

NEW UNIVERSE INTERNATIONAL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code : 8068

2014 INTERIM REPORT



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This report, for which the directors (the “Directors”) of NEW UNIVERSE INTERNATIONAL GROUP LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CORPORATE INFORMATION

PLACE OF INCORPORATION

Cayman Islands

BOARD OF DIRECTORS

Executive Directors

Mr. XI Yu (*Chairman*)¹
Mr. SONG Yuqing
(*CEO and Vice-chairman*)¹
Mr. HON Wa Fai¹
Ms. CHEUNG Siu Ling¹

Non-Executive Director

Mr. SUEN Ki

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

Mr. XI Yu
Mr. HON Wa Fai

COMPLIANCE OFFICER

Mr. XI Yu

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

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

Hong Kong Branch

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

LEGAL ADVISERS

As to Hong Kong Laws

Troutman Sanders

As to PRC Laws

Beijing Sinobridge PRC Lawyers

INDEPENDENT AUDITOR

Crowe Horwath (HK) CPA Limited

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

LISTING INFORMATION

Shares

The issued shares of the Company are listed and traded on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

Stock Code

8068

Board Lot

20,000 shares

WEBSITE

www.nuigl.com

FINANCIAL HIGHLIGHTS

- Total revenue of continuing operations for the six months ended 30 June 2014 increased by 46.4% to HK\$123,379,000 compared to HK\$84,258,000 for the corresponding period in 2013.
- Net profit from continuing operations for the six months ended 30 June 2014 decreased by 3.9% to HK\$27,145,000 compared to HK\$28,257,000 for the corresponding period in 2013.
- Profit attributable to owners of the Company from continuing operations for the six months ended 30 June 2014 decreased by 11.7% to HK\$21,888,000 compared to HK\$24,796,000 for the corresponding period in 2013.
- Total earnings per share attributable to owners of the Company for the six months ended 30 June 2014 were HK cents 0.82 compared to HK cents 1.63 for the corresponding period in 2013.
- Equity attributable to owners of the Company was HK\$579,237,000 at 30 June 2014 versus HK\$549,706,000 at 31 December 2013.
- Cash and cash equivalents of the Group was approximately HK\$122,530,000 at 30 June 2014 compared to HK\$109,827,000 at 31 December 2013.
- The Board resolved not to declare a dividend for the six months ended 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Environmental Waste Integrated Treatment Services

For the six months ended 30 June 2014, the Group had collected for treatment in aggregate of approximately 11,167 metric tons (2013: 11,749 metric tons) of hazardous industrial waste, 3,908 metric tons (2013: 4,396 metric tons) of general industrial waste, and 1,561 metric tons (2013: 2,166 metric tons) of regulated medical waste from the cities of Zhenjiang, Yancheng and Taizhou. The tank truck cleansing service centre in Zhenjiang had serviced 460 vehicles (2013: 679 vehicles) for the six months ended 30 June 2014. The nitrile rubber recycling centre had handled approximately 160 metric tons (2013: 403 metric tons) of synthetic rubber scrap for the six months ended 30 June 2014.

For the six months ended 30 June 2014, the average pre-tax profitability of the Group's environmental waste integrated treatment services was approximately 34.1% (2013: 43.9%).

Industrial Sewage and Sludge Treatment in Eco-plating Specialised Zone

For the six months ended 30 June 2014, the average utilisation rate of the industrial buildings and facilities in the eco-plating specialised industrial zone was approximately 93% (2013: 74%) and the centralised plating sewage treatment system had handled approximately 259,000 metric tons (2013: 184,000 metric tons) of plating sewage discharged from the manufacturers in the zone.

For the six months ended 30 June 2014, the average pre-tax profitability of the Group's operations in the eco-plating specialised industrial zone was approximately 11.3% (2013: 15.3%).

Investments in Plastic Materials Dyeing Operations

For the six months ended 30 June 2014, the pre-tax profitability 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") that engaged in plastic material dyeing business in Mainland China were 4.2%, 1.3% and 2.1% (2013: 4.8%, 1.5% and 2.4%) respectively.

Update on the proposed transfer of listing

On 31 March 2014, the Company submitted a formal application to the Stock Exchange for the transfer of listing of the shares of the Company (the “Shares”) from GEM to the Main Board under the transfer of listing arrangement pursuant to Chapter 9A of the Rules Governing the Listing of the Securities on the Stock Exchange. The Board believes that the transfer of listing will enhance the profile of the Company and increase the trading liquidity of the Shares. The Board considers that the transfer of listing will be beneficial to the future growth and business development of the Group as well as its financing flexibility. There is no assurance that permission will be obtained from the Stock Exchange for the transfer of listing. Further announcement(s) will be made by the Company in relation to the progress of the proposed transfer of listing as and when appropriate.

Outlook

As at 30 June 2014, the Group owned 5 (2013: 4) major hazardous waste treatment plants in Jiangsu Province, PRC, operating waste incinerators and landfills to handle general and hazardous solid waste, and the Group also owned the Eco-plating Specialised Zone in Zhenjiang operating a centralised sewage treatment plant and a chemical sludge treatment plant to handle industrial sewage and sludge waste. To enhance the waste treatment capacity of the Group in order to cope with the increasing industrial waste discharged in the Jiangsu Province and to strengthen the revenue of the Group’s principal activities of environmental waste treatment, new incinerators and landfill have been under construction. 4 new incinerators have been built and completed in 2013 at Dafeng and Xiangshui of Yancheng with aggregate annual incineration capacity of approximately 24,800 metric tonnes, which 20% of the capacity has been put into operation commencing third quarter of 2013 and will gradually be in full operation by 2015. The construction of another new incinerator in Zhenjiang at a total expected cost of approximately RMB 31.14 million for an annual incineration capacity of approximately 15,000 metric tonnes has been started in July 2014. The construction of a new hazardous waste landfill with a site area of 30,000 square metres in Dafeng of Yancheng at a total expected cost of approximately RMB 45.55 million for a maximum capacity of approximately 280,000 cubic metres has been started in May 2014. The new incinerator and the landfill are expected to be completed by 2015.

The Group will continue to focus on environmental related business and will strengthen its existing incineration and landfill capacity to cope with the regulatory control on increasing discharge of industrial waste in Jiangsu Province, PRC, and will improve the waste management and treatment standards of the Group continuously. The Group expects to finance the enhancement of the waste treatment capacity of the Group with internally generated cash flows and existing credit and banking facilities. Barring any unforeseeable risks from the global and local economies that might affect the Group’s environmental operations in the Mainland China, the Group will target for a modest growth in current year.

FINANCIAL REVIEW

The unaudited consolidated financial information of the Group's continuing operations for the six months ended 30 June 2014 as comparing to the unaudited figures for the corresponding period in 2013 are summarised as follows:

(Expressed in HK\$'000 unless indicated otherwise)	Note	For the three months			For the six months		
		ended 30 June 2014	2013	Change %	ended 30 June 2014	2013	Change %
Continuing operations							
Revenue	(a)	62,791	46,335	+35.5	123,379	84,258	+46.4
Average gross profit margin (%)	(b)	45.0	52.6	-14.4	46.8	51.2	-8.6
Other revenue	(c)	4,355	4,532	-3.9	4,420	4,587	-3.6
Other net income	(d)	111	192	-42.2	6,564	335	+1,859.4
Gain on deemed disposal of an associate	(e)	-	6,128	N/A	-	6,128	N/A
Distribution and selling expenses	(f)	3,087	2,038	+51.5	6,819	3,908	+74.5
Administrative expenses	(g)	8,458	7,295	+15.9	18,068	13,416	+34.7
Other operating expenses	(h)	5,135	2,299	+123.4	7,339	3,783	+94.0
Finance income	(i)	312	235	+32.8	705	547	+28.9
Finance costs	(j)	763	894	-14.7	1,447	1,920	-24.6
Share of net profits of associates	(k)	1,792	3,764	-52.4	527	3,558	-85.2
Income tax	(l)	3,677	4,296	-14.4	9,183	7,026	+30.7
Net profit for the period	(m)	13,707	22,392	-38.8	27,145	28,257	-3.9
Profit attributable to owners of the Company	(m)	11,070	20,288	-45.4	21,888	24,796	-11.7
Basic and diluted EPS (HK cents)	(m)	0.41	0.77	-46.8	0.82	0.94	-12.8

Notes:

- (a) Net increase in total revenue for the six months ended 30 June 2014 was mainly attributable to increase in average unit price charged for the collection and innocuity treatment services for hazardous industrial solid waste in current period.
- (b) Decrease in gross profit margin of the Group for the six months ended 30 June 2014 was mainly attributable to the relatively higher cost of sales for the new waste treatment plant in Dafeng of Yancheng.

- (c) Net decrease in other revenue for the six months ended 30 June 2014 was mainly attributable to decrease in dividends from the equity investment in Qingdao Huamei as comparing to the corresponding period in previous year.
- (d) Net increase in other net income for the six months ended 30 June 2014 was mainly attributable to:
 - (i) subsidy on environmental recycling renovation received from PRC government by a subsidiary in Zhenjiang, and
 - (ii) net gain on dissolution and de-registration of three defunct subsidiaries in April 2014.
- (e) One-off gain on deemed disposal of an associate had been recorded in the corresponding period of 2013.
- (f) Net increase in distribution and selling expenses for the six months ended 30 June 2014 was mainly attributable to increase in incentive payments for marketing purposes made by the new waste treatment plant in Dafeng of Yancheng.
- (g) Net increase in administrative expenses for the six months ended 30 June 2014 was mainly attributable to increase in head count and staff costs of the Group as comparing to the corresponding period in previous year.
- (h) Net increase in other operating expenses for the six months ended 30 June 2014 was mainly attributable to the research and development costs of approximately HK\$3,040,000 incurred by Zhenjiang New Universe in current period, whereas Zhenjiang New Universe has been certified as the High and New Technology Enterprise in Jiangsu Province, PRC since December 2013.
- (i) Net increase in net finance income for the six months ended 30 June 2014 was mainly attributable to increase in free cash flow of the Group in current period.
- (j) Net decrease in net finance costs for the six months ended 30 June 2014 was mainly attributable to decrease in bank borrowings in current period.
- (k) Decrease in net profit shared from an associate for the six months ended 30 June 2014 was mainly attributable to decrease in quantity of waste handled by the hazardous waste landfill of the associate in current period.
- (l) Net increase in income tax for the six months ended 30 June 2014 was mainly attributable to increase in assessable profits of PRC subsidiaries engaging in environmental integrated waste treatment services.

(m) For the six months ended 30 June 2014, net decrease in profit, decrease in profit attributable to owners of the Company and decrease in EPS arisen from continuing operations were mainly attributable to:

- (i) increase in staff costs of the Group for the waste treatment plant in Dafeng of Yancheng, the controlling interest of which was acquired by the Group in August 2013, and
- (ii) increase in research and development expenses incurred by a subsidiary in Zhenjiang for the purpose of up keeping the environmental management and treatment technology of the Group.

Capital expenditure

For the six months ended 30 June 2014, the Group incurred capital expenditure to increase property, plant and equipment (i) for environmental waste treatment services amounted to HK\$19,049,000, and (ii) for industrial sewage and sludge treatment and facility provision services in the eco-plating industrial zone amounted to HK\$5,435,000.

Commitments

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

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Contracted but not provided for:		
– Acquisition of property, plant and equipment	169,550	84,397
Authorised but not contracted for:		
– Acquisition of property, plant and equipment	–	17,447
– Investment in available-for-sale equity investments	3,083	3,443

Liquidity, financial resources and level of borrowings

During the six months ended 30 June 2014, the Group financed its operations with internally generated cash flows, banking facilities and other borrowings. The Group remained stable in its financial position with unaudited equity attributable to owners of the Company amounting approximately to HK\$579,237,000 (31 December 2013: HK\$549,706,000) and unaudited total assets amounting approximately to HK\$868,803,000 as at 30 June 2014 (31 December 2013: HK\$834,462,000).

The current ratio of the Group representing the consolidated current assets to the consolidated current liabilities was 1.41 times as at 30 June 2014 (31 December 2013: 1.18 times).

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

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Cash and bank balances		
– Continuing operations	122,530	109,827
Available unused secured banking facilities		
– Continuing operations	41,328	65,355

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

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Total liabilities (excluding deferred government grants, income tax payable and deferred taxes)	184,536	190,049
Less: cash and bank balances	122,530	109,827
Net debts	62,006	80,222
Total equity	648,984	608,257
Total capital	710,990	688,479
Gearing ratio	8.7%	11.7%

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 Group as at 30 June 2014 compared to that as at 31 December 2013.

Significant investments held and their performance

According to the valuation report dated 7 August 2014 issued by an independent professional valuer, Cushman & Wakefield Valuation Advisory Services (HK) Limited (“Cushman & Wakefield”), the fair value attributable to the Group’s interests in the available-for-sale equity investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei as at 30 June 2014 were HK\$45,400,000, HK\$18,700,000 and HK\$16,800,000 (31 December 2013: HK\$43,800,000, HK\$11,100,000 and HK\$12,600,000) respectively.

For the six months ended 30 June 2014, there was no significant change to the carrying amount of the available-for-sale equity investment that was being stated at cost.

Impairment testing on goodwill

As at 30 June 2014, the assessment on the recoverable amount of the Group’s cash generating unit principally engaged in environmental waste treatment services in the PRC was determined by referring to the valuation report dated 18 March 2014 issued by the independent professional valuer, Cushman & Wakefield, after their review of the cash flows projection at a long-term growth rate at 2% (31 December 2013: 2%) of the environmental entities of the Group comprising 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, using the pre-tax discount rate of 19.18% (31 December 2013: 20.55%) taken into account of the risks for the industries, no impairment loss to the goodwill was considered necessary for the six months ended 30 June 2014 (2013: Nil).

Material acquisitions and disposals of subsidiaries and affiliated companies

Each of the wholly owned subsidiaries of the Group, New Universe International Ports Limited (新宇國際港口有限公司), New Universe International Warehouse & Logistics Limited (新宇國際倉儲物流有限公司) and New Universe International Ports & Logistics Limited (新宇國際港口物流有限公司) was dissolved on 1 April 2014, 1 April 2014 and 30 April 2014 respectively.

Save as disclosed therein, 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 2014.

Charges on Group assets

The Group pledged certain property, plant and equipment and the land use rights with carrying amounts of HK\$65,668,000 (31 December 2013: HK\$93,028,000) and HK\$26,326,000 (31 December 2013: HK\$19,803,000) as at 30 June 2014 respectively to secure bank facilities totally amounted approximately to HK\$96,051,000 as at 30 June 2014 (31 December 2013: HK\$119,362,000) which to the extent of HK\$54,723,000 were utilised as bank borrowings as at 30 June 2014 (31 December 2013: HK\$54,007,000) granted to the Group.

Contingent liabilities

There were no significant contingent liabilities of the Group as at 30 June 2014 (31 December 2013: Nil).

Exposure to exchange rate fluctuations

As most of the Group's monetary assets and liabilities were dominated in Renminbi, Hong Kong dollars, and US dollars, the exchange risks of the Group were considered to be minimal. For the six months ended 30 June 2014, no related hedging had been arranged by the Group.

Employee information

As at 30 June 2014, the Group had 323 (2013: 244) full-time employees, of which 18 (2013: 16) were based in Hong Kong, and 305 (2013: 228) in the Mainland China for continuing operations.

For the six months ended 30 June 2014, staff costs, including the Directors' remuneration and amount capitalised as inventories was HK\$21,577,000 (2013: HK\$15,618,000) for the Group's continuing operations. Employees and Directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, continuing development and trainings.

Dividend

The Board resolved not to declare a dividend for the six months ended 30 June 2014.

A dividend at HK\$0.0046 per share amounted approximately to HK\$12,216,000 that related to the year ended 31 December 2013 has been paid on 31 July 2014.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 30 June 2014, 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 Laws 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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

The Company

Long positions in ordinary shares of the Company

Name of Director	Number of ordinary shares of HK\$0.01 each				% of total shares in issue
	Personal/beneficial interest	Interests of children or spouse	Interests of controlled corporation	Number of shares held	
Mr. Xi Yu *	-	-	1,871,823,656	1,871,823,656	70.48

Note:

- * Mr. Xi Yu is the shareholder of in New Universe Enterprises Limited ("NUEL") beneficially interested in 16,732 shares of US\$1.00 each, representing 83.66% of the issued share capital of NUEL, which in turn beneficially interested in 1,871,823,656 shares of the Company, representing approximately 70.48% of the issued share capital of the Company as at 30 June 2014.

Associated corporation

Long positions in ordinary shares of NUEL

Name of Director	Number of ordinary shares of US\$1.00 each				% of total shares in issue
	Personal/beneficial interest	Interests of children or spouse	Interests of controlled corporation	Number of shares held	
Mr. Xi Yu	16,732	-	-	16,732	83.66
Ms. CHEUNG Siu Ling	1,214	1,214	-	2,428	12.14
Mr. SUEN Ki	840	-	-	840	4.20

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed therein, at no time during the period was the Company, its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the chief executive, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, so far as is known to any Director or chief executive of the Company, the interests or short positions of any person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name of shareholder	Number of ordinary shares of HK\$0.01 each			% of total shares in issue
	Beneficial owner	Family interest	Interests of controlled corporation	
NUEL*	1,871,823,656	–	–	70.48

Note:

* Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors of NUEL.

Save as disclosed above, as at 30 June 2014, the Directors of the Company were not aware of any other person who had an interest or short position in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme adopted by the Company's shareholders in general meeting on 10 December 2003 ("Share Option Scheme") had lapsed on 9 December 2013. After lapse of the Share Option Scheme, the Company did not have any share option scheme and no option had been granted or outstanding under the lapsed Share Option Scheme.

SERVICE CONTRACTS

There is no service contract between any member of the Group and any Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

CHANGE IN DIRECTORS' INFORMATION

Mr. XI Yu ("Mr. XI"), the executive director and chairman of the Company

It was brought to the attention of the Company on 15 April 2014 that a bankruptcy petition ("Bankruptcy Petition") was filed against Mr. XI. The Bankruptcy Petition was filed against Mr. XI by his ex-spouse in relation to an amount payable by Mr. XI in connection with the matrimonial proceedings between Mr. XI and his ex-spouse. The date for the hearing of the Bankruptcy Petition in the High Court of Hong Kong has been adjourned from 11 June 2014 further to 11 August 2014.

It was brought to the attention of the Company on 11 July 2014 that three writs of summons (the "Writs of Summons") each dated 7 July 2014 and endorsed with a full statement of claim, were issued in the High Court of Hong Kong by each of Ms. CHU Yuk Ying Isabella ("Ms. CHU"), Ms. CHEUNG Siu Ling ("Ms. CHEUNG", an executive director of the Company) and Mr. CHU Yuk Ngai ("Mr. CHU", spouse of Ms. CHEUNG and brother of Ms. CHU) (collectively as the "NUEL's Creditors"), as the plaintiffs claiming against NUEL as the first defendant and Mr. XI as the second defendant, for amounts of HK\$195,373,589.81 and US\$165,244.45, HK\$4,778,506.98 and HK\$4,778,506.98, respectively, pursuant to certain loans made to NUEL by each of the NUEL's Creditors which were stated in the Writs of Summons to be repayable on demand. Each of Ms. CHU, Ms. CHEUNG and Mr. CHU has alleged in their respective statements of claim that Mr. XI had agreed to use the shares of NUEL held by him to secure for the due payment of all sums owing under each of the said loans. Mr. XI has confirmed to the Company that he had not executed any mortgage deed or charge deed in respect of any of the shares of NUEL held by him.

Ms. CHEUNG Siu Ling, the executive director of the Company

On 16 June 2014, Ms. CHEUNG was relieved from acting as the director of a 98% owned subsidiary of the Group, Zhenjiang Sinotech Eco-Electroplating Development Limited.

Mr. HON Wa Fai (“Mr. HON”), the executive director and company secretary of the Company

On 16 June 2014, Mr. HON was relieved from acting as the director of a 98% owned subsidiary of the Group, Zhenjiang Sinotech Eco-Electroplating Development Limited.

Save as disclosed therein, there was no other change in details of the Directors’ information since the date of last annual report of the Company for the year ended 31 December 2013.

Save as disclosed therein, there are no other information is to be disclosed pursuant to the requirements of the Rule 17.50(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the six months ended 30 June 2014, contracts or arrangements subsisted, of which certain Directors had interests that were deemed significant to the business of the Group are set out as follows:

1. Mr. XI Yu has provided personal guarantees, and New Universe Environmental Technologies (Jiang Su) Limited (“NUET(JS)”, a 82% indirectly owned subsidiary of the Company) and New Universe Holdings Limited (“NUHL”, a related party of the Company), both of which Mr. XI Yu and Ms. CHEUNG Siu Ling are directors, have provided corporate guarantees in the following arrangements:
 - (i) The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and DBS Bank (Hong Kong) Limited have, pursuant to a Facility Agreement dated 8 August 2008, agreed to grant the loan facilities of up to US\$14,000,000 to a 98% indirectly owned subsidiary of the Company, Fair Time International Limited, which are guaranteed by Mr. XI Yu and NUHL. All loans under the facilities were fully repaid on 19 June 2014 and the guarantees given by Mr. XI Yu and NUHL in relation to the loan facilities were released and discharged on 26 June 2014.
 - (ii) The Hongkong and Shanghai Banking Corporation Limited has pursuant to its facility letter dated 14 June 2011, renewed facility letters dated 13 April 2012 and 20 June 2013, granted banking facilities of up to HK\$10,000,000 to NUET(JS), which are guaranteed by the Company and Mr. XI Yu, each up to a limit of HK\$10,000,000. As at 30 June 2014, the outstanding loan was HK\$5,625,000.

- (iii) Standard Chartered Bank (Hong Kong) Limited has pursuant to its facility letter dated 1 March 2012 as varied by the facility letter dated 16 October 2013 (with further renewed facility letter dated 16 July 2014), granted banking facilities of up to HK\$23,400,000 to the Company, which are guaranteed by Mr. XI Yu and NUET(JS). As at 30 June 2014, the outstanding loan was HK\$23,400,000.
 - (iv) The Hongkong and Shanghai Banking Corporation Limited has pursuant to its facility letter dated 6 July 2012, granted banking facilities of up to HK\$12,000,000 to NUET(JS), which were guaranteed by Mr. XI Yu up to a limit of HK\$12,000,000, and Ms. CHEUNG Siu Ling and Mr. SUEN Ki, each up to a limit of HK\$2,000,000. Pursuant to a renewed facility letter dated 5 November 2012, The Hongkong and Shanghai Banking Corporation Limited has agreed to extend the latest drawdown date for the banking facilities of up to HK\$12,000,000 granted to NUET(JS), and has revised the security for the said banking facilities, which is currently guaranteed by Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki, each up to a limit of HK\$12,000,000. As at 30 June 2014, the outstanding loan was HK\$9,100,000.
 - (v) Hang Seng Bank Limited has pursuant to its facility letter dated 21 August 2012 (with renewed facility letter dated 20 May 2014), granted banking facilities of up to HK\$15,000,000 to NUET(JS), which are guaranteed by the Company and Mr. XI Yu, each up to a limit of HK\$15,000,000. As at 30 June 2014, the outstanding loan was HK\$12,188,000.
2. Each of Mr. XI Yu and Ms. CHEUNG Siu Ling is a director of the landlord to both of the following tenancy agreements entered into by the Group as tenants:
- (i) A renewed tenancy agreement dated 15 July 2013 entered into between Smartech Services Limited (“Smartech Services”, an indirectly wholly owned subsidiary of the Company) as tenant and Sun Ngai International Investment Limited (“Sun Ngai”, a wholly owned subsidiary of NUHL which board of directors comprises Mr. XI Yu and Ms. CHEUNG Siu Ling) as landlord. Pursuant to which, Smartech Services rented an office unit located at Room 2109, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong from Sun Ngai at a monthly rental of HK\$20,000 for a term started from 1 August 2013 and expired on 31 July 2014.
 - (ii) A renewed tenancy agreement dated 20 December 2013 entered into between Smartech Services as tenant and Sun Ngai as landlord. Pursuant to which, Smartech Services rented a factory unit for use as warehouse located at Suite 12, 5th Floor, Yuen Fat Industrial Building, 25 Wang Chiu Road, Kowloon Bay, Hong Kong from Sun Ngai at a monthly rental of HK\$8,000 for the term from 1 January 2014 to 31 December 2016.

- (iii) After the end of the reporting period, a tenancy agreement dated 18 July 2014 was entered into between Smartech Services as tenant and Sun Ngai as landlord, pursuant to which, Smartech Services rented from Sun Ngai two office units located at Rooms 2109 and 2110, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong at a monthly rental of HK\$50,000 for the term from 1 August 2014 to 31 July 2015.

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

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

COMPETING INTERESTS

The Board is not aware of any Director or controlling shareholder and the respective associates of each having any interests in a business that competes or may compete with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

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 2014.

CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2014, the Company had complied with all code provisions of Corporate Governance Code and Corporate Governance Report ("CG Codes") as set out in Appendix 15 of the GEM Listing Rules, and the Directors confirmed that they were not aware of any deviation from the CG Codes during the period then ended.

DIRECTORS' SECURITIES TRANSACTIONS

During the six months ended 30 June 2014, the Company had applied the principals of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). Having made specific enquiry of all Directors of the Company, the Directors confirmed that they had complied with or they were not aware of any non-compliance with the Required Standard of Dealings during the six months ended 30 June 2014.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors, Dr. CHAN Yan Cheong (as the Committee Chairman), Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred. The Audit Committee has reviewed with the management the unaudited consolidated financial results and financial information of the Company for the six months ended 30 June 2014.

INDEPENDENT REVIEW

Crowe Horwath (HK) CPA Limited was engaged to review the financial statements of the Group for the purpose of interim results of the Company for the six months ended 30 June 2014.

By order of the Board
New Universe International Group Limited
XI Yu
Chairman

Hong Kong, 7 August 2014

As of the date of this report, the Board comprises the following Directors:

Mr. XI Yu	<i>(Executive Director and Chairman)</i>
Mr. SONG Yuqing	<i>(Executive Director, Chief Executive Officer and Vice-Chairman)</i>
Mr. HON Wa Fai	<i>(Executive Director)</i>
Ms. CHEUNG Siu Ling	<i>(Executive Director)</i>
Mr. SUEN Ki	<i>(Non-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>

REPORT ON REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS



國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
 Member Crowe Horwath International

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
 9/F Leighton Centre,
 77 Leighton Road,
 Causeway Bay, Hong Kong

To the board of directors of
New Universe International Group Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of New Universe International Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 21 to 46 which comprises the condensed consolidated statement of financial position as at 30 June 2014 and the related condensed consolidated income statement, condensed consolidated statement of 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, 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 these condensed consolidated financial statements 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 these condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Crowe Horwath (HK) CPA Limited

Certified Public Accountants

Hong Kong, 7 August 2014

Alvin Yeung Sik Hung

Practising Certificate Number P05206

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Continuing operations					
Revenue	5	62,791	46,335	123,379	84,258
Cost of sales		(34,534)	(21,972)	(65,594)	(41,103)
Gross profit		28,257	24,363	57,785	43,155
Other revenue	7	4,355	4,532	4,420	4,587
Other net income	8	111	192	6,564	335
Distribution and selling expenses		(3,087)	(2,038)	(6,819)	(3,908)
Administrative expenses		(8,458)	(7,295)	(18,068)	(13,416)
Other operating expenses		(5,135)	(2,299)	(7,339)	(3,783)
Operating profit		16,043	17,455	36,543	26,970
Finance income	9	312	235	705	547
Finance costs	9	(763)	(894)	(1,447)	(1,920)
Finance costs, net	9	(451)	(659)	(742)	(1,373)
Gain on deemed disposal of an associate		–	6,128	–	6,128
Share of profits of associates		1,792	3,764	527	3,558
Profit before taxation		17,384	26,688	36,328	35,283
Income tax	10	(3,677)	(4,296)	(9,183)	(7,026)
Profit for the period from continuing operations		13,707	22,392	27,145	28,257
Discontinued operations					
Profit for the period from discontinued operations		–	(172)	–	18,374
Profit for the period	11	13,707	22,220	27,145	46,631
Attributable to:					
Owners of the Company		11,070	20,116	21,888	43,170
Non-controlling interests		2,637	2,104	5,257	3,461
		13,707	22,220	27,145	46,631
Profit attributable to owners of the Company arises from:					
Continuing operations		11,070	20,288	21,888	24,796
Discontinued operations		–	(172)	–	18,374
		11,070	20,116	21,888	43,170

The notes on pages 28 to 46 are an integral part of these condensed consolidated financial statements.

	Note	Three months ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
		HK cents	HK cents	HK cents	HK cents
Earnings per share from continuing and discontinued operations attributable to owners of the Company during the period <i>(expressed in HK cents per share)</i>					
Basic and diluted	12				
From continuing operations		0.41	0.77	0.82	0.94
From discontinued operations		–	(0.01)	–	0.69
<hr/>					
From continuing and discontinued operations		0.41	0.76	0.82	1.63
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The notes on pages 28 to 46 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Profit for the period	13,707	22,220	27,145	46,631
Other comprehensive income:				
Translation differences				
– on translation of financial statements of overseas subsidiaries	(365)	6,338	(4,905)	8,296
– on translation of financial statements of overseas associates	(19)	578	(138)	756
– reclassification of translation reserve included in gain on deemed disposal of an overseas associated company	–	(1,118)	–	(1,118)
Fair value changes on available-for-sale equity investments	14,800	(1,000)	13,400	–
Tax effect relating to changes in fair value of available-for-sale equity investments	(1,480)	100	(1,340)	–
Other comprehensive income for the period, net of tax	12,936	4,898	7,017	7,934
Total comprehensive income for the period	26,643	27,118	34,162	54,565
Total comprehensive income attributable to:				
Owners of the Company	24,054	24,587	29,531	50,567
Non-controlling interests	2,589	2,531	4,631	3,998
	26,643	27,118	34,162	54,565
Total comprehensive income attributable to owners of the Company arising from:				
Continuing operations	24,054	24,653	29,531	31,878
Discontinued operations	–	(66)	–	18,689
	24,054	24,587	29,531	50,567

The notes on pages 28 to 46 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2014	2013
		(unaudited)	(audited)
	Note	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	14	442,056	435,844
Prepaid lease payments	15	100,707	102,410
Goodwill		33,000	33,000
Interest in an associate		14,737	14,348
Available-for-sale equity investments	16	81,580	67,820
		672,080	653,422
Current assets			
Inventories		2,121	1,736
Trade and bills receivables	17	53,205	54,074
Prepayments, deposits and other receivables		12,059	12,684
Dividend receivables		3,962	–
Prepaid lease payments	15	2,846	2,719
Cash and cash equivalents		122,530	109,827
		196,723	181,040
Current liabilities			
Interest-bearing bank borrowings	18	53,463	54,007
Trade payables	19	2,399	1,456
Accrued liabilities and other payables		74,812	92,128
Deposits received from customers		3,602	2,458
Deferred government grants		455	278
Income tax payable		4,303	3,636
		139,034	153,963
Net current assets		57,689	27,077
Total assets less current liabilities		729,769	680,499

The notes on pages 28 to 46 are an integral part of these condensed consolidated financial statements.

		30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
	Note		
Non-current liabilities			
Interest-bearing bank borrowings	18	1,260	—
Other borrowings	20	49,000	40,000
Deferred government grants		4,520	7,305
Deferred tax liabilities		26,005	24,937
		80,785	72,242
Net assets			
		648,984	608,257
Capital and reserves			
Share capital	21	26,557	26,557
Reserves		552,680	523,149
Equity attributable to owners of the Company		579,237	549,706
Non-controlling interests		69,747	58,551
Total equity			
		648,984	608,257

The notes on pages 28 to 46 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

The unaudited condensed consolidated statement of changes in equity set out the movement of reserves of the Company as follows:

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000			
At 1 January 2013	26,557	305,084	28,231	3,790	4,185	12,156	108,620	488,623	22,483	511,106
Change in equity for the 6 months ended 30 June 2013										
Profit for the period	-	-	-	-	-	-	43,170	43,170	3,461	46,631
Other comprehensive income	-	-	7,397	-	-	-	-	7,397	537	7,934
Total comprehensive income	-	-	7,397	-	-	-	43,170	50,567	3,998	54,565
At 30 June 2013 (unaudited)	26,557	305,084	35,628	3,790	4,185	12,156	151,790	539,190	26,481	565,671
At 1 January 2014	26,557	305,084	41,305	5,050	4,795	16,718	150,197	549,706	58,551	608,257
Change in equity for the 6 months ended 30 June 2014										
Profit for the period	-	-	-	-	-	-	21,888	21,888	5,257	27,145
Other comprehensive income	-	-	(4,417)	12,060	-	-	-	7,643	(626)	7,017
Total comprehensive income	-	-	(4,417)	12,060	-	-	21,888	29,531	4,631	34,162
Contribution from non-controlling shareholder	-	-	-	-	-	-	-	-	6,565	6,565
At 30 June 2014 (unaudited)	26,557	305,084	36,888	17,110	4,795	16,718	172,085	579,237	69,747	648,984

The notes on pages 28 to 46 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Operating activities		
Net cash generated from operating activities	21,597	16,972
Investing activities		
– Capital contribution to available-for-sale equity investments	(360)	(237)
– Receipt of consideration balance in relation to the disposal of subsidiaries in prior year	–	6,277
– Proceeds from disposal of available-for-sale equity investments	–	1,943
– Payments for purchases of property, plant and equipment	(24,525)	(17,584)
– Proceeds from disposal of property, plant and equipment	–	1
– Receipt of government grants	380	3,271
– Net cash inflows from disposal of assets classified as held for sale	–	19,239
Net cash (used in)/generated from investing activities	(24,505)	12,910
Financing activities		
– Dividends paid to non-controlling interests	–	(1,344)
– Proceeds from bank borrowings	14,660	–
– Repayment of interest-bearing bank borrowings	(13,944)	(31,319)
– Proceeds from other borrowings	9,000	–
– Proceeds of borrowings from a related company	–	5,000
– Repayment of borrowings to a related company	–	(5,000)
– Repayment of borrowings to ultimate holding company	–	(13,973)
– Capital contribution from non-controlling shareholder	6,565	–
Net cash generated from/(used in) financing activities	16,281	(46,636)
Net increase/(decrease) in cash and cash equivalents	13,373	(16,754)
Cash and cash equivalents at 1 January	109,827	111,212
Effect of foreign exchange rate changes	(670)	683
Cash and cash equivalents at 30 June	122,530	95,141

The notes on pages 28 to 46 are an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. General Information

- (a) New Universe International Group Limited was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The immediate and ultimate holding company of the Company is New Universe Enterprises Limited (“NUEL”), which is a limited liability company incorporated in the British Virgin Islands.
- (c) These unaudited condensed 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 (“PRC”) is Renminbi (“RMB”). As the Company’s shares are listed in Hong Kong, the Directors of the Company consider that it is more appropriate to present the financial statements in HK\$, that most of its investors are located in Hong Kong.
- (d) The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as follows:
 - (i) environmental treatment of industrial and medical wastes;
 - (ii) environmental plating sewage treatment services and provision of facilities in an eco-plating specialised zone; and
 - (iii) investments in plastic materials dyeing operations.

2. Basis of preparation

These condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”).

The condensed consolidated financial statement should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

This interim financial report is unaudited, but has been reviewed by Crowe Horwath (HK) CPA Limited 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 HKICPA.

3. Principal accounting policies

These condensed consolidated financial statements have been prepared on the historical cost basis except for certain available-for-sale equity investments, which are stated at fair values. The accounting policies used in these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, all the new and revised HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities
- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting
- HK(IFRIC) 21, Levies

The application of these new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. Segment information

(a) Segment revenue, results, assets and liabilities

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

Continuing operations

For the six months ended 30 June 2014 (unaudited)

	Operating segments			Total HK\$'000		
	Environmental waste treatment services HK\$'000	Industrial waste treatment and facility rental services HK\$'000	Plastic dyeing investments HK\$'000			
	Revenue from external customers	86,135	37,244		–	123,379
	Other revenue	68	–		4,352	4,420
Reportable segment revenue	86,203	37,244	4,352	127,799		
Reportable segment results	29,360	4,208	3,946	37,514		
Other net income	2,710	218	–	2,928		
Interest income	424	146	–	570		
Interest expenses	604	843	–	1,447		
Depreciation	7,614	6,122	–	13,736		
Amortisation	303	982	–	1,285		
Reportable segment assets	357,676	373,512	85,061	816,249		
Additions to non-current segment assets	19,049	5,435	–	24,484		
Reportable segment liabilities	85,432	110,058	1,790	197,280		

Continuing operations

For the six months ended 30 June 2013 (unaudited)

	Operating segments			Total HK\$'000
	Environmental waste treatment services HK\$'000	Industrial waste treatment and facility rental services HK\$'000	Plastic dyeing investments HK\$'000	
Revenue from external customers	56,320	27,938	–	84,258
Other revenue	90	12	4,485	4,587
Reportable segment revenue	56,410	27,950	4,485	88,845
Reportable segment results	24,703	4,261	10,420	39,384
Other net income	–	291	–	291
Interest income	519	128	–	647
Interest expenses	984	672	–	1,656
Depreciation	4,751	5,061	–	9,812
Amortisation	230	977	–	1,207
Reportable segment assets	292,530	370,012	70,381	732,923
Additions to non-current segment assets	8,473	8,626	–	17,099
Reportable segment liabilities	73,750	111,438	310	185,498

(b) Reconciliation of reportable segment revenue and results

	Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Continuing operations		
Revenue		
Consolidated Revenue	123,379	84,258
Elimination of inter-segment revenue	–	–
Other revenue	4,420	4,587
Reportable segment revenue	127,799	88,845
Continuing operations		
Profit		
Reportable segment profit	37,514	39,384
Unallocated head office and corporate expenses	(1,186)	(4,101)
Consolidated profit before taxation	36,328	35,283

(c) Reconciliation of reportable segment assets and liabilities

	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
Assets		
Reportable segment assets	816,249	782,887
Unallocated head office and corporate assets	52,554	51,575
	<hr/>	
Consolidated total assets	868,803	834,462
Liabilities		
Reportable segment liabilities	197,280	200,043
Unallocated head office and corporate liabilities	22,539	26,162
	<hr/>	
Consolidated total liabilities	219,819	226,205

(d) Geographical information

Reportable segment revenue of the Group based on geographical location of customers is analysed as follows:

	Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Continuing operations		
Hong Kong	–	–
Mainland China	127,799	88,845
	<hr/>	
	127,799	88,845

5. Revenue

	Three months ended 30 June		Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Continuing operations				
Environmental waste treatment service income	42,743	31,565	86,135	56,320
Industrial sewage treatment and facility rental services income	20,048	14,770	37,244	27,938
	62,791	46,335	123,379	84,258

6. Seasonality of operations

The environmental waste treatment services are subject to seasonal fluctuation, with peak demand in the third and fourth quarters of a year.

For the financial year ended 31 December 2013, the environment waste treatment services reported revenue of HK\$131,623,000 (2012: HK\$110,487,000), and pre-tax profit of HK\$49,888,000 (2012: HK\$41,784,000) with approximately 42.8% (2012: 37.7%) of revenue accumulated in the first half of the year, with approximately 57.2% (2012: 62.3%) accumulating in the second half of the year.

For the 12 months ended 30 June 2014, the environment waste treatment services reported revenue of HK\$161,438,000 (12 months ended 30 June 2013: HK\$125,153,000), and pre-tax profit of HK\$54,545,000 (12 months ended 30 June 2013: HK\$50,340,000).

7. Other revenue

	Three months ended 30 June		Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Continuing operations				
Dividend income from available-for-sale equity investments	4,352	4,485	4,352	4,485
Scrap sales	3	47	68	102
	4,355	4,532	4,420	4,587

8. Other net income

	Three months ended 30 June		Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Continuing operations				
Net gain on de-registration of subsidiaries (note)	–	–	3,636	–
Government environmental subsidies	–	–	2,710	–
Governmental grant	111	69	218	136
Sundry	–	123	–	199
	111	192	6,564	335

Note:

Legal and professional fees previously accrued by three investment holding subsidiaries were reversed before they were being dissolved and de-registered.

9. Finance costs, net

	Three months ended 30 June		Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Continuing operations				
Interest expenses on:				
Bank borrowings wholly repayable within 5 years	450	718	860	1,581
Borrowings from ultimate holding company wholly repayable within 5 years	–	101	–	264
Other borrowings wholly repayable within 5 years	313	75	587	75
Total finance costs	763	894	1,447	1,920
Finance income from:				
Interest income on short-term bank deposits	473	288	880	647
Net foreign exchange loss on financing activities	(161)	(53)	(175)	(100)
Total finance income	312	235	705	547
Net finance costs	451	659	742	1,373

10. Income tax

(a) Income tax in the condensed consolidated income statement represents:

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Current tax:				
Hong Kong Profits Tax	-	-	-	-
PRC Income Tax	3,814	4,595	9,456	7,461
Over-provision in prior periods	-	(163)	-	(163)
	3,814	4,432	9,456	7,298
Deferred tax	(137)	(136)	(273)	(272)
	3,677	4,296	9,183	7,026

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.

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax was made, as the Group had no assessable profits arising in Hong Kong for the period.

The subsidiaries of the Company in the PRC are subject to the PRC enterprise income tax at a rate of 25% (2013: 25%).

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

	Six months ended 30 June	
	2014	2013
	(unaudited) HK\$'000	(unaudited) HK\$'000
Continuing operations		
Profit before taxation	36,328	35,283
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	6,877	8,255
Tax effect of expenses not deductible for tax purpose	1,863	633
Tax effect of income not taxable for tax purpose	(1,228)	(2,579)
Tax effect of tax losses not recognised	1,944	1,276
Tax effect of tax losses utilised	–	(124)
Over provision in relation to prior years	–	(163)
Tax effect of temporary differences recognised	(273)	(272)
Income tax for the period	9,183	7,026

11. Profit for the period

Profit for the period was arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Continuing operations				
Cost of sales (note)	34,534	21,972	65,594	41,103
Depreciation of property, plant and equipment	7,030	4,978	13,808	9,821
Amortisation of land lease prepayments	643	605	1,285	1,207
Operating lease charges for minimum lease payments				
– Land and buildings in Hong Kong	84	72	168	144
– Landfill in PRC	37	37	44	44

Note:

Included in cost of sales were raw materials consumed of HK\$11,694,000 (2013: HK\$4,823,000), staff costs of HK\$9,628,000 (2013: HK\$6,220,000) and depreciation of HK\$12,118,000 (2013: HK\$8,557,000), and of which depreciation was included in the respective total amounts disclosed above.

12. 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\$21,888,000 for the six months ended 30 June 2014 (2013: HK\$43,170,000) and the weighted average number of 2,655,697,018 (2013: 2,655,697,018) ordinary shares of the Company in issue during the period.

(a) Profit attributable to owners of the Company:

	Three months ended 30 June		Six months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
From continuing operations	11,070	20,288	21,888	24,796
From discontinued operations	–	(172)	–	18,374
<hr/>				
Earnings for the purpose of basic and diluted earnings per share	11,070	20,116	21,888	43,170

(b) Weighted average number of ordinary shares:

	Three months ended 30 June		Six months ended 30 June	
	2014 (unaudited)	2013 (unaudited)	2014 (unaudited)	2013 (unaudited)
Total number of ordinary shares in issue at the end of the period	2,655,697,018	2,655,697,018	2,655,697,018	2,655,697,018
<hr/>				
Weighted average number of ordinary shares in issue during the period	2,655,697,018	2,655,697,018	2,655,697,018	2,655,697,018

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

13. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

Final dividend at HK\$0.0046 per share of approximately HK\$12,216,000 in respect of the financial year ended 31 December 2013 approved by the shareholders of the Company on 5 May 2014 was paid on 31 July 2014.

14. Property, plant and equipment

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

	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
Carrying amount at 1 January	435,844	342,740
Additions	24,525	31,730
Acquisition of a subsidiary	–	71,796
Disposals	(464)	(1,879)
Depreciation		
– charge for the period in relation to continuing operations	(13,808)	(21,654)
– eliminated on disposals in relation to continuing operations	–	1,795
Exchange adjustments	(4,041)	11,316
Carrying amount at the end of reporting period	442,056	435,844

As at 30 June 2014, certain property, plant and equipment of the Group with an aggregate carrying amount of approximately HK\$48,813,000 (31 December 2013: HK\$51,413,000) had been pledged to secure banking facilities granted to the Group.

15. Prepaid lease payments

Movements in prepaid lease payments are analysed as follows:

	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
Carrying amount at 1 January	105,129	99,817
Acquisition of a subsidiary	–	6,947
Amortisation	(1,285)	(2,465)
Exchange adjustments	(291)	830
Carrying amount at the end of reporting period	103,553	105,129
	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
Carrying amount analysed for reporting purposes as:		
Current assets	2,846	2,719
Non-current assets	100,707	102,410
	103,553	105,129
	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
Carrying amount analysed for expiry of lease terms as:		
Remaining lease periods of over 50 years	–	–
Remaining lease periods between 10 to 50 years	103,553	105,129
	103,553	105,129

Prepaid lease payments represents interests of the Group in land use rights held in the Jiangsu Province, PRC.

As at 30 June 2014, certain land use rights of the Group with an aggregate carrying amount of approximately HK\$17,317,000 (31 December 2013: HK\$10,604,000) had been pledged to secure banking facilities granted to the Group.

16. Available-for-sale equity investments

	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
Unlisted equity investments at fair value (note 23)	80,900	67,500
Unlisted equity investments at cost less impairment	680	320
	81,580	67,820
	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
Carrying amount at 1 January	67,820	55,026
Additions	360	237
Transfer from interests in associates	–	13,100
Disposals	–	(1,943)
Net fair value change transfer to equity through statement of other comprehensive income	13,400	1,400
Carrying amount at the end of reporting period	81,580	67,820

The unlisted available-for-sale equity investments carried at fair value with carrying amount of HK\$80,900,000 as at 30 June 2014 (31 December 2013: HK\$67,500,000) represent investments in plastic materials dyeing manufacturing business in Mainland China. At 30 June 2014, the fair values of these unlisted equity investments at the end of the reporting date are determined by reference to the valuation carried out by Cushman & Wakefield, an independent firm of professional valuers (2013: by Cushman & Wakefield), using a market approach model based on the observable market data of the multiple of enterprise value to earnings before interest and tax ("EV/EBIT") of comparable listed companies in the same industry, after having taken into account the discount on marketability of these unlisted investments. For the 6 months ended 30 June 2014, a net fair value gain of HK\$13,400,000 (6 months ended 30 June 2013: Nil) was recognised directly in the investment revaluation reserve.

The unlisted available-for-sale equity investment measured at cost with carrying amount of HK\$680,000 as at 30 June 2014 (31 December 2013: HK\$320,000) represents investment in the development of environmental waste treatment related business in Mainland China. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant. In the opinion of the Directors of the Company, the fair value cannot be measured reliably. At 30 June 2014, the Directors of the Company considered that there was no impairment on the investment.

17. Trade and bills receivables

	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
Trade receivables	50,620	52,255
Less: allowance for impairment of trade receivables	–	–
	50,620	52,255
Bills receivable	2,585	1,819
	53,205	54,074

(a) Aging analysis

The ageing analysis of trade and bills receivables (net of allowance for doubtful debts) as of the end of the reporting period based on the invoice date is presented as follows:

	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
0 to 30 days	18,738	24,796
31 to 60 days	12,122	7,995
61 to 90 days	4,610	4,807
91 to 180 days	6,313	9,731
181 to 360 days	11,422	6,745
Over 360 days	–	–
	53,205	54,074

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 waste treatment and industrial sewage treatment services, and an extended average credit period of 180 days to the customers of regulated medical treatment which are hospitals and medical clinics. Debtors with balances that are more than 12 months past due are requested to settle all outstanding balances before any further credit is granted.

(b) Analysis of trade receivables not being impaired

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery amount is remote, in which case the impairment loss is written off against trade receivables directly. The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
Neither past due nor impaired	30,860	32,791
Less than 30 days past due	4,610	4,807
More than 30 days but less than 90 days past due	6,313	9,731
More than 90 days but less than 360 days past due	11,422	6,745
	53,205	54,074

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

18. Interest-bearing bank borrowings

As at 30 June 2014, interest-bearing bank borrowings were repayable as follows:

	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
Current liabilities		
Within 1 year or on demand	53,463	54,007
Non-current liabilities		
Between 1 year and 2 years	–	–
Between 2 years and 5 years	1,260	–
Over 5 years	–	–
	1,260	–
	54,723	54,007

19. Trade payables

The ageing analysis of trade payables as of the end of the reporting period based on the invoice date is presented as follows:

	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
0 to 30 days	2,169	1,188
31 to 60 days	110	129
61 to 90 days	48	82
Over 90 days	72	57
	2,399	1,456

20. Other borrowings

Other borrowings represented unsecured loans from an independent third party, bearing interest ranging from 2.5% to 3.0% per annum and repayable after 18 to 22 months after date of the drawdown of the loans.

21. Share capital

	Number of shares		Share capital	
	30 June 2014 (unaudited) '000	31 December 2013 (audited) '000	30 June 2014 (unaudited) HK\$'000	31 December 2013 (audited) HK\$'000
Authorised				
Ordinary shares of HK\$0.01 each	100,000,000	100,000,000	1,000,000	1,000,000
Issued and fully paid				
At 1 January and at the end of the reporting period	2,655,697	2,655,697	26,557	26,557

22. Related party transactions

(a) List of related parties

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

Name of related party	Relationship
New Universe Enterprises Limited (therein referred to as "NUEL")	Ultimate holding company of the Company; Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors
New Universe Holdings Limited (therein referred to as "NUHL")	Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors
Sun Ngai International Investment Limited (therein referred to as "Sun Ngai")	100% owned subsidiary of NUHL; Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors

(b) Transactions with related parties:

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Continuing operations		
Recurring transactions: –		
Rental paid		
– Sun Ngai	168	144
Non-recurring transactions: –		
Interest paid/payable to		
– NUEL	–	264

(c) Guarantees

- (i) As at 30 June 2014, the Group's bank borrowings of HK\$50,313,000 (31 December 2013: HK\$47,011,000) were secured by personal guarantee provided by Mr. XI Yu, the chairman and executive Director of the Company.
- (ii) As at 30 June 2014, the Group's bank borrowings of HK\$9,100,000 (31 December 2013: HK\$10,500,000) were secured by personal guarantee provided by Ms. CHEUNG Siu Ling, the executive Director of the Company.
- (iii) As at 30 June 2014, the Group's bank borrowings of HK\$9,100,000 (31 December 2013: HK\$10,500,000) were secured by personal guarantee provided by Mr. SUEN Ki, the non-executive Director of the Company.

(d) Key management personnel remuneration:

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Continuing operations		
Salaries and other benefits	3,100	2,372
Discretionary bonuses	–	–
Retirement scheme contributions	37	36

23. Fair value measurement of financial instruments

(a) Financial assets measured at fair value

	Categorisation as at 30 June 2014 (unaudited)			
	Fair value at 30 June 2014 HK\$'000	Quoted prices	Significant	Significant
		in active	other	unobservable
		market for identical assets (Level 1) HK\$'000	observable inputs (Level 2) HK\$'000	inputs (Level 3) HK\$'000
Recurring fair value measurement Available-for-sale equity investments – unlisted	80,900	–	–	80,900

	Categorisation as at 31 December 2013 (audited)			
	Fair value at 31 December 2013 HK\$'000	Quoted prices	Significant	Significant
		in active	other	unobservable
		market for identical assets (Level 1) HK\$'000	observable inputs (Level 2) HK\$'000	inputs (Level 3) HK\$'000
Recurring fair value measurement Available-for-sale equity investments – unlisted	67,500	–	–	67,500

During the 6 months ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 (2013: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Marketability discount	
			30 June 2014	31 December 2013
Available-for-sale equity investments – unlisted	Market comparable companies	Discount for lack of marketability	16%	16%