\$164,595,000 (31 December 2019: HK\$176,683,000) and secured bank loans of HK\$60,335,000 (31 December 2019: HK\$63,726,000) and the available unutilised banking facilities amounted to HK\$31,455,000 (31 December 2019: HK\$45,000,000).

32. RELATED PARTY TRANSACTIONS

(a) List of related parties

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

Name of related party	Relationship
New Universe Enterprises Limited ("NUEL")	A shareholder beneficially interested in 36.54% (2019: 36.54%) 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 Directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are the directors of Sun Ngai and NUHL.
Mr. XI Yu	A shareholder of NUEL beneficially interested in 83.66% (2019: 83.66%) of the issued share capital of NUEL. Mr. XI Yu is also a director of NUEL, NUHL and Sun Ngai.
Ms. CHEUNG Siu Ling	A shareholder of NUEL, beneficially interested in 6.07% (2019: 6.07%) of the issued share capital of NUEL. Ms. CHEUNG Siu Ling is also a director of NUEL, NUHL and Sun Ngai.
Zhenjiang Xin Qu Solid Waste Disposal Limited* (鎮江新區固廢處置股份有限公司) ("Zhenjiang Xin Qu")	An associate of the Group, of which the Company holds an effective equity interest of 24.6%, and the Group holds a direct equity interest of 30%.

* For identification purpose only

32. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Recurring transactions:		
Rental expenses		
– Sun Ngai	480	480
Charges on hazardous waste landfill disposal		
– Zhenjiang Xin Qu	6,711	8,929

Rental expenses were charged by Sun Ngai for leasing office premises to the Group in Hong Kong. The lease runs for a tenure of one year and the monthly rent was determined in commensurate with the market rate. The tenancy agreement 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.

For the six months ended 30 June 2020, the charges on hazardous waste landfill disposal paid by 2 (2019: 4) subsidiaries in PRC to Zhenjiang Xin Qu 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, which were transacted in the ordinary course of the business of the Group.

(c) Key management personnel remuneration:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Salaries and other benefits	5,230	5,205
Equity-settled share-based payment expenses	377	–
Retirement scheme contributions	27	29
	5,634	5,234

33. ENVIRONMENTAL CONTINGENCIES

For the six months ended 30 June 2020, 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 six months ended 30 June 2020 and up to the date of this report, the Group's subsidiaries in the PRC have not incurred any significant expenditure 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.