

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **New Universe Environmental Group Limited**

**新宇環保集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 436)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

#### **FINANCIAL HIGHLIGHTS**

- Total revenue for the six months ended 30 June 2021 decreased by 15.3% to HK\$307,623,000 compared to HK\$363,389,000 for the corresponding period in 2020.
- Net profit for the six months ended 30 June 2021 decreased by 28.8% to HK\$38,984,000 compared to HK\$54,762,000 for the corresponding period in 2020.
- Profit attributable to owners of the Company for the six months ended 30 June 2021 decreased by 25.1% to HK\$28,746,000 compared to HK\$38,360,000 for the corresponding period in 2020.
- Total earnings per share attributable to owners of the Company for the six months ended 30 June 2021 were HK cents 0.95 compared to HK cents 1.26 for the corresponding period in 2020.
- Equity attributable to owners of the Company was approximately HK\$1,068,960,000 at 30 June 2021 compared to HK\$1,034,427,000 at 31 December 2020.
- Cash and cash equivalents of the Group was approximately HK\$315,726,000 at 30 June 2021 compared to HK\$257,523,000 at 31 December 2020.
- The Board resolved not to declare a dividend for the six months ended 30 June 2021.

The board of directors (the “Directors”) of New Universe Environmental Group Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2021</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2020</b> <b>(Unaudited)</b> <b>HK\$'000</b>
<b>Revenue</b>	3(a)	<b>307,623</b>	363,389
Cost of sales		<u>(213,322)</u>	<u>(255,893)</u>
Gross profit		<b>94,301</b>	107,496
Other revenue	4	<b>4,637</b>	1,882
Other net income	5	<b>3,414</b>	5,835
Distribution costs		<b>(8,823)</b>	(6,167)
Administrative expenses		<b>(30,517)</b>	(24,158)
Other operating expenses	7	<b>(7,241)</b>	(8,249)
Impairment loss on assets classified as held for sale		–	(12,242)
Impairment loss on trade receivables		<u>–</u>	<u>(1,826)</u>
<b>Operating profit</b>		<b>55,771</b>	62,571
Finance income	6	<b>3,270</b>	1,047
Finance costs	6	<b>(3,164)</b>	(5,363)
Finance income/(costs), net	6	<b>106</b>	(4,316)
Share of results of associates		<b>(4,138)</b>	5,973
Share of results of a joint venture		<u>(1,713)</u>	<u>(653)</u>
<b>Profit before taxation</b>	7	<b>50,026</b>	63,575
Income tax	8	<b>(11,042)</b>	(8,813)
<b>Profit for the period</b>		<b>38,984</b>	54,762
<b>Attributable to:</b>			
Owners of the Company		<b>28,746</b>	38,360
Non-controlling interests		<b>10,238</b>	16,402
		<b>38,984</b>	54,762
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>			
Basic and diluted earnings per share	9	<b>0.95</b>	1.26

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>38,984</b>	54,762
<b>Other comprehensive income:</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences		
– on translation of financial statements of overseas subsidiaries	<b>15,021</b>	(16,106)
– on translation of financial statements of overseas associates	<b>2,988</b>	(3,154)
– on translation of financial statements of an overseas joint venture	<b>892</b>	(906)
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value changes on equity investments at fair value through other comprehensive income (non-recycling)	<b>10,000</b>	9,300
Deferred tax effect relating to changes in fair value of equity investments	<b>800</b>	(2,070)
Other comprehensive income for the period, net of income tax	<b>29,701</b>	(12,936)
<b>Total comprehensive income for the period</b>	<b>68,685</b>	41,826
<b>Attributable to:</b>		
Owners of the Company	<b>56,176</b>	27,890
Non-controlling interests	<b>12,509</b>	13,936
	<b>68,685</b>	41,826

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		773,550	789,633
Right-of-use assets		129,672	129,640
Goodwill		33,000	33,000
Interests in associates		175,169	180,175
Interest in a joint venture		54,275	47,400
Equity investments at fair value through other comprehensive income		128,100	118,100
		1,293,766	1,297,948
<b>Current assets</b>			
Inventories		6,483	6,062
Trade and bills receivables	11	182,200	129,438
Contract assets		6,852	1,534
Dividends receivable from equity investments		4,284	–
Prepayments, deposits and other receivables	12	40,896	25,176
Pledged bank deposits		7,187	12,511
Cash and cash equivalents		315,726	257,523
		563,628	432,244
Assets classified as held for sale		15,673	15,411
		579,301	447,655
<b>Current liabilities</b>			
Bank borrowings		203,975	178,905
Other borrowing		12,500	25,000
Trade and bills payables	13	71,636	66,315
Accrued liabilities and other payables	14	213,250	226,539
Lease liabilities		489	117
Contract liabilities		88,729	25,011
Deferred government grants		971	1,106
Income tax payable		7,510	6,251
Dividend payable	10	21,857	–
		620,917	529,244
<b>Net current liabilities</b>		<b>(41,616)</b>	<b>(81,589)</b>
<b>Total assets</b>		<b>1,873,067</b>	<b>1,745,603</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
<i>Note</i>		
<b>Total assets less current liabilities</b>	<b>1,252,150</b>	1,216,359
<b>Non-current liabilities</b>		
Bank borrowings	–	10,130
Lease liabilities	207	30
Deferred government grants	5,087	5,327
Deferred tax liabilities	36,477	37,535
	<b>41,771</b>	53,022
<b>Total liabilities</b>	<b>662,688</b>	582,266
<b>Net assets</b>	<b>1,210,379</b>	1,163,337
<b>Capital and reserves</b>		
Share capital	30,357	30,357
Reserves	1,038,603	1,004,070
Equity attributable to owners of the Company	1,068,960	1,034,427
Non-controlling interests	141,419	128,910
<b>Total equity</b>	<b>1,210,379</b>	1,163,337

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

### 1. BASIS OF PREPARATION

The interim financial statements of the Company for the six months ended 30 June 2021 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 (“Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial statements of the Company for the six months ended 30 June 2021 was authorised for issue on 20 August 2021.

### 2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS 17 *Insurance Contracts*
- Amendments to HKAS 39, HKFRS 4, *Interest Rate Benchmark Reform – Phase 2*  
HKFRS 7, HKFRS 9 and HKFRS 16

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and position for the current and prior period or on the disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

#### (a) Revenue

##### (i) Disaggregation of revenue

Revenue represents the revenue from hazardous waste incineration and landfill services, environmental equipment construction and installation services, industrial sewage treatment services and providing related utilities and management services, and providing factory facilities.

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue from contracts with customers</b>		
Disaggregation by service lines		
– Revenue from hazardous waste incineration and landfill services	<b>235,819</b>	305,862
– Revenue from industrial sewage treatment services and providing related utilities and management services	<b>56,729</b>	45,396
	<b>292,548</b>	351,258
<b>Revenue from other sources</b>		
– Leasing income from providing factory facilities	<b>15,075</b>	12,131
	<b>307,623</b>	363,389
<b>Timing of revenue recognition in respect of contracts with customers</b>		
– At a point in time	<b>235,819</b>	305,862
– Over time	<b>56,729</b>	45,396
	<b>292,548</b>	351,258

(ii) *Performance obligations*

The transaction prices allocated to the remaining performance obligations as at 30 June 2021 and the expected timing of recognising revenue are as follows:

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Within one year	<b><u>287,314</u></b>	<b><u>81,762</u></b>

(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 four 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 equipment construction and installation services;
- (iii) provision of environmental plating sewage treatment services and provision of management services, utilities and leasing out certain factory buildings under operating leases in an eco-plating specialised zone; and
- (iv) investments in plastic materials dyeing business.

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

For the purpose of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities of the Group attributable to each reportable segment for the period under review as follows:

*For the six months ended 30 June 2021*

	Operating segments				Segment sub-total HK\$'000	Unallocated head office and corporate HK\$'000	Total HK\$'000
	Environmental waste treatment and disposal services HK\$'000	Environmental equipment construction and installation services HK\$'000	Environmental sewage treatment, management services, utilities and facilities HK\$'000	Plastic dyeing investments HK\$'000			
Revenue from external customers	235,819	-	71,804	-	307,623	-	307,623
Other revenue	-	-	-	4,637	4,637	-	4,637
<b>Reportable segment revenue</b>	<b>235,819</b>	<b>-</b>	<b>71,804</b>	<b>4,637</b>	<b>312,260</b>	<b>-</b>	<b>312,260</b>
<b>Reportable segment results</b>	<b>47,544</b>	<b>(1,766)</b>	<b>8,960</b>	<b>4,269</b>	<b>59,007</b>	<b>(8,981)</b>	<b>50,026</b>
Other net income	2,608	7	799	-	3,414	-	3,414
Finance income	3,035	261	99	-	3,395	(125)	3,270
Finance costs	(1,375)	(17)	(556)	-	(1,948)	(1,216)	(3,164)
Depreciation of property, plant and equipment	(29,186)	(53)	(10,599)	-	(39,838)	(94)	(39,932)
Depreciation of right-of-use assets	(847)	(198)	(966)	-	(2,011)	-	(2,011)
<b>Reportable segment assets at end of reporting period</b>	<b>1,179,992</b>	<b>143,513</b>	<b>327,051</b>	<b>132,936</b>	<b>1,783,492</b>	<b>89,575</b>	<b>1,873,067</b>
Additions to non-current segment assets	8,573	1,225	1,244	-	11,042	1,730	12,772
<b>Reportable segment liabilities at end of reporting period</b>	<b>405,087</b>	<b>124,485</b>	<b>67,976</b>	<b>6,181</b>	<b>603,729</b>	<b>58,959</b>	<b>662,688</b>

For the six months ended 30 June 2020

	Operating segments						Total HK\$'000
	Environmental waste treatment and disposal services HK\$'000	Environmental equipment construction and installation services HK\$'000	Environmental sewage treatment, management services, utilities and facilities 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
<b>Reportable segment revenue</b>	<b>305,862</b>	<b>–</b>	<b>57,527</b>	<b>1,882</b>	<b>365,271</b>	<b>–</b>	<b>365,271</b>
<b>Reportable segment results</b>	<b>68,958</b>	<b>(1,997)</b>	<b>5,818</b>	<b>1,771</b>	<b>74,550</b>	<b>(10,975)</b>	<b>63,575</b>
Other net income	5,492	26	317	–	5,835	–	5,835
Finance income	1,047	9	(63)	(1)	992	55	1,047
Finance costs	(2,044)	(7)	(559)	–	(2,610)	(2,753)	(5,363)
Depreciation of property, plant and equipment	(25,692)	(121)	(7,573)	–	(33,386)	(120)	(33,506)
Depreciation of right-of-use assets	(821)	(167)	(950)	–	(1,938)	–	(1,938)
Impairment loss on assets classified as held for sale	(12,242)	–	–	–	(12,242)	–	(12,242)
Impairment loss on trade receivables	(2,236)	–	410	–	(1,826)	–	(1,826)
<b>Reportable segment assets</b>							
at 31 December 2020	1,220,941	43,221	320,688	118,757	1,703,607	41,996	1,745,603
Additions to non-current segment assets for 12 months ended 31 December 2020	44,731	–	27,172	–	71,903	6	71,909
<b>Reportable segment liabilities</b>							
at 31 December 2020	430,780	38,895	88,142	6,981	564,798	17,468	582,266

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Consolidated revenue	<b>307,623</b>	363,389
Elimination of inter-segment revenue	<b>–</b>	–
Other revenue	<b>4,637</b>	1,882
	<b><u>312,260</u></b>	<b><u>365,271</u></b>
Reportable segment revenue	<b><u>312,260</u></b>	<b><u>365,271</u></b>
<b>Profit</b>		
Reportable segment profit	<b>59,007</b>	74,550
Unallocated head office and corporate expenses, net	<b>(8,981)</b>	(10,975)
	<b><u>50,026</u></b>	<b><u>63,575</u></b>
Consolidated profit before taxation	<b><u>50,026</u></b>	<b><u>63,575</u></b>
<b>Assets</b>		
	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Reportable segment assets	<b>1,783,492</b>	1,703,607
Unallocated head office and corporate assets	<b>89,575</b>	41,996
	<b><u>1,873,067</u></b>	<b><u>1,745,603</u></b>
Consolidated total assets	<b><u>1,873,067</u></b>	<b><u>1,745,603</u></b>
<b>Liabilities</b>		
Reportable segment liabilities	<b>603,729</b>	564,798
Unallocated head office and corporate liabilities	<b>58,959</b>	17,468
	<b><u>662,688</u></b>	<b><u>582,266</u></b>
Consolidated total liabilities	<b><u>662,688</u></b>	<b><u>582,266</u></b>

(e) **Geographical information**

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

(f) **Major customers**

For the six months ended 30 June 2021, there was no major customer accounted for 10% or more of the total revenue of the Group.

For the six months ended 30 June 2020, revenue of approximately HK\$75,026,000 representing 20.7% of the total revenue of the Group was derived from a single external customer which was attributed to the segment of environmental waste treatment and disposal services.

**4. OTHER REVENUE**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Dividend income from equity investments at fair value through other comprehensive income	<b>4,637</b>	1,882

**5. OTHER NET INCOME**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Value-added tax refund	<b>1,699</b>	3,744
Government grants	<b>123</b>	1,442
Release of deferred governmental grants	<b>481</b>	519
Sundry income	<b>1,111</b>	130
	<b>3,414</b>	5,835

## 6. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Finance income from:		
Interest income on short-term bank deposits	2,058	1,435
Net foreign exchange gain/(loss)	1,212	(388)
<b>Total finance income</b>	<b>3,270</b>	<b>1,047</b>
Interest expenses on:		
Bank borrowings	2,588	4,484
Other borrowing	556	1,113
Lease liabilities	20	13
Less: interest expense capitalised into construction in progress ( <i>note</i> )	–	(247)
<b>Total finance costs</b>	<b>3,164</b>	<b>5,363</b>
<b>Net finance income/(costs)</b>	<b>106</b>	<b>(4,316)</b>

*Note:*

In the current period, there was no borrowing cost capitalised for any bank borrowings to specifically finance the construction of the hazardous waste landfill in the PRC (2020 : capitalised at rate 5.225% per annum).

## 7. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	39,932	33,506
Depreciation of right-of-use assets	2,011	1,938
Operating lease charges for minimum lease payments		
– land and buildings in Hong Kong	540	540
– landfill in the PRC	60	55
Other operating expenses:		
– loss on disposal of property, plant and equipment, net	37	178
– costs on non-compliance incidents	649	47
– legal and professional expenses	1,623	2,524
– research and development expenses	3,401	3,522
– other miscellaneous non-recurring expenses	1,531	1,978
	7,241	8,249
Staff costs (inclusive of Directors' emoluments):		
– salaries, wages and other benefits	46,794	39,261
– contributions to retirement benefit schemes	5,179	2,202
– equity-settled share-based payment expenses	214	377
Total staff costs	52,187	41,840
Cost of sales ( <i>note</i> )	213,322	255,893

*Note:*

Included in cost of sales were raw materials of HK\$30,681,000 (2020: HK\$37,732,000), water and electricity of HK\$20,987,000 (2020: HK\$17,891,000), staff costs of HK\$22,095,000 (2020: HK\$19,480,000), and depreciation of HK\$38,711,000 (2020: HK\$32,214,000), and of which staff costs and depreciation have been included in the respective total amount disclosed above.

## 8. INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax	–	–
PRC Corporate Income Tax	8,401	10,313
Over-provision in respect of prior periods	(1,482)	(772)
PRC Withholding Dividend Tax	4,381	–
	<u>11,300</u>	<u>9,541</u>
<b>Deferred tax</b>		
PRC Withholding Dividend Tax	(4,381)	–
Origination and reversal of other temporary differences	4,123	(728)
	<u>11,042</u>	<u>8,813</u>

*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% (2020: 16.5%) of the estimated assessable profits for the periods. No provision for Hong Kong Profits Tax has been made, as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2021 and 2020.
- (iii) The Company's subsidiaries in the PRC are subject to a statutory Corporate Income Tax ("CIT") at the rate of 25% (2020: 25%), except for the subsidiaries which are qualified as the High and New Technology Enterprise in the PRC that would be entitled to enjoy a preferential CIT at the rate of 15% (2020: 15%).
- (iv) Dividend distribution from subsidiaries in the PRC to the holding companies of the Group in Hong Kong is subject to a reduced withholding income tax rate of 5% (2020: 5%).

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the followings:

- (a) Profit attributable to owners of the Company:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the period	<b>28,746</b>	38,360

- (b) Weighted average number of ordinary shares:

	Six months ended 30 June	
	2021	2020
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share	<b>3,035,697,018</b>	3,035,697,018

For the two interim periods of six months ended 30 June 2021 and 2020, no assumption has been made for the exercise of share options granted because the exercise price of these share options exceeded the average market prices of the Company's shares. For the two interim periods of six months ended 30 June 2021 and 2020, there was no dilutive ordinary shares in existence. Accordingly, diluted earnings per share is the same as basic earnings per share for both interim periods.

## 10. DIVIDENDS

At the annual general meeting of the Company held on 18 June 2021, a final dividend of HK\$0.0072 (2020: HK\$0.0070) per share in respect of the results for the year ended 31 December 2020 (2020: 31 December 2019) was approved to be payable to the owners of the Company. The final dividend amounted to approximately HK\$21,857,000 is recognised as dividend payable as at 30 June 2021.

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: Nil).

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Trade receivables	<b>169,723</b>	127,302
Lease receivables	<b>17,156</b>	2,201
Bills receivables	<b>9,994</b>	14,364
	<b>196,873</b>	143,867
Less: allowance for lifetime ECLs	<b>(14,673)</b>	(14,429)
	<b>182,200</b>	129,438

### Aging analysis

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

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
0 to 30 days	<b>58,931</b>	60,502
31 to 60 days	<b>35,259</b>	13,407
61 to 90 days	<b>15,946</b>	11,092
91 to 180 days	<b>25,997</b>	12,775
181 to 360 days	<b>46,067</b>	31,662
	<b>182,200</b>	129,438

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 integrated treatment and disposal services for industrial waste, sewage and sludge, and an extended average credit period of 180 days to the customers of regulated medical treatment services which are hospitals and medical clinics.

**12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Prepayments	33,102	19,099
Other receivables	7,794	6,077
	<u>40,896</u>	<u>25,176</u>

**13. TRADE AND BILLS PAYABLES**

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Trade payables	69,469	66,303
Bills payable	2,167	12
	<u>71,636</u>	<u>66,315</u>

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

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
0 to 30 days	20,669	26,408
31 to 60 days	9,666	18,510
61 to 90 days	7,931	9,117
Over 90 days	31,203	12,268
	<u>69,469</u>	<u>66,303</u>

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

**14. ACCRUED LIABILITIES AND OTHER PAYABLES**

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Salaries and bonuses payable	7,478	16,925
Accounts payable for acquisition of property, plant and equipment	36,976	52,620
Accrued interest payable	199	254
Costs accrued for litigation settlements	2,400	2,360
Costs accrued for land restoration and soil remediation of obsolete plants	27,786	26,627
Other payables and accruals	138,411	127,753
	<u>213,250</u>	<u>226,539</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### **Environmental Treatment and Disposal Services for Industrial and Medical Wastes**

For the six months ended 30 June 2021, the Group had collected from external customers for treatment and disposal in aggregate of approximately 52,615 metric tons (2020: 46,314 metric tons) of hazardous industrial waste, 3,194 metric tons (2020: 3,084 metric tons) of regulated medical waste, and 911 metric tons (2020: 1,749 metric tons) of general industrial waste from various cities in Jiangsu Province, the PRC. For the six months ended 30 June 2021, the total segment revenue from the provision of environmental treatment and disposal services for industrial and medical wastes was approximately HK\$235,819,000 (2020: HK\$305,862,000) of which the revenue from treatment and disposal of hazardous industrial waste, medical waste and general industrial waste were HK\$215,152,000, HK\$19,809,000 and HK\$858,000 (2020: HK\$289,515,000, HK\$14,696,000 and HK\$1,651,000) respectively.

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 Jiangsu Province, the PRC. The attributable results of Zhenjiang Xin Qu and NCIP are accounted for using 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 2021, the Group shared a net profit of HK\$3,788,000 (2020: net profit of HK\$4,552,000) from Zhenjiang Xin Qu and shared a loss of HK\$7,926,000 (2020: net profit of HK\$1,421,000) 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, the PRC. The attributable results of Xinyu Rongkai is accounted for using 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 2021, the Group shared a net loss of HK\$1,713,000 (2020: net loss of HK\$653,000).

For the six months ended 30 June 2021, the segment profit margin (pre-tax) of the Group’s environmental treatment and disposal of industrial and medical waste services was approximately 20.2% (2020: 22.5%).

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

	<i>Note</i>	<b>Annualised capacity</b>	
		<b>30 June 2021 <i>metric tons</i></b>	<b>31 December 2020 <i>metric tons</i></b>
Licensed hazardous waste incineration facilities		<b>138,400</b>	138,400
Licensed epidemic medical waste incineration facilities		<b>6,080</b>	6,080
Licensed epidemic medical waste detoxification treatment facilities		<b>3,300</b>	3,300
Total licensed treatment and disposal facilities	(i)	<b><u>147,780</u></b>	<u>147,780</u>
Constructed hazardous waste landfill facilities pending issue of operating permission licence	(ii)	<b><u>18,000</u></b>	<u>18,000</u>
Total constructed treatment and disposal facilities pending licences		<b><u>18,000</u></b>	<u>18,000</u>

*Notes:*

- (i) The total capacity of the licensed waste treatment and disposal facilities represents the total effective treatment and disposal quantity of hazardous waste allowable to handle under the valid operating permission licences owned by the Group as at the end of the reporting period calculated on annualised basis.
- (ii) The hazardous waste operating permission licence for the hazardous waste landfill facilities with an annual capacity of 18,000 metric tons located at Yancheng, Jiangsu Province, the PRC, has expired in November 2017, and the application of renewal of the operating permission licence is subject to further governmental approval of the enhancement construction works which was basically completed in 2020.

### Environmental Equipment Construction and Installation Services

For the six months ended 30 June 2021, there was no revenue being recognised for the segment from providing environmental equipment construction and installation services (2020: Nil).

### Environmental Plating Sewage Treatment Services in Eco-plating Specialised Zone

For the six months ended 30 June 2021, total revenue from the segment of provision of environmental plating sewage treatment services and provision of related facilities and utilities in the eco-plating specialised zone situated at Zhenjiang, Jiangsu Province, the PRC (the “Eco-plating Specialised Zone”) was approximately HK\$71,804,000 (2020: HK\$57,527,000) and the segment profit margin (pre-tax) was approximately 12.5% (2020: 10.1%).

At the end of the reporting periods, the Group’s operations in the Eco-plating Specialised Zone were summarised as follows:

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
Total gross floor area of factory buildings and facilities available for leasing (square metres)	<b>106,808</b>	106,808
Average utilisation rate of buildings and facilities	<b>90.2%</b>	87.4%
Plating sewage handled by the centralised sewage treatment plant (metric tons)	<b>215,713</b>	206,974
Average utilisation rate of sewage treatment capacity	<b>26.1%</b>	25.1%

### Investments in Plastic Materials Dyeing Business

The Group holds the equity interests in three manufacturing entities, which principally engaged in plastic materials dyeing in the PRC as long-term equity investments. For the six months ended 30 June 2021, the segment profit margin (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 4.9%, 1.7% and 4.2% (2020: 3.6%, 1.8% and 8.0%) respectively.

For the six months ended 30 June 2021, the total dividends declared by Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei in relation to their results in 2020 was approximately HK\$4,637,000 which is expected to be distributed to the Group in the fourth quarter of this year.

## Outlook

Entering 2021, the Group has to continuously meet challenge from the re-adjusting market of integrated treatment and disposal of hazardous waste and related operations in Jiangsu Province, the PRC. During the six months ended 30 June 2021, the profit margin of the Group has been declined as comparing to last corresponding period, and the Group has to cope with post-pandemic changes in the market to accept industrial hazardous waste at lower unit prices and to absorb increased costs on collection of hazardous waste from clients and increased costs on landfilling the post-incinerated hazardous residue waste.

As at 30 June 2021, there was no significant change to the combined licensed capacity of the existing four subsidiaries of Group for the collection, storage, detoxification and disinfection treatment, incineration and disposal of hazardous industrial and medical waste from clients in Jiangsu Province, the PRC with a total incineration capacity of 138,400 metric tons per annum and other facilities for handling hazardous wastes of 9,380 metric tons per annum as compared to 2020. In addition to the Group's capacity owned and operated by its subsidiaries, the Group has widened its client network and market share through holding joint equity interests in the associate, Zhenjiang Xin Qu which owns a licensed landfill capacity of handling 20,000 metric tons of hazardous waste per annum, and in the associate, NCIP which owns a licensed incineration capacity of handling 38,000 metric tons of hazardous waste per annum both located in Jiangsu Province, the PRC. After the enhancement of centralised sewage filtering system in the Eco-plating Specialised Industrial Zone completed in 2020, the plating sewage and sludge discharged in the zone was well-managed by the improved filtering system, and not only the existing 43 leasing clients in the zone would be benefited, and more clients would also be motivated to enter the zone in foreseeable future.

The Group would keep supporting the development of the joint venture located in Liuzhou, Guangxi Province, the PRC, and it is expected that after phase I of the integrated hazardous waste incineration and landfill facilities would be put into trial-run in this year, the joint venture would obtain its operating permission licence to kick off its environmental operations and would contribute to the Group's performance in the forthcoming year.

The Group commits to uphold practices of corporate governance and especially environmental governance after experiencing the impact of coronavirus pandemic to the community and the economy of a country. As a post-pandemic mission, the Group stays stable in its existing operations and financial position in the first place, continues to focus on environmental related business, and the Group will keep exploring prudently opportunities in a timely manner for business restructuring and industrial upgrade and improve the sustainable performance of the entire operations. Barring any unforeseeable risks from the global and local economies and uncertainties arising from coronavirus epidemic, the Group expects to continue to sustain its performance and deliver a reasonable results in the current year.

## FINANCIAL REVIEW

A summary of the unaudited consolidated financial information of the Group's for the six months ended 30 June 2021 together with corresponding figures for 2020 is presented as follows:

		<b>For the six months ended 30 June</b>		
		<b>2021</b>	2020	Change %
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>	
Revenue from environmental treatment and disposal services for industrial and medical wastes	1	<b>235,819</b>	305,862	-22.9
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities		<b>71,804</b>	57,527	+24.8
Total revenue	1	<b>307,623</b>	363,389	-15.3
Average gross profit margin (in percentage)	2	<b>30.7</b>	29.6	+3.7
Other revenue	3	<b>4,637</b>	1,882	+146.4
Other net income	4	<b>3,414</b>	5,835	-41.5
Distribution costs	5	<b>8,823</b>	6,167	+43.1
Administrative expenses	6	<b>30,517</b>	24,158	+26.3
Other operating expenses	7	<b>7,241</b>	8,249	-12.2
Impairment loss on assets classified as held for sale	8	–	12,242	-100.0
Impairment loss on trade receivables	9	–	1,826	-100.0
Finance income	10	<b>3,270</b>	1,047	+212.3
Finance costs	11	<b>3,164</b>	5,363	-41.0
Share of (loss)/profit of associates	12	<b>(4,138)</b>	5,973	N/A
Share of net loss of a joint venture	13	<b>(1,713)</b>	(653)	+162.3
Income tax	14	<b>11,042</b>	8,813	+25.3
Net profit for the period	15	<b>38,984</b>	54,762	-28.8
Profit attributable to owners of the Company	15	<b>28,746</b>	38,360	-25.1
Basic and diluted EPS attributable to owners of the Company (HK cents)	15	<b>0.95</b>	1.26	-24.6
EBITDA	16	<b>95,133</b>	104,382	-8.9

*Notes:*

1. Net decrease in total revenue for the six months ended 30 June 2021 was mainly attributable to:
  - (i) increase in hazardous waste collected at lower unit prices; and
  - (ii) market demand for hazardous waste disposal services in Jiangsu Province has remained unstable in the current period.
2. Increase in gross profit margin of the Group for the six months ended 30 June 2021 was mainly attributable to slightly lowered the outsourcing landfill cost for disposal of the secondary residues and ashes produced by the incineration process of the Group in the current period.
3. Net increase in other revenue for the six months ended 30 June 2021 was mainly attributable to the dividends declared by all three equity investments were recognised by the Group in the current period whereas only one equity investment declared its dividend in the corresponding period in 2020.
4. Net decrease in other net income for the six months ended 30 June 2021 was mainly attributable to the decrease in the refunds of net Value-added tax paid under preferential tax policy in favour of the environmental-related operations in the PRC owing to the decrease in taxable revenue in the current period.
5. Net increase in distribution costs for the six months ended 30 June 2021 was mainly attributable to the increase in transportation costs and incentive charges paid to marketing agencies in the current period.
6. Net increase in administrative expenses for the six months ended 30 June 2021 was mainly attributable to increase in administrative costs for preventive measures to contain coronavirus pandemic in the PRC.
7. Net decrease in other operating expenses for the six months ended 30 June 2021 was mainly attributable to:
  - (i) decrease in costs on litigations settlements and on non-compliance incidents incurred in the current period; and
  - (ii) decrease in costs arising from temporary suspension of plants for repairs and maintenance in the current period.
8. No impairment loss was recorded for the six months ended 30 June 2021 whereas the one-off impairment loss in relation to the obsolete plant held by the subsidiary, Yancheng New Universe Solid Waste Disposal Company Limited was recognised in the corresponding period in 2020.
9. No impairment loss on trade receivables and other receivables was recorded for the six months ended 30 June 2021.

10. Net increase in finance income for the six months ended 30 June 2021 was mainly attributable to the increase in the interest income generated from increasing deposits placed with banks in the PRC and the net exchange gain in the current period.
11. Net decrease in finance costs for the six months ended 30 June 2021 was mainly attributable to the decrease in interests expense on banks and other borrowings of the Group in the current period.
12. Net loss shared from the associates for the six months ended 30 June 2021 was mainly attributable to the regressed performance of both associates in the current period, and the loss from NCIP was mainly due to the suspension of operation since November 2020 until its hazardous waste operating permission licence was renewed in May 2021.
13. Net increase in loss shared from the joint venture for the six months ended 30 June 2021 was mainly attributable to the increase on preliminary preparation expenses for the incineration plant located in Liuzhou, Guangxi Province, the PRC which is expected to put into trial-operation by the end of this year.
14. Net increase in income tax for the six months ended 30 June 2021 was mainly attributable to the withholding dividend income tax paid on dividends distributed by the Group's subsidiaries in the PRC was recognised in the first half of current year, whereas most dividends from the Group's subsidiaries in the PRC and tax thereon were paid and recognised in the second half of last year.
15. For the six months ended 30 June 2021, the decreases in net profit of the Group, net profit attributable to owners of the Company, and decrease in EPS were mainly attributable to:
  - (i) decrease in revenue from the operating segment of the hazardous waste treatment and disposal services;
  - (ii) increase in distribution costs on transportation costs and intermediary charges paid to marketing agencies in the current period; and
  - (iii) the loss shared from the associate, NCIP.
16. The Company uses the earnings for the reporting period before interest, taxation, depreciation and amortisation ("EBITDA") to measure the operating results of the Group. Decrease in EBITDA for the six months ended 30 June 2021 was mainly attributable to the decrease in net profit of the Group in the current period.

### Seasonality of operations

For the year ended 31 December 2020, the operations of providing environmental treatment and disposal services for hazardous waste in Jiangsu Province has encountered a relatively higher demand in the first half of the year.

For the 12 months ended 30 June 2021, the integrated treatment and disposal services for handling hazardous waste reported a revenue of HK\$531,168,000 (12 months ended 30 June 2020: HK\$554,803,000) and pre-tax profit of HK\$106,365,000 (12 months ended 30 June 2020: HK\$134,154,000).

### Capital expenditure

For the six months ended 30 June 2021, the Group incurred capital expenditure to increase property, plant and equipment (i) for the operating segment of environmental treatment and disposal for hazardous waste amounted to approximately HK\$8,573,000 (2020: HK\$15,345,000), (ii) for the operating segment of environmental equipment construction and installation services amounted to approximately HK\$434,000 (2020: Nil), (iii) for the operating segment of industrial sewage and sludge treatment services and provision of facilities and utilities in the Eco-plating Specialised Zone amounted to approximately HK\$1,244,000 (2020: HK\$11,548,000), and (iv) for corporate use at the head office in Hong Kong amounted to approximately HK\$1,730,000 (2020: Nil).

### Commitments

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

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Contracted for but not provided for:		
– Capital expenditure in respect of property, plant and equipment	<b>21,403</b>	15,359
– Capital contribution to an equity investment	<b>15,894</b>	15,771
	<b><u>37,297</u></b>	<b><u>31,130</u></b>

### Liquidity and financial resources

(a) For the six months ended 30 June 2021, the Group financed its operations and made payment of debts and liabilities due timely and will finance its contracted capital commitments with internally generated cash flows, banking facilities and other borrowings.

- (b) The Group remained stable in its financial position with equity attributable to owners of the Company amounted to approximately HK\$1,068,960,000 (31 December 2020: HK\$1,034,427,000) and consolidated total assets amounted to approximately HK\$1,873,067,000 (31 December 2020: HK\$1,745,603,000) respectively.
- (c) The Company did not have any equity fund raising activity within the past twelve months immediately prior to the date of this announcement (2020: Nil).
- (d) At the end of the reporting period, the Group had:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
(i) Cash and bank balances	<b>315,726</b>	257,523
(ii) Available unused unsecured banking facilities	<b>18,400</b>	55,960

### Key performance indicators

- (a) The Group monitors the earnings performance of its operations through EBITDA. EBITDA of the Group was HK\$95,133,000 for the six months ended 30 June 2021 (2020: HK\$104,382,000).

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

	<b>Six months ended 30 June</b>	
	<b>2021 HK\$'000</b>	2020 HK\$'000
Profit for the period	<b>38,984</b>	54,762
Add:		
Depreciation on property, plant and equipment	<b>39,932</b>	33,506
Depreciation on right-of-use assets	<b>2,011</b>	1,938
Gross interest expenses	<b>3,164</b>	5,363
Income tax	<b>11,042</b>	8,813
EBITDA	<b>95,133</b>	104,382

- (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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
EBITDA of associates:		
Zhenjiang Xin Qu	<b>17,687</b>	18,189
NCIP	<b>(15,410)</b>	17,480
	<b><u>2,277</u></b>	<u>7,699</u>

- (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 121.8% for the six months ended 30 June 2021 (2020: 100.2%).
- (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 2021 (31 December 2020: 0.8 times). The current ratio being less than 1 as at 30 June 2021 was mainly attributable to the bank loans payable after 30 June 2022 amounted approximately to HK\$44,600,000 (31 December 2020: bank loans payable after 31 December 2021 amounted approximately to HK\$57,700,000) have been classified as current liabilities because those banking facilities bore standard terms and conditions that the banker reserves its overriding right at any time to cancel or vary the facilities and demand immediate repayment of all outstanding amounts.

- (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:

	<b>30 June 2021</b>	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings	<b>203,975</b>	189,035
Other borrowing	<b>12,500</b>	25,000
Lease liabilities	<b>696</b>	147
	<hr/>	<hr/>
<b>Total interest-bearing borrowings</b>	<b>217,171</b>	214,182
	<hr/>	<hr/>
<b>Total equity (inclusive of non-controlling interests)</b>	<b>1,210,379</b>	1,163,337
	<hr/>	<hr/>
<b>Gearing ratio</b>	<b>17.9%</b>	18.4%
	<hr/> <hr/>	<hr/> <hr/>

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 2021 as compared to that as at 31 December 2020.

### Material acquisitions and disposals of subsidiaries, associates and joint ventures

There were no significant investments nor material acquisition and disposal of subsidiaries, associates and joint ventures of the Company for the six months ended 30 June 2021.

### Significant investments held and their performance

According to the valuation report prepared by an independent professional valuer, CBRE Limited (“CBRE”) (31 December 2020: 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 2021 were HK\$47,600,000, HK\$15,000,000 and HK\$65,500,000 (31 December 2020: HK\$33,700,000, HK\$10,900,000 and HK\$73,500,000) respectively. The changes in fair value of the equity investments for the six months ended 30 June 2021 were recognised as other comprehensive income and accounted for in the investment revaluation reserve of the Company.

As at 30 June 2021, the fair value of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei were 2.5%, 0.8% and 3.5% (31 December 2020: 1.9%, 0.6% and 4.2%) respectively of the Group's total assets.

### **Impairment testing on goodwill**

Goodwill was recognised in a business combination completed in 2007 that composed of Zhenjiang New Universe Solid Waste Disposal Company Limited and Yancheng New Universe Solid Waste Disposal Company Limited being identified as a cash-generating unit. As at 30 June 2021, the assessment on the recoverable amount of this cash-generating unit (having excluded Taizhou New Universe Solid Waste Disposal Company Limited after its being disposed of by the Group in 2020), which is principally engaged in environmental waste treatment and disposal services mainly in Zhenjiang, Jiangsu Province, the PRC, was determined with reference to the valuation report prepared by the independent professional valuer, CBRE (31 December 2020: CBRE), based on reasonable assumptions, including but not limited to the cash flows projection with a growth rate at 2% (31 December 2020: 2%) of that cash-generating unit operating at the licensed incineration and treatment capacity of handling 26,400 metric tons of hazardous industrial waste per annum and 3,380 metric tons of regulated medical waste per annum, and the pre-tax discount rate of 19.75% (31 December 2020: 17.85%) which reflects the risks for the industries. No impairment loss to the goodwill was considered necessary for the six months ended 30 June 2021 (31 December 2020: Nil).

### **Impairment testing on interest in an associate, NCIP**

As at 30 June 2021, 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, the PRC, was determined with reference to the valuation report prepared by the independent professional valuer, CBRE (31 December 2020: CBRE), based on reasonable assumptions, including but not limited to the cash flows projection of NCIP with a growth rate at 2% (31 December 2020: 2%) of NCIP as cash-generating unit operating at the licensed incineration capacity of handling 38,000 metric tons of hazardous industrial waste per annum, and the pre-tax discount rate of 17.24% (31 December 2020: 16.04%) 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 2021 (31 December 2020: Nil).

## Charges on assets

As at 30 June 2021, 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.

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Carrying amount of collaterals:		
Property, plant and equipment	<b>111,876</b>	114,782
Land use rights	<b>28,682</b>	28,523
Pledged bank deposits	<b>7,187</b>	12,511
	<b>147,745</b>	155,816
	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Secured liabilities and guarantee issued:		
Secured borrowings outstanding under the banking facilities	<b>72,000</b>	64,310
Bills payable to suppliers	<b>12</b>	12
Bank guarantees issued in favour of independent third parties for undertaking contract works	<b>7,175</b>	12,499
	<b>79,187</b>	76,821

## Contingent liabilities

There were no significant contingent liabilities of the Group as at 30 June 2021 (31 December 2020: Nil).

## Employee information

As at 30 June 2021, the Group had 632 (2020: 647) full-time employees, of which 17 (2020: 18) were based in Hong Kong, and 615 (2020: 629) in the PRC. For the six months ended 30 June 2021, staff costs, including the remuneration of the Company's directors ("Directors") and amount capitalised as inventories was HK\$52,187,000 (2020: HK\$41,840,000). 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 the PRC 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 the PRC 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 2021, RMB appreciated on average relatively to the HK\$ that resulted in an overall upside exchange difference on the translation from RMB to HK\$ for the financial statements of the subsidiaries in China amounted approximately to HK\$15,021,000 (2020: downside exchange difference of HK\$16,106,000) that were recognised as other comprehensive income and accumulated separately in equity under the translation reserve of the Company. The accumulated exchange differences in the translation reserve will be reclassified to profit or loss as when the interests in the relevant subsidiaries in the PRC being entirely or partially disposed of by the Group.

### **Interest rate risk**

As at 30 June 2021, the bank borrowings and other borrowing of the Group were managed using a mix of fixed and floating interest rates in order to minimise fair value interest rate risk, of which borrowings denominated in HK\$ were stipulated at floating interest rates within range of 1.59% to 4.50% (31 December 2020: 1.62% to 5.41%) per annum and borrowings denominated in RMB were stipulated at various fixed interest rates within range of 3.75% to 4.60% (31 December 2020: 3.80% to 5.90%) per annum. 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 1.76% (31 December 2020: 0.01% to 2.83%) per annum.

### **Credit risk**

The Group's credit risk is primarily attributable to trade receivables, other receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. As at 30 June 2021, the Group does not provide any guarantees which would expose the Group to credit risk.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 30 June 2021, 3.7% (31 December 2020: 26.1%) and 8.5% (31 December 2020: 39.5%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

One of the major customers of the Group with accounts receivable of approximately HK\$25,117,000 as at 30 June 2021 (31 December 2020: HK\$29,999,000) is the management committee in-charge of the Xiangshui Chemical Industry Park. The Group cooperates with and has contracted with the local management committee authority to provide emergency clearance and hazardous waste disposal for the Xiangshui Chemical Industry Park. The customer has always had a good reputation. The Group will continue to follow up the recoverability of the delayed payment of different customers owing to the impact of coronavirus pandemic or local economy, especially for the amounts outstanding over 180 days, for the appraisal of any further allowance for lifetime expected credit losses.

The Group measures loss allowances for trade and bills receivables (including lease receivables) at an amount equal to lifetime expected credit losses. Generally, trade and bills receivables (including lease receivables) are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security over these balances.

As at 30 June 2021, the allowance for the lifetime expected credit losses of trade and bills receivables (including lease receivables) was HK\$14,673,000 (31 December 2020: HK\$14,429,000) which has been provided as amount of impairment measured under the expected credit loss model.

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

Save as disclosed therein, as at 30 June 2021 and up to the date of this announcement, 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 2020.

### **DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (2020: Nil).

The final dividend related to the financial year 2020 proposed on 23 March 2021 at HK\$0.0072 per share totally amounted approximately to HK\$21,857,000 has been recognised as a liability as at 30 June 2021 after the said final dividend was duly approved by the shareholders of the Company at the annual general meeting on 18 June 2021 and the dividend was paid on 30 July 2021.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **CHANGE IN DIRECTORS' INFORMATION**

#### *Information on Directors*

For the six months ended 30 June 2021 and up to the date of this announcement, there were changes in Directors' information as follows:

Ms. ZHANG Shuo was not re-elected at the annual general meeting held on 18 June 2021 and thus she has retired as an executive Director of the Company with effect from the conclusion of the annual general meeting ("Retirement"). Following her Retirement as an executive Director of the Company, Ms. ZHANG Shuo also ceased to be a member of the Executive Committee.

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 2020.

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 announcement, 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 2020.

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

On 29 March 2021, the registered capital of the Company's 100% indirectly owned subsidiary in PRC, Zhenjiang Sinotech Eco-Electroplating Development Limited ("Zhenjiang Sinotech") was reduced from USD34,260,000 to USD25,000,000. Zhejiang Sinotech builds, owns and runs the whole Eco-plating Specialized zone of the Group.

Save as disclosed therein, 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 2021.

### **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 2021, 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 2021, Mr. XI Yu 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 Yu, 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 Yu 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 2021.

## **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 2021.

## PROVISION OF GUARANTEES TO A AFFILIATED COMPANY

On 25 September 2020, the Company and the joint venturer, as the joint guarantors, entered into the guarantee agreement with a bank in the PRC to jointly guarantee the repayment obligations of Xinyu Rongkai (a 65% indirectly owned joint venture of the Company) in relation to the bank loan facilities in a total amount of RMB120,000,000 (approximately HK\$144,000,000) and the guarantee will be effective until 31 December 2027, for the purpose of financing the construction of the integrated hazardous waste treatment project undertaken by Xinyu Rongkai at Liuzhou, Guangxi Province, the PRC.

As at 30 June 2021, such banking facilities guaranteed by the Company was utilised to the extent of RMB116,100,000 or approximately HK\$139,320,000 (31 December 2020: RMB35,040,000 or approximately HK\$41,347,000) which is repayable on 31 December 2025 and bearing interest at 4.75% per annum.

The following table summarised the financial information relating to the Group's joint venture at the end of the reporting period:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
<b>Gross amounts of the joint venture's</b>		
Non-current assets	<b>129,908</b>	110,156
Current assets	<b>93,525</b>	10,046
Current liabilities	<b>(11,062)</b>	(2,987)
Non-current liabilities	<b>(128,871)</b>	(41,347)
	<u><b>83,500</b></u>	<u>75,868</u>
<b>Equity</b>	<u><b>83,500</b></u>	<u>75,868</u>
<b>The Group's attributable interest in the joint venture</b>		
Gross amount of net assets of the joint venture	<u><b>83,500</b></u>	<u>75,868</u>
The Group's share of net assets of the joint venture	<b>54,275</b>	49,314
Unrealised profit on inter-company transaction eliminated on consolidation	<u>–</u>	<u>(1,914)</u>
<b>Carrying amount of net assets of the joint venture</b>	<u><b>54,275</b></u>	<u>47,400</u>

## **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 will be in July 2023. In accordance with the Facility Letter A, the proceeds of the Facility A have been used directly for payment of the capital contribution in respect of the Group’s interest in the joint venture, Xinyu Rongkai. As at 30 June 2021, the outstanding unsecured bank loan under Facility A was HK\$18,000,000 (31 December 2020: HK\$21,000,000).

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 will be in January 2022. In accordance with the Facility Letter B, the proceeds of Facility B have been used to finance the capital expenditure in relation to environmental operations of the Group. As at 30 June 2021, the outstanding unsecured bank loan under Facility B was HK\$12,000,000 (31 December 2020: 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 will be in December 2022. In accordance with the Facility Letter C, the proceeds of Facility C have been 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 2021, the outstanding unsecured bank loan under Facility C was HK\$35,000,000 (31 December 2020: HK\$35,000,000).

Pursuant to each of the Facility Letters A, B, and C, if Mr. XI Yu (being defined as the “Controlling Shareholder” in the Facility Letters) (i) ceases to be directly or indirectly the single largest shareholder of the Company; (ii) ceases to own directly or indirectly at least 30% of the issued shares with voting rights of the Company; or (iii) ceases to have the management control over the Company, the Banks reserve their respective overriding rights at any time with immediate effect to cancel or vary the terms of the Facility Letters, demand immediate repayment of all outstanding amounts and require provision of immediate cash cover (in the amount notified by the Banks) 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 2021, 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 2020: 1,109,303,201 shares) of the Company, representing 36.54% (31 December 2020: 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 2021 and any time during the six months then ended up to the date of this announcement, 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 17 July 2019 and the renewed agreement dated 20 July 2020 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 and 2111, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong ("Office Premises") for the period from 1 August 2020 to 31 July 2021 at a monthly rental of HK\$80,000.
- (b) A renewed tenancy agreement dated 20 July 2021 was entered into between Sun Ngai as landlord and Smartech Services as tenant for leasing the Office Premises for the period from 1 August 2021 to 31 July 2022 at a monthly rental of HK\$80,000.
- (c) For the six months ended 30 June 2021, total rentals paid by Smartech Services to Sun Ngai were HK\$480,000 (2020: 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 agreement 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 the PRC, 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 2021 and up to the date of this announcement, 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 2021 and up to the date of this announcement, 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 2021, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

## **REVIEW BY AUDIT COMMITTEE**

The Audit Committee 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 2021.

## **INDEPENDENT REVIEW OF INTERIM FINANCIAL RESULTS**

The condensed consolidated financial statements for the six months ended 30 June 2021 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, who has confirmed that 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”.

## **PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY**

This interim results announcement is published on the websites of the Company (www.nuigl.com) and the Stock Exchange (www.hkexnews.hk). The Interim Financial Report containing all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the afore-mentioned websites in due course.

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

Hong Kong, 20 August 2021

Mr. XI Yu	<i>(Chairman, Chief Executive Officer and Executive Director)</i>
Ms. CHEUNG Siu Ling	<i>(Executive Director)</i>
Ms. XI Man Shan, Erica	<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>