

# NEW UNIVERSE ENVIRONMENTAL GROUP LIMITED

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



Interim Report 2017





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## CORPORATE INFORMATION

### PLACE OF INCORPORATION

Cayman Islands

### BOARD OF DIRECTORS

Executive Directors

Mr. XI Yu (*Chairman*)<sup>1</sup>

Mr. SONG Yu Qing (*CEO*)<sup>1</sup>

Ms. CHEUNG Siu Ling<sup>1</sup>

Mr. LIAO Feng<sup>1</sup>

Ms. LIU Yu Jie<sup>1</sup>

Mr. HON Wa Fai<sup>1</sup>

Independent Non-Executive Directors

Dr. CHAN Yan Cheong<sup>2,3,4,5</sup>

Mr. YUEN Kim Hung, Michael<sup>2,3,4,6</sup>

Mr. HO Yau Hong, Alfred<sup>2,3,4,7</sup>

<sup>1</sup> Member of Executive Committee

<sup>2</sup> Member of Audit Committee

<sup>3</sup> Member of Nomination Committee

<sup>4</sup> Member of Remuneration Committee

<sup>5</sup> Chairman of Audit Committee

<sup>6</sup> Chairman of Nomination Committee

<sup>7</sup> Chairman of Remuneration Committee

### AUTHORISED REPRESENTATIVES

Ms. CHEUNG Siu Ling

Mr. HON Wa Fai

### COMPLIANCE OFFICER

Ms. CHEUNG Siu Ling

### COMPANY SECRETARY

Mr. HON Wa Fai

### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### HEAD OFFICE AND

### PRINCIPAL PLACE OF BUSINESS

Rooms 2110-2112

Telford House

16 Wang Hoi Road

Kowloon Bay

Kowloon

Hong Kong

### SHARE REGISTRAR AND TRANSFER OFFICES

Principal

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 Cayman Islands Laws

Conyers Dill & Pearman (Cayman) Limited

As to Hong Kong Laws

Troutman Sanders

As to China Laws

Beijing Sinobridge PRC Lawyers

### FINANCIAL ADVISERS

OCTAL Capital Limited

### INDEPENDENT AUDITOR

Crowe Horwath (HK) CPA Limited

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking

Corporation Limited

Bank of Communication, Hong Kong Branch

Cathay Bank, Hong Kong Branch

Standard Chartered Bank (Hong Kong) Limited

### LISTING INFORMATION

Shares

The issued shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

Stock Code

00436

Board Lot

20,000 shares

### WEBSITE

[www.nuigl.com](http://www.nuigl.com)

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2017 increased by 6.4% to HK\$167,550,000 compared to HK\$157,440,000 for the corresponding period in 2016.
- Net profit for the six months ended 30 June 2017 increased by 6.4% to HK\$58,907,000 compared to HK\$55,357,000 for the corresponding period in 2016.
- Profit attributable to owners of the Company for the six months ended 30 June 2017 increased by 10.2% to HK\$46,840,000 compared to HK\$42,490,000 for the corresponding period in 2016.
- Total earnings per share attributable to owners of the Company for the six months ended 30 June 2017 were HK cents 1.57 compared to HK cents 1.44 for the corresponding period in 2016.
- Equity attributable to owners of the Company was approximately HK\$818,768,000 at 30 June 2017 compared to HK\$687,285,000 at 31 December 2016.
- Cash and cash equivalents of the Group was approximately HK\$173,390,000 at 30 June 2017 compared to HK\$171,589,000 at 31 December 2016.
- The Board resolved not to declare a dividend for the six months ended 30 June 2017.

## BUSINESS REVIEW

### Environmental Industrial and Medical Waste Integrated Treatment Services

For the six months ended 30 June 2017, the Group collected for treatment in aggregate of approximately 20,906 metric tons (2016: 16,312 metric tons) of hazardous industrial waste, 3,470 metric tons (2016: 3,047 metric tons) of regulated medical waste, and 856 metric tons (2016: 952 metric tons) of general industrial waste from various cities of Jiangsu Province, the People's Republic of China (the "PRC"). For the six months ended 30 June 2017, the total revenue of the Group's operations of providing environmental treatment of industrial and medical waste services was approximately HK\$120,561,000 (2016: HK\$109,250,000) of which the revenue from treatment of hazardous industrial waste, medical waste and general industrial waste were HK\$105,069,000, HK\$14,706,000 and HK\$786,000 (2016: HK\$92,904,000, HK\$15,614,000 and HK\$732,000) respectively.

For the six months ended 30 June 2017, the profit margin (pre-tax) of the Group's environmental treatment of industrial and medical waste services was approximately 49.8% (2016: 47.7%).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	Note	Annualised capacity	
		30 June 2017 metric tons	31 December 2016 metric tons
Licensed hazardous waste incineration facilities	(i)	35,400	45,200
Licensed hazardous waste landfill facilities		18,000	18,000
Licensed epidemic medical waste detoxification treatment facilities	(ii)	5,860	–
Licensed epidemic medical waste incineration facilities	(iii)	6,000	8,000
<b>Total licensed treatment and disposal facilities</b>		<b>65,260</b>	<b>71,200</b>
Constructed hazardous waste incineration facilities pending operating permission licence	(iv)	39,800	–
Constructed medical waste treatment facilities pending operating permission licence		–	5,940
<b>Total constructed treatment and disposal facilities and pending licences</b>		<b>39,800</b>	<b>5,940</b>
New incineration facilities under construction		72,600	72,600
New incineration facilities planned to start construction within one year		–	33,000
<b>New facilities under construction or to be constructed</b>		<b>72,600</b>	<b>105,600</b>

Notes:

- (i) The constructed incineration facilities located at Xiangshui County, Yancheng, Jiangsu Province, the PRC have been temporarily stopped for technical repairs and maintenance as at 30 June 2017 as required for the new hazardous waste operating permission licence to be granted.
- (ii) The epidemic waste operating permission licences for the constructed detoxification facilities located in Zhenjiang and Taizhou, Jiangsu Province, the PRC were granted during the six months ended 30 June 2017.
- (iii) Certain incineration facilities previously dedicated to handle epidemic medical waste have ceased during the six months ended 30 June 2017.
- (iv) Subsequent to the end of the reporting period, the incineration facilities newly constructed at Dafeng District, Yancheng, Jiangsu Province, China have been granted the hazardous waste operating permission licence for an annual incineration capacity of 30,000 metric tons on 28 July 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

For the six months ended 30 June 2017, the total revenue of the Group's operations of providing environmental treatment of industrial sewage and sludge and providing facilities to the manufacturers in the eco-plating specialised industrial zone (the "Eco-plating Specialised Zone") was approximately HK\$46,989,000 (2016: HK\$48,190,000) and the profit margin (pre-tax) was approximately 13.1% (2016: 14.2%).

As at 30 June 2017, the Group's operations in the Eco-plating Specialised Zone were summarised as follows:

	For the six months ended 30 June	
	2017	2016
Total gross floor area of factory buildings and facilities built (square metres)	<b>106,605</b>	106,605
Average utilisation rate of factory buildings and facilities	<b>84.9%</b>	88.4%
Plating sewage handled by the centralised sewage treatment plant during the reporting period (metric tons)	<b>310,000</b>	296,000
Average utilisation rate of sewage treatment capacity	<b>37.6%</b>	35.9%

### Strategic Investments in Plastic Materials Dyeing Operations

The Group holds the equity interests in the three manufacturing entities that principally engaged in plastic materials dyeing business in the PRC as strategic equity investments. For the six months ended 30 June 2017, the profit margins (pre-tax) of Suzhou New Huamei Plastics Company Limited ("Suzhou New Huamei"), Danyang New Huamei Plastics Company Limited ("Danyang New Huamei") and Qingdao Zhongxin Huamei Plastics Company Limited ("Qingdao Huamei") were 3.0%, 2.3% and 3.3% (2016: 1.5%, 1.7% and 5.0%) respectively.

The board meetings of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei have been held in early June 2017 to review the respective annual results of 2016, and the final dividends declared by the boards that attributable to the Group (before PRC dividend tax) were totally amounted to approximately HK\$3,520,000 (2016: HK\$4,199,000).

### Completion of the Acquisitions

On 30 November 2016 and 18 January 2017, a memorandum of understanding ("MOU") and a supplemental MOU were respectively entered into by the Company in relation to the proposed acquisition of the entire equity interests in Ever Champ (China) Limited ("ECCL") and the shareholders' loan to ECCL (if any), which ECCL was indirectly wholly-owned by Sinotech Investments Limited ("SIL"). Mr. CHAN Son Neng was the ultimate beneficial owner of the entire interests in SIL and ECCL.

## MANAGEMENT DISCUSSION AND ANALYSIS

On 31 March 2017, the Board announced that the wholly-owned subsidiary of the Company, New Universe International Holdings Limited as the purchaser (“Purchaser”) entered into a sale and purchase agreement with SIL as the vendor (“Vendor”), pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell (i) the 100% equity interest in the issued share capital of Fair Industry Waste Recyclables Limited 信榮工業廢物再生利用有限公司 (together with its subsidiary, the “FIWRL Group”) and the entire interest of the outstanding interest-free unsecured shareholder’s loan (“FIWRL Group”) at a total consideration HK\$42,300,001; (ii) the 100% equity interest in the issued share capital of ECCL (together with its associate, the “ECCL Group”) and the entire interest of the outstanding interest-free unsecured shareholder’s loan at a total consideration of HK\$148,000,001; and (iii) the 100% equity interest in the issued share capital of Fair International Investment Enterprise Limited 信榮國際投資企業有限公司 (together with its subsidiary, the “FIIEL Group”) and the entire interest of the outstanding interest-free unsecured shareholder’s loan (“FIIEL Sale Loan”), at a total consideration of HK\$27,500,001 (the “Acquisitions”). The aggregate consideration for the Acquisitions was HK\$217,800,003, of which HK\$153,800,003 shall be settled in cash and the balance of HK\$64,000,000 shall be settled by the issue of 80,000,000 new shares of the Company. The Acquisitions were completed on 21 April 2017.

It is expected that (i) the acquisition of the FIWRL Group will enable the Group to set up a base for the development of its environmental related construction and engineering consultancy services in the PRC; (ii) the acquisition of the ECCL Group will enable the Group to further expand its environmental waste treatment services in Nanjing, the capital city of Jiangsu Province, the PRC; and (iii) the acquisition of the FIIEL Group will enable the Group to further expand its environmental waste treatment services in the Taizhou City, Jiangsu Province, the PRC. As such, the Directors are of the opinion that the Acquisitions are in line with the corporate strategy of the Group which includes expansion of the environmental operations in Jiangsu Province and provides an opportunity for the Company to further broaden its business scope into environmental operations.

### Outlook

As at 30 June 2017, the Group owned 7 (2016: 6) major sites in the PRC engaged in providing hazardous waste treatment services, and also owns an industrial park, the Eco-plating Specialised Zone in Jiangsu Province, the PRC. The combined licensed capacity of the Group for the collection, storage and treatment of hazardous industrial waste in the PRC is the key driver for the performance of the Company. As at 30 June 2017, the aggregate licensed capacity of the Group for hazardous waste treatment and disposal in the PRC was approximately 65,260 metric tons per annum (31 December 2016: 71,200 metric tons per annum), which has been increased to approximately 95,260 metric tons per annum subsequent to the end of the reporting period. It is expected that the existing facilities in operation and the facilities to be completed for operation shall bring stable returns to the Group in the foreseeable future. The Group will continue to focus on environmental related business and will continue to enhance the waste management and treatment standards. The Group will also strengthen the risk management and internal control on all project development. The Directors would keep on seeking for the right opportunities for business restructuring and industrial upgrade to improve the overall sustainable profitability. Barring any unforeseeable risks from the global and local economies that might affect the Group’s environmental operations in the PRC, the Group expects that profit growth will sustain in the current year.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The changes in unaudited consolidated financial information of the Group's for the six months ended 30 June 2017 as comparing to the unaudited figures for the corresponding period in 2016 are summarised as follows:

(Expressed in HK\$'000 unless indicated otherwise)	Note	For the six months ended 30 June		Change%
		2017	2016	
Revenue from environmental treatment of industrial and medical waste	(a)(i)	<b>120,561</b>	109,250	+10.4
Revenue from environmental industrial sewage treatment and facility services	(a)(ii)	<b>46,989</b>	48,190	-2.5
<b>Total Revenue</b>	(a)	<b>167,550</b>	157,440	+6.4
Average gross profit margin (in percentage)	(b)	<b>44.1</b>	49.0	-10.0
Other revenue	(c)	<b>3,701</b>	4,608	-19.7
Other net income	(d)	<b>11,052</b>	7,224	+53.0
Distribution and selling expenses	(e)	<b>2,705</b>	4,546	-40.5
Administrative expenses	(f)	<b>20,950</b>	21,164	-1.0
Other operating expenses	(g)	<b>9,768</b>	7,760	+25.9
Finance income	(h)	<b>(10)</b>	316	N/A
Finance costs	(i)	<b>3,530</b>	1,984	+77.9
Share of net profit of associates	(j)	<b>6,256</b>	1,837	+240.6
Income tax	(k)	<b>6,310</b>	347	+1,718.4
Net profit for the period	(l)	<b>58,907</b>	55,357	+6.4
Profit attributable to owners of the Company	(l)	<b>46,840</b>	42,490	+10.2
Basic and diluted EPS (HK cents)	(l)	<b>1.57</b>	1.44	+9.0
EBITDA	(m)	<b>89,266</b>	76,305	+17.0



## MANAGEMENT DISCUSSION AND ANALYSIS

### Notes:

- (a) Net increase in total revenue for the six months ended 30 June 2017 was mainly attributable to:
  - (i) Net increase in revenue from the environmental treatment of industrial and medical waste services was mainly attributable to increase in quantities of hazardous industrial waste collected for innocuity treatment and disposal in the current period.
  - (ii) Net decrease in revenue from environmental treatment of industrial sewage and sludge and providing related facility services in the Eco-plating Specialised Zone was mainly attributable to certain clients having been ordered by governmental directives to move out of the zone during the current period owing to unresolved persistent contamination issues.
- (b) Decrease in gross profit margin of the Group for the six months ended 30 June 2017 was mainly attributable to the increase in cost for landfill of incinerated waste residues and the effect of value-added tax being levied on revenue in the current period.
- (c) Net decrease in other revenue for the six months ended 30 June 2017 was mainly attributable to the decrease in dividends distributable by the long-term equity investments in the current period.
- (d) Net increase in other net income for the six months ended 30 June 2017 was mainly attributable to the net increase in refunds of value-added tax under tax preferential policy in relation to environmental related operations in PRC and net increase in governmental subsidies.
- (e) Net decrease in distribution and selling expenses for the six months ended 30 June 2017 was mainly attributable to decrease in marketing incentive expenses in the current period.
- (f) Net decrease in administrative expenses for the six months ended 30 June 2017 was mainly attributable to decrease in incentive payments of PRC subsidiaries in current period.
- (g) Net increase in other operating expenses for the six months ended 30 June 2017 was mainly attributable to increase in professional fees incurred for the Acquisitions of subsidiaries and the amortisation charged on land use rights newly acquired in the current period.
- (h) Net decrease in finance income for the six months ended 30 June 2017 was mainly attributable to increase in exchange losses arisen on financing activities in the current period.
- (i) Net increase in finance costs for the six months ended 30 June 2017 was mainly attributable to increase in bank borrowings and interest on consideration payable for acquisition of subsidiaries in the current period.
- (j) Net increase in profit shared from associates for the six months ended 30 June 2017 was mainly attributable to the profits shared from the newly acquired associate in the current period.
- (k) Net increase in income tax for the six months ended 30 June 2017 was mainly attributable to the reversal of tax overprovision recorded in last corresponding period and there was no significant reversal in the current period.

## MANAGEMENT DISCUSSION AND ANALYSIS

- (l) For the six months ended 30 June 2017, net increase in profit and increase in profit attributable to owners of the Company and increase in earnings per share (“EPS”) were mainly attributable to:
- (i) increase in revenue from the operating segment of environmental waste treatment services;
  - (ii) the gain on bargain purchase arisen from the acquisition of subsidiaries being completed in the current period; and
  - (iii) the profits shared from the newly acquired associate in the current period.
- (m) The Company uses earnings before interest, tax, depreciation and amortisation (“EBITDA”) to measure the operation result of the Group, which represents the consolidated profit before taxation plus adding back net finance costs, depreciation and amortisation charges over the reporting period. Increase in EBITDA for the six months ended 30 June 2017 was mainly attributable to increase in net profit of the Group in current period.

## Seasonality of operations

For the years ended 31 December 2016 and 2015, operation of providing environment hazardous waste treatment services has encountered a relatively higher demand of treatment services in the first and second quarters of a year.

For the 12 months ended 30 June 2017, the environmental waste treatment services reported a revenue of HK\$230,237,000 (12 months ended 30 June 2016: HK\$195,193,000) and pre-tax profit of HK\$98,707,000 (12 months ended 30 June 2016: HK\$73,034,000).

## Capital expenditure

For the six months ended 30 June 2017, the Group incurred capital expenditure to increase property, plant and equipment (i) for the operating segment of environmental waste treatment services amounted approximately to HK\$75,561,000 (2016: HK\$19,550,000), (ii) for the operating segment of industrial sewage and sludge treatment and facility provision services in the Eco-plating Specialised Zone amounted approximately to HK\$1,877,000 (2016: HK\$6,417,000), and (iii) for corporate use at the head office in Hong Kong amounted approximately to HK\$36,000 (2016: HK\$21,000).

## Commitments

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

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Contracted for but not provided for:		
– Capital expenditure in respect of property, plant and equipment	<b>110,003</b>	79,707

## Liquidity and financial resources

For the six months ended 30 June 2017, the Group financed its operations with internally generated cash flows, banking facilities and other borrowings. The Group remained stable in its financial position with equity attributable to owners of the Company amounted to HK\$818,768,000 (31 December 2016: HK\$687,285,000) and consolidated total assets amounted to HK\$1,319,483,000 (31 December 2016: HK\$1,035,706,000) respectively as at 30 June 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Cash and bank balances	<b>173,390</b>	171,589

The credit facilities available to the Group are summarised as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Total banking facilities available to the Group	<b>239,768</b>	150,743
Banking facilities utilised as:		
Secured bank loans	<b>36,058</b>	32,840
Unsecured bank loans	<b>71,533</b>	45,502
	<b>107,591</b>	78,342
Banking facilities available and used:		
Secured facilities	<b>40,320</b>	48,701
Unsecured facilities	<b>91,857</b>	23,700
	<b>132,177</b>	72,401

Note:

In addition to the above-mentioned banking facilities of the Group, on 13 June 2017, CM International Capital Limited ("CMIC Cayman", the substantial shareholder currently holding approximately 26.35% of the issued share capital of the Company) has renewed the old stand-by loan facility that lapsed on 14 July 2016 and granted to the Company a new stand-by loan facility of HK\$500,000,000 which is available to drawdown on or before 30 December 2017 for the purpose of financing the Company on the capital expenditure and the merger and acquisition of new environmental related projects. Pursuant to the terms of the new stand-by loan facility granted, any drawdown of loan will be subject to separate loan agreement to be entered into by both parties, and each loan will be subject to interest rate of not more than the 5-year-loan rate quoted from time to time by the People's Bank of China and additional credit enhancement, if necessary.

#### Key performance indicators

The Group monitors its operating performance through EBITDA. EBITDA of the Group was HK\$89,266,000 for the six months ended 30 June 2017 (2016: HK\$76,305,000) and was HK\$143,265,000 for twelve months ended 30 June 2017 (2016: HK\$116,502,000).

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 66.6% for the six months ended 30 June 2017 (year ended 31 December 2016: 111%).

## MANAGEMENT DISCUSSION AND ANALYSIS

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 1.1 times as at 30 June 2017 (31 December 2016: 1.3 times).

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

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
<b>Current liabilities</b>		
Bank borrowings	107,591	75,549
Trade and bills payables	9,009	13,686
Accrued liabilities and other payables	94,097	107,687
Deposits received from customers	9,447	9,060
Consideration payable for acquisition of subsidiaries	49,600	–
	<b>269,744</b>	205,982
<b>Non-current liabilities</b>		
Bank borrowings	–	2,793
Other borrowing	25,000	25,000
Consideration payable for acquisition of subsidiaries	74,400	–
	<b>99,400</b>	27,793
<b>Total liabilities (excluding government granted and taxes)</b>	<b>369,144</b>	233,775
<b>Less: cash and cash equivalents</b>	<b>173,390</b>	171,589
<b>Net debt</b>	<b>195,754</b>	62,186
<b>Total equity</b>	<b>916,012</b>	769,489
<b>Total equity and net debt</b>	<b>1,111,766</b>	831,675
<b>Gearing ratio</b>	<b>17.6%</b>	7.5%

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Capital structure

Details of in the share capital of the Company during the six months ended 30 June 2017 are as follows:

	Number of shares '000	Share capital HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>		
<b>Authorised</b>		
At 1 January 2017 and at 30 June 2017	100,000,000	1,000,000
<b>Issued and fully paid</b>		
At 1 January 2017	2,955,697	29,557
Issue of Consideration Shares (note)	80,000	800
At 30 June 2017	3,035,697	30,357

Note:

The aggregate consideration for the Acquisitions was HK\$217,800,003, of which HK\$153,800,003 would be settled in cash by instalments and the balance of HK\$64,000,000 was settled by the issue of 80,000,000 new ordinary shares of the Company ("the Consideration Shares") to the ultimate shareholder of the Vendor, Mr. CHAN Son Neng, on the completion date under the general mandate granted to the Board at the annual general meeting held on 6 May 2016. The completion of the Acquisitions took place on 21 April 2017. The aggregate nominal value of the Consideration Shares was HK\$800,000, the net value of the 80,000,000 Consideration Shares (after accounting for the closing price at HK\$0.71 per share of the Company's shares on 21 April 2017) was approximately HK\$56,800,000, and the net price per each Consideration Share was approximately HK\$0.71.

Save as disclosed therein, there was no significant change to the capital structure of the Company as at 30 June 2017 as compared to that as at 31 December 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Material acquisitions and disposals of subsidiaries and affiliated companies

On 21 April 2017, the Company completed the Acquisitions at an aggregate consideration of HK\$217,800,003. As the applicable percentage ratios (as defined under Rule 14.04(9) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”)) in relation to the Acquisitions exceed 5% but are below 25%, the Acquisitions constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Details of the Acquisitions were set out in the announcements of the Company dated 31 March 2017 and 21 April 2017.

FIWRL directly owns the 100% equity interest in a wholly foreign-owned enterprise established in the Zhenjiang City, Jiangsu Province, the PRC, namely, 江蘇新宇環保科技有限公司 (“JXYE”, Jiangsu Xin Yu Environmental Technology Company Limited\*). ECCL directly owns the 30% equity interest and shareholder’s loan interest in a Sino foreign-owned enterprise established in Nanjing City, Jiangsu Province, the PRC, namely, 南京化學工業園天宇固體廢物處置有限公司 (“NCIP”, Nanjing Chemical Industry Park Tian Yu Solid Waste Disposal Co., Ltd.). FIIEL directly owns the 100% equity interest in a wholly foreign-owned enterprise established in the Taixing City, Jiangsu Province, the PRC, namely, 泰興新新資源再生利用有限公司 (“TXRR”, Taixing Xin Xin Resources Recycling Company Limited\*).

After the completion of the Acquisition, FIWRL, JXYE, ECCL, FIIEL and TXRR became the 100% indirectly wholly-owned subsidiaries of the Company, and NCIP became a 30% indirectly owned associate of the Company which would be accounted for on an equity accounting basis.

Save as disclosed therein, there were no other significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the six months ended 30 June 2017.

### Significant investments held and their performance

According to the valuation report dated 8 August 2017 issued by DTZ Cushman & Wakefield Limited (“DTZ”) an independent valuer (2016: DTZ), the fair value attributable to the Group’s interests in the long-term equity investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei as at 30 June 2017 were HK\$19,250,000, HK\$14,420,000 and HK\$31,220,000 (31 December 2016: HK\$12,300,000, HK\$16,700,000 and HK\$34,600,000) respectively. As at 30 June 2017, the fair value of these unlisted equity investments was determined by reference to the valuation carried out by DTZ (2016: DTZ), using a market approach model based on the multiple of the enterprise value (“EV”) to the earnings before interest and tax (“EBIT”) of comparable listed companies in the same industry (“EV/EBIT”), after having taken into account of the discount for lack of marketability of 18% (31 December 2016: 19%) for these unlisted investments.

For the six months ended 30 June 2017, total dividend declared by Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei has been accounted for by the Group which is in aggregate approximately HK\$3,520,000 (before PRC dividend tax) (2016: HK\$4,199,000), and is expected to be distributed in cash to the Group in the fourth quarter of this year.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

### Impairment testing on goodwill

As at 30 June 2017, the assessment on the recoverable amount of a cash generating unit (“CGU”) of the Group that principally engaged in the environmental waste treatment and disposal services in the PRC was determined by referring to the valuation report date 8 August 2017 issued by DTZ. The CGU is comprised of Zhenjiang New Universe Solid Waste Disposal Company Limited, Yancheng New Universe Solid Waste Disposal Company Limited, and Taizhou New Universe Solid Waste Disposal Company Limited. The assessment was prepared on the basis of a value-in-use calculation using cash flows projection based on the financial budgets approved by the management covering a five-year period that being discounted to their present values at a pre-tax discount rate of 18.61% (31 December 2016: 19.1%). Cash flows beyond the five-year period were extrapolated using an annual growth rate of 2% (31 December 2016: 2%) which have not exceeded the long-term growth rate for the waste treatment industries. Other key assumptions for the value-in-use calculation related to the estimated cash inflows/outflows which included budgeted sales and gross profit. Such estimation has been based on the CGU’s past performance, future business plan and management’s expectations for the future market development.

Since the recoverable amount of the CGU, to which goodwill and related property, plant and equipment being allocated, has exceeded the aggregate carrying amount of these assets of the CGU, no impairment loss to the goodwill and the related assets was considered necessary for the six months end 30 June 2017 (31 December 2016: Nil).

### Charges on assets

As at 30 June 2017, the following assets of the Group were pledged as collaterals for banking facilities granted by certain banks.

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Carrying amount of pledged assets:		
Pledged bank deposits	<b>4,677</b>	9,606
Property, plant and equipment	<b>51,194</b>	51,232
Prepaid lease payments for land use rights	<b>15,445</b>	15,435
	<b>71,316</b>	76,273

## MANAGEMENT DISCUSSION AND ANALYSIS

### Exposure to exchange rate fluctuations

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, and the Group considers the foreign currency risk exposure is acceptable. The Group will review and monitor its currency exposure from time to time, and when appropriate, hedge its currency risk.

The results of the Group's subsidiaries in the PRC 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 2017, RMB appreciated against the HK\$ resulted in upside exchange difference on translation from RMB to HK\$ for the financial statements of the subsidiaries in the PRC amounted approximately to HK\$23,943,000 (2016: downside exchange difference of HK\$12,349,000), which were recognised in other comprehensive income and accumulated separately in equity under the translation reserve of the Company and did not have any effect to the profit and loss of the Company in current period. The accumulated exchange differences in the translation reserve will be reclassified to profit or loss as when the interests in the relevant subsidiaries in the PRC being entirely or partially disposed of by the Group.

### Contingent liabilities

There were no significant contingent liabilities of the Group as at 30 June 2017 (31 December 2016: Nil).

### Employee information

As at 30 June 2017, the Group had 508 (2016: 428) full-time employees, of which 20 (2016: 21) were based in Hong Kong, and 488 (2016: 407) in the PRC. For the six months ended 30 June 2017, staff costs, including the Directors' remuneration and amount capitalised as inventories was HK\$31,387,000 (2016: HK\$28,474,000). Employees and Directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, continuing development and trainings.

### Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### CHANGE IN DIRECTORS' INFORMATION

For the six months ended 30 June 2017, there was no significant change in details of the Directors' information since the date of last annual report of the Company for the year ended 31 December 2016, except that:

- (a) Ms. CHEUNG Siu Ling was appointed as the director of the subsidiary of the Company, Xiangshui New Universe Environmental Technology Limited, with effect from 1 April 2017;
- (b) Ms. CHEUNG Siu Ling was appointed as the director of the subsidiary of the Company, Yancheng NUHF Environmental Technology Limited\*, with effect from 22 June 2017;
- (c) Mr. XI Yu was appointed the general manager of Yancheng New Universe Solid Waste Disposal Company Limited with effect from 22 June 2017; and
- (d) After the completion of the Acquisitions, Mr. XI Yu was appointed as the director of FIWRL, JXYE, ECCL, NCIP, FIIEL and TXXRR, and Ms. CHEUNG Siu Ling was appointed as the director of FIWRL, ECCL, NCIP and FIIEL.

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

### INFORMATION ON MANAGEMENT

For the six months ended 30 June 2017 and up to the date of this report, there were changes in other staff of the management team as follows:

- (a) Mr. CHENG Ming Tsung resigned as the chief operating officer of the Company with effect from 28 February 2017.
- (b) Mr. YANG Lin resigned as the general manager of the subsidiary, Xiangshui New Universe Environmental Technology Limited, with effect from 30 June 2017.
- (c) Mr. LI Qi was appointed as the general manager of Xiangshui New Universe Environmental Technology Limited with effect from 1 May 2017, and he has been a director of that subsidiary since May 2015.
- (d) Ms. WONG Mui Kwai, Portia resigned as the corporate strategic planning and audit manager of the Company with effect from 8 August 2017.

### 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 2017.

### 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 have 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 2017.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The directors of the Company together with its subsidiaries and the management are committed to establishing good corporate governance practices and procedures. The Company believes that maintenance of high standard of business ethics and good corporate governance provides a framework that is essential for effective management, healthy business growth and a contemporary corporate culture, which drives the Group to grow successfully and enhance the shareholders' value.

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017, and the Directors confirmed that they were not aware of any deviation from the CG Code during the period then ended.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 30 June 2017, the interests and short positions of the Directors and chief executives 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 the Appendix 10, Model Code for Securities Transactions by Directors of Listed Issuers, of the 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*	-	-	1,071,823,656	1,071,823,656	35.31
Ms. LIU Yu Jie	202,000,000	-	-	202,000,000	6.65

Associated corporation

*Long positions in ordinary shares of NUEL*

Name of Director	Number of ordinary shares of US\$1.00 each of NUEL				% 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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Note:

- \* Mr. XI Yu is a director and the shareholder interested in 16,732 shares of US\$1.00 each of New Universe Enterprises Limited (“NUEL”), representing 83.66% of the issued share capital of NUEL, which in turn interested in 1,071,823,656 shares of the Company, representing approximately 35.31% of the issued share capital of the Company.
- \*\* Ms. CHEUNG Siu Ling is also a director of NUEL.

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 the Appendix 10, Model Code for Securities Transactions by Directors of Listed Issuers, of the 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 and chief executives of the Company (including their spouses or children under the age of 18) to hold interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specific undertaking any other associated corporations.

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

As at 30 June 2017, 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 or 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	Interest of controlled corporation	Number of shares held	
NUEL <sup>(i)</sup>	1,071,823,656	–	–	1,071,823,656	35.31
CM International Capital Limited (“CMIC Cayman”) <sup>(ii)</sup>	800,000,000	–	–	800,000,000	26.35
CM International Capital Limited 中民國際資本有限公司 (“CMIC Hong Kong”) <sup>(ii)</sup>	–	–	800,000,000	800,000,000	26.35
China Minsheng Investment Corp. Ltd. 中國民生投資股份有限公司 <sup>(iii)</sup>	–	–	800,000,000	800,000,000	26.35
Ms. LIU Yu Jie <sup>(iii)</sup>	202,000,000	–	–	202,000,000	6.65

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (i) NUEL is the beneficial owner of the 1,071,823,656 issued ordinary shares of the Company. The interest disclosed by NUEL is the same interest disclosed by Mr. XI Yu as Director of the Company.
- (ii) CMIC Cayman is the beneficial owner of the 800,000,000 issued ordinary shares of the Company. CMIC Cayman is 100% directly owned by CMIC Hong Kong. CMIC Hong Kong is 100% directly owned by the ultimate holding company, China Minsheng Investment Corporation Limited (中國民生投資股份有限公司). The interest disclosed by China Minsheng Investment Corp. Ltd and CMIC Hong Kong is the same interest disclosed as directly held by CMIC Cayman.
- (iii) The interest disclosed by Ms. LIU Yu Jie is the same interest disclosed by her as Director of the Company.

Save as disclosed above, as at 30 June 2017, 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 Company has a new share option scheme which was adopted by the Company's shareholders at the general meeting held on 5 May 2015 ("New Share Option Scheme"). The purpose of the New Share Option Scheme is to reward the participants who have contributed to the Group and/or to provide incentives to the participants to work towards the success of the Company. The total number of shares of the Company which might be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme by the Shareholders of the Annual General Meeting on 5 May 2015 (the "Scheme Mandate Limit") unless the Company obtains an approval by its shareholders at its general meeting to refresh the Scheme Mandate Limit. Further, the maximum number of shares of the Company which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and options which may be granted and yet to be exercised under any other share option schemes of the Company shall not exceed 30% of the total number of the Company's shares in issue from time to time. Based on the issued share capital of 2,955,697,018 shares of the Company as at 5 May 2015, the Scheme Mandate Limit was 295,569,701 shares of the Company.

As at 30 June 2017, no option was granted or was outstanding under the New Share Option Scheme or any old scheme lapsed.

### 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.

### CONNECTED TRANSACTIONS

There was no significant connected transaction of the Group (defined under the Listing Rules) which were discloseable in the reporting period or any time during the six months ended 30 June 2017.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at 30 June 2017 and up to the date of this report, 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:

- (a) Mr. XI Yu and Ms. CHEUNG Siu Ling are directors of the landlord, Sun Ngai International Investment Limited ("Sun Ngai", a wholly-owned subsidiary of New Universe Holdings Limited that Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors) to the tenancy agreement entered into by the Group as tenant. Pursuant to the tenancy agreement dated 20 July 2016 entered into between Sun Ngai as landlord and Smartech Services Limited ("Smartech Services", an indirectly 100% owned subsidiary of the Company that Mr. XI Yu and Ms. CHEUNG Siu Ling are directors) as tenant for two office units at Rooms 2109 and 2110, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong, Smartech Services has to pay a monthly rental of HK\$50,000 for the term from 1 August 2016 to 31 July 2017. For the six months ended 30 June 2017, total rentals paid by Smartech Services to Sun Ngai were HK\$300,000.
- (b) Pursuant to a new tenancy agreement dated 5 July 2017 entered into between Sun Ngai as landlord and Smartech Services as tenant for three office units at Rooms 2109 to 2111, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong, Smartech Services has to pay a monthly rental of HK\$80,000 for the term from 1 August 2017 to 31 July 2018.

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 subsidiaries, its fellow subsidiaries or its holding company 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

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 PRC, of which she has a controlling stake in one of the four said companies. As the 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, the Board is not aware of any Director of the Company who is interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business during the reporting period.

### 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 Listing Rules.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

## REVIEW OF INTERIM FINANCIAL STATEMENTS

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 2017.

The consolidated financial statements for the six months ended 30 June 2017 of the Company (“Interim Financial Report”) were unaudited, but 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 Horwath (HK) CPA Limited, whose report on review of the Interim Financial Report is set out on page 22 of this report and nothing has come to their attention that causes them to believe that the Interim Financial Report is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

By order of the Board

**New Universe Environmental Group Limited**

**XI Yu**

*Chairman*

Hong Kong, 8 August 2017

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

Mr. XI Yu	<i>(Executive Director and Chairman)</i>
Mr. SONG Yu Qing	<i>(Executive Director and Chief Executive Officer)</i>
Ms. CHEUNG Siu Ling	<i>(Executive Director)</i>
Mr. LIAO Feng	<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>

# REPORT ON THE REVIEW OF INTERIM FINANCIAL REPORT



國富浩華(香港)會計師事務所有限公司  
**Crowe 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 Environmental Group Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

## Introduction

We have reviewed the interim financial report set out on pages 23 to 54 which comprises the condensed consolidated statement of financial position of New Universe Environmental Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2017 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 Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34. Our responsibility is to form a conclusion based on our review on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**Crowe Horwath (HK) CPA Limited**  
*Certified Public Accountants*

**LEUNG Chun Wa**  
Practising Certificate Number: P04963

Hong Kong, 8 August 2017

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Revenue</b>	5	<b>167,550</b>	157,440
Cost of sales		<b>(93,579)</b>	(80,267)
<b>Gross profit</b>		<b>73,971</b>	77,173
Other revenue	6	<b>3,701</b>	4,608
Other net income	7	<b>11,052</b>	7,224
Distribution and selling expenses		<b>(2,705)</b>	(4,546)
Administrative expenses		<b>(20,950)</b>	(21,164)
Other operating expenses		<b>(9,768)</b>	(7,760)
Gain on bargain purchase	13(a)	<b>7,200</b>	–
<b>Operating profit</b>		<b>62,501</b>	55,535
Finance income	8	<b>(10)</b>	316
Finance costs	8	<b>(3,530)</b>	(1,984)
Finance costs, net	8	<b>(3,540)</b>	(1,668)
Share of profits of associates		<b>6,256</b>	1,837
<b>Profit before taxation</b>	9	<b>65,217</b>	55,704
Income tax	10	<b>(6,310)</b>	(347)
<b>Profit for the period</b>		<b>58,907</b>	55,357
<b>Attributable to:</b>			
Owners of the Company		<b>46,840</b>	42,490
Non-controlling interests		<b>12,067</b>	12,867
		<b>58,907</b>	55,357

		Six months ended 30 June	
		2017 (Unaudited) HK cents	2016 (Unaudited) HK cents
<b>Earnings per share</b>			
attributable to owners of the Company			
Basic and diluted	11	<b>1.57</b>	1.44

The notes on pages 29 to 54 are an integral part of these financial statements.



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2017 (Unaudited) HK\$'000</b>	2016 (Unaudited) HK\$'000
<b>Profit for the period</b>	<b>58,907</b>	55,357
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit and loss</i>		
Exchange differences		
– on translation of financial statements of overseas subsidiaries	<b>23,943</b>	(12,349)
– on translation of financial statements of overseas associates	<b>5,712</b>	(314)
Fair value changes on long-term equity investments	<b>1,290</b>	(10,800)
Tax effect relating to changes in fair value of long-term equity investments	<b>(129)</b>	1,080
Other comprehensive income for the period, net of income tax	<b>30,816</b>	(22,383)
<b>Total comprehensive income for the period</b>	<b>89,723</b>	32,974
<b>Attributable to:</b>		
Owners of the Company	<b>74,683</b>	21,713
Non-controlling interests	<b>15,040</b>	11,261
<b>Total comprehensive income for the period</b>	<b>89,723</b>	32,974

The notes on pages 29 to 54 are an integral part of these financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	613,448	531,379
Prepaid lease payments for land use rights	15	138,087	118,447
Goodwill		33,000	33,000
Interest in associates	16	174,528	18,236
Long-term equity investments		64,890	63,600
		<b>1,023,953</b>	764,662
<b>Current assets</b>			
Inventories		2,085	1,476
Trade and bills receivables	17	64,700	58,507
Prepayments, deposits and other receivables	18	43,819	26,782
Dividend receivables from equity investments		3,233	–
Prepaid lease payments for land use rights	15	3,626	3,084
Pledged bank deposits	19	4,677	9,606
Cash and cash equivalents	19	173,390	171,589
		<b>295,530</b>	271,044
<b>Current liabilities</b>			
Bank borrowings	20	107,591	75,549
Trade and bills payables	21	9,009	13,686
Accrued liabilities and other payables	22	94,097	107,687
Deposits received from customers		9,447	9,060
Consideration payable for acquisition of subsidiaries		49,600	–
Deferred government grants		466	452
Income tax payable		3,498	2,463
		<b>273,708</b>	208,897
<b>Net current assets</b>		<b>21,822</b>	62,147
<b>Total assets</b>		<b>1,319,483</b>	1,035,706
<b>Total assets less current liabilities</b>		<b>1,045,775</b>	826,809

The notes on pages 29 to 54 are an integral part of these financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Bank borrowings	20	–	2,793
Other borrowing	23	25,000	25,000
Consideration payable for acquisition of subsidiaries		74,400	–
Deferred government grants		3,617	3,454
Deferred tax liabilities		26,746	26,073
		<b>129,763</b>	57,320
<b>Net assets</b>			
		<b>916,012</b>	769,489
<b>Capital and reserves</b>			
Share capital	24	30,357	29,557
Reserves		788,411	657,728
Equity attributable to owners of the Company		<b>818,768</b>	687,285
Non-controlling interests		<b>97,244</b>	82,204
<b>Total equity</b>		<b>916,012</b>	769,489

The notes on pages 29 to 54 are an integral part of these financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Investment revaluation reserve	Capital reserve	Statutory reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2016 (Audited)</b>	29,557	400,465	1,157	13,330	5,173	32,141	207,030	688,853	70,919	759,772
Change in equity for the 6 months ended 30 June 2016										
Profit for the period	-	-	-	-	-	-	42,490	42,490	12,867	55,357
Other comprehensive income	-	-	(11,057)	(9,720)	-	-	-	(20,777)	(1,606)	(22,383)
Total comprehensive income	-	-	(11,057)	(9,720)	-	-	42,490	21,713	11,261	32,974
Distribution paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(1,185)	(1,185)
<b>At 30 June 2016 (Unaudited)</b>	29,557	400,465	(9,900)	3,610	5,173	32,141	249,520	710,566	80,995	791,561
Change in equity for the 6 months ended 31 December 2016										
Profit for the period	-	-	-	-	-	-	19,457	19,457	11,304	30,761
Other comprehensive income	-	-	(25,889)	(2,070)	-	-	-	(27,959)	(3,863)	(31,822)
Total comprehensive income	-	-	(25,889)	(2,070)	-	-	19,457	(8,502)	7,441	(1,061)
Release of capital reserve upon de-registration of a foreign subsidiary	-	-	-	-	(1)	-	-	(1)	1	-
Transfer of statutory reserve	-	-	-	-	-	3,339	(3,339)	-	-	-
Dividend relating 2015	-	-	-	-	-	-	(14,778)	(14,778)	-	(14,778)
Distribution and dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(6,233)	(6,233)
<b>At 31 December 2016 and 1 January 2017 (Audited)</b>	29,557	400,465	(35,789)	1,540	5,172	35,480	250,860	687,285	82,204	769,489
Change in equity for the 6 months ended 30 June 2017										
Profit for the period	-	-	-	-	-	-	46,840	46,840	12,067	58,907
Other comprehensive income	-	-	26,682	1,161	-	-	-	27,843	2,973	30,816
Total comprehensive income	-	-	26,682	1,161	-	-	46,840	74,683	15,040	89,723
Issue of consideration shares	800	56,000	-	-	-	-	-	56,800	-	56,800
<b>At 30 June 2017 (Unaudited)</b>	<b>30,357</b>	<b>456,465</b>	<b>(9,107)</b>	<b>2,701</b>	<b>5,172</b>	<b>35,480</b>	<b>297,700</b>	<b>818,768</b>	<b>97,244</b>	<b>916,012</b>

The notes on pages 29 to 54 are an integral part of these financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Operating activities</b>			
Net cash generated from operating activities		41,607	29,667
<b>Investing activities</b>			
– Net cash outflow arising from acquisition of subsidiaries	13	(1,385)	–
– Payments for purchases of property, plant and equipment		(77,474)	(25,988)
– Proceeds from disposal of property, plant and equipment		12	505
– Dividend received from an associate		3,676	–
– Receipt of government grants		284	414
Net cash used in investing activities		(74,887)	(25,069)
<b>Financing activities</b>			
– Distribution and dividend paid to non-controlling interests		–	(1,185)
– Proceeds from bank borrowings		64,270	53,236
– Repayment of bank borrowings		(35,021)	(32,875)
– Interest paid		(3,530)	(1,984)
– Release of bank deposits pledged for bank borrowings		9,606	5,318
– Placement of bank deposits pledged for bank borrowings		(4,677)	–
– Repayment of other borrowings		–	(5,000)
Net cash generated from financing activities		30,648	17,510
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,632)</b>	<b>22,108</b>
<b>Cash and cash equivalents at 1 January</b>		<b>171,589</b>	<b>175,805</b>
Effect of foreign exchange rate changes		4,433	(3,082)
<b>Cash and cash equivalents at 30 June</b>		<b>173,390</b>	<b>194,831</b>

The notes on pages 29 to 54 are an integral part of these financial statements.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 1. GENERAL INFORMATION

- (a) New Universe Environmental Group Limited (formerly known as New Universe International Group Limited) was incorporated on 12 November 1999 in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's issued shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 May 2000. Commenced from 1 August 2016, the listing of the shares of the Company has been transferred from the GEM to the Main Board of the Stock Exchange.
- (b) These unaudited consolidated financial statements are presented in Hong Kong dollars ("HK\$") that is also the functional currency of the Company while the functional currency of the subsidiaries in the mainland of The People's Republic of China (the "PRC") is Renminbi ("RMB"). As the Company's shares are listed in Hong Kong where most of its investors are located, the Directors of the Company consider that it is more appropriate to present the financial statements in HK\$.
- (c) The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as follows:
- (i) environmental treatment of hazardous industrial and medical wastes;
  - (ii) environmental plating sewage treatment and provision of related facilities and utilities in an eco-plating specialised zone; and
  - (iii) investments in plastic materials dyeing operations.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 2. BASIS OF PREPARATION

The interim financial report for the six months ended 30 June 2017 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 (the "Listing Rules"), including the 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 report of the Company for the six months ended 30 June 2017 was approved and authorised for issue by the board of Directors on 8 August 2017.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements.

The unaudited consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Group's financial statements for that financial year but is derived from those annual financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the unaudited consolidated interim financial statements are consistent with those set out in the consolidated financial statements of the Group for the year ended 31 December 2016, the new HKFRSs which have become effective in current period have no material impact on the accounting policies in the Group's condensed consolidated interim financial statements for the period.

The Group has not applied the new HKFRSs that have been issued but are not effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 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:

	Operating segments											
	Environmental sewage						Segment Sub-total	Head office and corporate		Total		
	Environmental waste treatment services		treatment and facility services		Plastic dyeing investments			Six months ended 30 June		Six months ended 30 June		
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue from external customers	120,561	109,250	46,989	48,190	-	-	167,550	157,440	-	-	167,550	157,440
Other revenue	181	409	-	-	3,520	4,199	3,701	4,608	-	-	3,701	4,608
<b>Reportable segment revenue</b>	<b>120,742</b>	<b>109,659</b>	<b>46,989</b>	<b>48,190</b>	<b>3,520</b>	<b>4,199</b>	<b>171,251</b>	<b>162,048</b>	<b>-</b>	<b>-</b>	<b>171,251</b>	<b>162,048</b>
<b>Reportable segment results</b>	<b>60,164</b>	<b>52,298</b>	<b>6,179</b>	<b>6,823</b>	<b>3,219</b>	<b>3,832</b>	<b>69,562</b>	<b>62,953</b>	<b>(4,345)</b>	<b>(7,249)</b>	<b>65,217</b>	<b>55,704</b>
Other net income	10,794	6,860	256	364	-	-	11,050	7,224	2	-	11,052	7,224
Finance income	(199)	162	140	153	-	-	(59)	315	49	1	(10)	316
Finance costs	2,118	379	496	752	-	-	2,614	1,131	916	853	3,530	1,984
Depreciation	11,318	9,947	7,238	7,070	-	-	18,556	17,017	308	309	18,864	17,326
Amortisation	689	277	956	1,014	-	-	1,645	1,291	-	-	1,645	1,291
	<b>30 June 2017</b> (Unaudited) HK\$'000	<b>31 December 2016</b> (Audited) HK\$'000	<b>30 June 2017</b> (Unaudited) HK\$'000	<b>31 December 2016</b> (Audited) HK\$'000	<b>30 June 2017</b> (Unaudited) HK\$'000	<b>31 December 2016</b> (Audited) HK\$'000	<b>30 June 2017</b> (Unaudited) HK\$'000	<b>31 December 2016</b> (Audited) HK\$'000	<b>30 June 2017</b> (Unaudited) HK\$'000	<b>31 December 2016</b> (Audited) HK\$'000	<b>30 June 2017</b> (Unaudited) HK\$'000	<b>31 December 2016</b> (Audited) HK\$'000
<b>Reportable segment assets</b>	<b>894,579</b>	<b>572,711</b>	<b>343,664</b>	<b>355,252</b>	<b>68,371</b>	<b>63,951</b>	<b>1,306,614</b>	<b>991,914</b>	<b>12,869</b>	<b>43,792</b>	<b>1,319,483</b>	<b>1,035,706</b>
Additions to non-current segment assets	75,561	90,304	1,877	8,070	-	-	77,438	98,374	36	21	77,474	98,395
<b>Reportable segment liabilities</b>	<b>278,509</b>	<b>137,966</b>	<b>54,708</b>	<b>76,129</b>	<b>189</b>	<b>60</b>	<b>333,406</b>	<b>214,155</b>	<b>70,065</b>	<b>52,062</b>	<b>403,471</b>	<b>266,217</b>



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 4. SEGMENT INFORMATION (continued)

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Revenue</b>		
Consolidated Revenue	167,550	157,440
Elimination of inter-segment revenue	–	–
Other revenue	3,701	4,608
<b>Reportable segment revenue</b>	<b>171,251</b>	162,048
<b>Profit</b>		
Reportable segment profit	69,562	62,953
Unallocated head office and corporate expenses, net	(4,345)	(7,249)
<b>Consolidated profit before taxation</b>	<b>65,217</b>	55,704
	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
<b>Assets</b>		
Reportable segment assets	1,306,614	991,914
Unallocated head office and corporate assets	12,869	43,792
<b>Consolidated total assets</b>	<b>1,319,483</b>	1,035,706
<b>Liabilities</b>		
Reportable segment liabilities	333,406	214,155
Unallocated head office and corporate liabilities	70,065	52,062
<b>Consolidated total liabilities</b>	<b>403,471</b>	266,217

## (c) Geographical information

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

## (d) Major customers

For the six months ended 30 June 2017 and 2016, there was no major customer accounted for more than 10% of the total revenue of the Group.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 5. REVENUE

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Industrial and medical waste treatment services	120,561	109,250
Industrial sewage and sludge treatment services, related facilities and utilities	46,989	48,190
	<b>167,550</b>	157,440

## 6. OTHER REVENUE

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Dividend income from long-term equity investments	3,520	4,199
Scrap sales	181	409
	<b>3,701</b>	4,608

## 7. OTHER NET INCOME

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Refunds of PRC value-added tax ("VAT")	7,380	6,522
Government subsidies	3,394	313
Release of deferred governmental grants	230	237
Sundry	48	152
	<b>11,052</b>	7,224

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 8. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Finance income from:		
Interest income on short-term bank deposits	599	268
Net foreign exchange (loss)/gain on financing activities	(609)	48
<b>Total finance income</b>	<b>(10)</b>	316
Interest expenses on:		
Bank borrowings wholly repayable within 5 years	2,069	1,442
Other borrowing wholly repayable within 5 years	496	542
Consideration payable on acquisition of subsidiaries wholly repayable within 5 years	965	–
<b>Total finance costs</b>	<b>3,530</b>	1,984
<b>Net finance costs</b>	<b>3,540</b>	1,668

## 9. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cost of sales (note)	93,579	80,267
Depreciation of property, plant and equipment	18,864	17,326
Amortisation of land lease prepayments	1,645	1,291
Operating lease charges for minimum lease payments		
– Land and buildings in Hong Kong	348	348
– Land and buildings in PRC	360	563
– Landfill in PRC	57	59

Note:

Included in cost of sales were raw materials consumed of HK\$17,567,000 (2016: HK\$13,667,000), staff costs of HK\$12,651,000 (2016: HK\$10,576,000) and depreciation of HK\$16,801,000 (2016: HK\$15,253,000), and of which depreciation was included in the respective amount disclosed above.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 10. INCOME TAX

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

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax:		
Hong Kong Profits Tax	–	–
PRC Income Tax	<b>5,899</b>	8,246
Under/(over)-provision in prior periods	<b>668</b>	(7,642)
	<b>6,567</b>	604
Deferred tax	<b>(257)</b>	(257)
	<b>6,310</b>	347

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% (2016: 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 periods.
- (iii) The Company's subsidiaries in PRC are subject to a statutory Enterprise Income Tax at the rate of 25% (2016: 25%), except for the subsidiary which is qualified for the High and New Technology Enterprise that would be entitled to enjoy a preferential Enterprise Income Tax at the rate of 15% (2016: 15%).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 10. INCOME TAX (continued)

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Profit before taxation	65,217	55,704
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	16,420	14,464
Tax effect of expenses not deductible for tax purpose	543	723
Tax effect of income not taxable for tax purpose	(2,896)	(4,410)
Tax effect of tax losses not recognised	2,267	1,175
Tax effect of temporary differences recognised	(257)	(257)
Under/(over) provision in relation to prior years	668	(7,642)
Effect of income tax preferential policy in PRC	(10,435)	(3,706)
Income tax for the period	6,310	347

## 11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the profit attributable to owners of the Company of HK\$46,840,000 for the six months ended 30 June 2017 (2016: HK\$42,490,000) and the weighted average number of 2,987,078,233 (2016: 2,955,697,018) ordinary shares of the Company in issue during the period.

(a) Profit attributable to owners of the Company:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Earnings for the purpose of basic and diluted earnings per share	46,840	42,490

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 11. EARNINGS PER SHARE (continued)

(b) Weighted average number of ordinary shares:

	Six months ended 30 June	
	2017	2016
Ordinary shares in issue at the beginning of the period	2,955,697,018	2,955,697,018
Effect of Consideration Shares issued	31,381,215	–
Weighted average number of ordinary shares in issue during the period	2,987,078,233	2,955,697,018

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.

## 12. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

## 13. ACQUISITION OF A SUBSIDIARY/PURCHASE OF ASSETS THROUGH THE ACQUISITION OF SUBSIDIARIES

(a) Acquisition accounted for as business combination

On 31 March 2017, the Group, as the purchaser, and Sinotech Investments Limited, as the vendor (“Vendor”), entered into a sale and purchase agreement (the “Agreement”), pursuant to which, the Group acquired the entire interests in issued share capital and shareholder’s loan in Ever Champ (China) Limited (“ECCL”) for a total consideration of HK\$148,000,001, subject to adjustment. This acquisition has been accounted for using the acquisition method. ECCL is a company incorporated in Hong Kong, of which its main asset is the 30% equity interest and shareholder’s loan in a sino-foreign joint equity enterprise established in the PRC, Nanjing Chemical Industry Park Tian Yu Solid Waste Disposal Co., Ltd (“NCIP”). ECCL and NCIP collectively are referred to as the “ECCL Group”, which is engaged in industrial hazardous waste treatment and disposal operations. The transaction was completed on 21 April 2017 (the “Acquisition”).

As part of the consideration for the Acquisition, 80,000,000 new shares of the Company with par value of HK\$0.01 each were issued. The fair value of the shares issued by the Company, determined using the published price available at the date of completion of the Acquisition, amounted to HK\$56.8 million. Cash consideration of approximately HK\$15.3 million will be held by the Group as security for the due performance of the Profit Guarantee (as defined below), with adjustment to the consideration according to the terms of the Agreement.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 13. ACQUISITION OF A SUBSIDIARY/PURCHASE OF ASSETS THROUGH THE ACQUISITION OF SUBSIDIARIES (continued)

## (a) Acquisition accounted for as business combination (continued)

Included in the Agreement, there is contingent consideration arrangement. The Vendor warrants that the audited consolidated net profit after tax of NCIP prepared in accordance with HKFRSs ("Net Profits") for the two financial years ending 31 December 2018 ("Guarantee Periods") in total shall not be less than RMB44.3 million ("Profit Guarantee"). Upon 100% fulfilment of the Profit Guarantee, the Group shall release the respective amount of cash consideration held in the maximum amount of approximately HK\$15.3 million, after deducting the any amount of any shortfall, in the guaranteed profit back to the Vendor.

The Directors considered that the reimbursement from Vendor for the shortfall of the Profit Guarantee will unlikely occur and accordingly, the estimated fair value of this contingent asset was assessed to be zero at the acquisition date and as at 30 June 2017.

Acquisition-related costs amounting approximately to HK\$1.3 million, have been recognised as other operating expenses in the consolidated income statement for the current period.

Assets acquired and liabilities recognised at the date of completion of acquisition are as follows:

	<b>Fair value (provisionally determined)</b> HK\$'000
Interest in an associate	
– share of fair value of net assets of NCIP	148,000
Other receivables	244
Cash and bank balances	18
Other payables	(262)
<b>Net assets acquired</b>	<b>148,000</b>
Total consideration	140,800
Less: Net assets acquired	(148,000)
<b>Gain on bargain purchase</b>	<b>7,200</b>
Satisfied by:	
– Consideration shares	56,800
– Cash consideration paid	18,167
– Cash consideration payable	65,833
	<b>140,800</b>
Net cash outflow on acquisition:	
– Cash consideration paid	(18,167)
– Cash consideration already paid in prior year	5,000
– Less: Cash and cash equivalent acquired	18
	<b>(13,149)</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 13. ACQUISITION OF A SUBSIDIARY/PURCHASE OF ASSETS THROUGH THE ACQUISITION OF SUBSIDIARIES (continued)

## (a) Acquisition accounted for as business combination (continued)

The gain on bargain purchase represented the difference between the then fair value of the new shares of the Company issued as consideration on the date of completion at HK\$0.71 per new share and the issue price of the consideration share based on the terms of the Agreement at HK\$0.80 per share.

Had the ECCL Group been consolidated from 1 January 2017, the profit for the period as shown in the consolidated income statement of the Company for the six months ended 30 June 2017 would decrease by approximately HK\$37,000.

The fair value of assets and liabilities of NCIP, provisionally determined, at the date of acquisition are as follows:

	<b>Fair value (provisionally determined)</b> HK\$'000
Property, plant and equipment	107,115
Land use rights	18,424
Other intangible assets	385,046
Inventories	426
Trade and other receivables	53,536
VAT recoverable	496
Cash and bank balances	4,269
Deferred tax liabilities	(39,178)
Trade and other payables	(36,801)
	<hr/>
Net assets	493,333
	<hr/>
30% of provisional fair value of net assets acquired	148,000
	<hr/>



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 13. ACQUISITION OF A SUBSIDIARY/PURCHASE OF ASSETS THROUGH THE ACQUISITION OF SUBSIDIARIES (continued)

## (b) Purchase of assets through acquisition of a subsidiary

On 21 April 2017, the Group acquired 100% issued share capital of Fair Industry Waste Recyclables Limited ("FIWRL") at a cash consideration of HK\$42,300,001. FIWRL is principally engaged in investment holding. FIWRL directly owns 100% equity interest in 江蘇新宇環保科技有限公司 ("JXYE", Jiangsu Xin Yu Environmental Technology Company Limited\*).

The acquisition of FIWRL and JXYE did not constitute a business combination. The acquisition has been accounted for as an purchase of assets and liabilities through acquisition of a subsidiary.

	<b>Fair value</b>
	HK\$'000
Loans receivable	21,291
Cash and bank balances	21,021
Other payables	(12)
<b>Net assets acquired</b>	<b>42,300</b>
Satisfied by:	
Cash consideration paid	7,050
Cash consideration payable	35,250
<b>Total consideration</b>	<b>42,300</b>
Net cash inflow on acquisition of assets through acquisition of a subsidiary:	
Cash consideration paid	(7,050)
Less: Cash and cash equivalents acquired	21,021
	<b>13,971</b>

\* For identification purpose only

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 13. ACQUISITION OF A SUBSIDIARY/PURCHASE OF ASSETS THROUGH THE ACQUISITION OF SUBSIDIARIES (continued)

## (c) Purchase of assets through acquisition of a subsidiary

On 21 April 2017, the Group acquired 100% issued share capital of Fair International Investment Enterprise Limited ("FIIEI") at a cash consideration of HK\$27,500,001. FIIEI is principally engaged in investment holding. FIIEI directly owns 100% equity interest in 泰興新新資源再生利用有限公司 ("TXXRR", Taixing Xin Xin Resources Recycling Company Limited\*).

FIIEI and TXXRR did not constitute a business at the acquisition date. The acquisition has been accounted for as an acquisition of assets and liabilities through acquisition of a subsidiary.

	<b>Fair value</b> HK\$'000
Property, plant and equipment	6,212
Land use rights	19,436
Other receivables	1,076
Cash and bank balances	2,376
Deferred tax liabilities	(801)
Other payables	(799)
<b>Net assets acquired</b>	<b>27,500</b>
Satisfied by:	
Cash consideration paid	4,583
Cash consideration payable	22,917
<b>Total consideration</b>	<b>27,500</b>
Net cash outflow on acquisition of assets through acquisition of a subsidiary:	
Cash consideration paid	(4,583)
Less: Cash and cash equivalents acquired	2,376
	<b>(2,207)</b>

\* For identification purpose only

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 14. PROPERTY, PLANT AND EQUIPMENT

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

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
<b>Carrying amount at 1 January</b>	<b>531,379</b>	527,884
Additions	<b>77,474</b>	73,693
Acquisition of a subsidiary (note 13(c))	<b>6,212</b>	–
Disposals	<b>(180)</b>	(10,109)
Depreciation		
– charge for the period/year	<b>(18,864)</b>	(34,632)
– eliminated on disposals	<b>93</b>	8,500
Exchange adjustments	<b>17,334</b>	(33,957)
<b>Carrying amount at the end of the reporting period</b>	<b>613,448</b>	531,379

As at 30 June 2017, certain property, plant and equipment of the Group with an aggregate carrying amount of approximately HK\$51,194,000 (31 December 2016: HK\$51,232,000) were pledged to secure banking facilities granted to the Group.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 15. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS

Movements in prepaid lease payments are analysed as follows:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
<b>Carrying amount at 1 January</b>	<b>121,531</b>	93,003
Additions	–	24,702
Acquisition of a subsidiary (note 13(c))	<b>19,436</b>	–
Transfer from deposit for acquisition of land use rights	–	9,580
Amortisation	<b>(1,645)</b>	(2,643)
Exchange adjustments	<b>2,391</b>	(3,111)
<b>Carrying amount at the end of the reporting period</b>	<b>141,713</b>	121,531
<b>Analysed for reporting purpose as:</b>		
Current assets	<b>3,626</b>	3,084
Non-current assets	<b>138,087</b>	118,447
	<b>141,713</b>	121,531
<b>At the end of reporting period, the carrying amount of the Group's interests in land use rights held in the Jiangsu Province, PRC is analysed as:</b>		
Remaining lease periods of over 50 years	–	–
Remaining lease periods between 10 to 50 years	<b>141,713</b>	121,531
	<b>141,713</b>	121,531

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

As at 30 June 2017, certain land use rights of the Group with an aggregate carrying amount of approximately HK\$15,445,000 (31 December 2016: HK\$15,435,000) were pledged to secure banking facilities granted to the Group.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 16. INTEREST IN ASSOCIATES

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
<b>Carrying amount of the Group's share of net assets of the associates at 1 January</b>	<b>18,236</b>	15,360
Acquisition – business combination (note 13(a))	<b>148,000</b>	–
Share of profits for the period/year	<b>6,256</b>	3,985
Share of other comprehensive income for the period/year	<b>5,712</b>	(1,109)
Dividend received from an associate	<b>(3,676)</b>	–
<b>Carrying amount of the Group's share of net assets of the associates at the end of the reporting period</b>	<b>174,528</b>	18,236

## 17. TRADE AND BILLS RECEIVABLES

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Trade receivables	<b>44,887</b>	35,673
Less: allowance for impairment of trade receivables	–	–
	<b>44,887</b>	35,673
Bills receivable	<b>19,813</b>	22,834
	<b>64,700</b>	58,507

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 17. TRADE AND BILLS RECEIVABLES (continued)

## (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:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
0 to 30 days	<b>26,249</b>	33,301
31 to 60 days	<b>19,830</b>	12,847
61 to 90 days	<b>9,158</b>	5,872
91 to 180 days	<b>6,242</b>	5,790
181 to 360 days	<b>3,221</b>	697
Over 360 days	–	–
	<b>64,700</b>	58,507

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

## (b) Impairment losses of trade receivables

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. There was no allowance for doubtful debts nor impairment losses recognised during the reporting periods.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 17. TRADE AND BILLS RECEIVABLES (continued)

## (c) Analysis of trade receivables not being impaired

Ageing analysis of trade and bills receivables at the end of the reporting period that is neither individually nor collectively considered to be impaired is presented as follows:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Neither past due nor impaired	<b>46,079</b>	46,148
Less than 30 days past due	<b>9,158</b>	5,872
More than 30 days but less than 90 days past due	<b>6,242</b>	5,790
More than 90 days but less than 360 days past due	<b>3,221</b>	697
	<b>64,700</b>	58,507

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

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Prepayments and utility deposits paid	<b>9,608</b>	9,047
Deposits paid for acquisition of property, plant and equipment	<b>741</b>	2,755
Deposit paid for tendering	<b>2,304</b>	–
Refundable deposit paid for proposed acquisition	–	5,000
Loans receivable	<b>14,297</b>	–
VAT recoverable	<b>11,285</b>	4,984
Other receivables	<b>5,584</b>	4,996
	<b>43,819</b>	26,782

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 19. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

Cash and cash equivalents in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows comprise:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Cash and bank balances	<b>102,957</b>	134,292
Time deposits	<b>75,110</b>	46,903
	<b>178,067</b>	181,195
Less: Pledged bank deposits for short term bank borrowings	<b>4,677</b>	9,606
Cash and cash equivalents in the consolidated statement of cash flows	<b>173,390</b>	171,589

The bank balances and time deposits carried interest at market rates within the range from 0.01% to 1.35% (2016: 0.01% to 1.35%) per annum for the six months ended 30 June 2017. Cash at banks earns interest at floating rates on daily deposit rates. Short-term time deposits are placed for varying periods within 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are placed with creditworthy banks with no recent history of default.

## 20. BANK BORROWINGS

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

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
<b>Current liabilities</b>		
Within 1 year or on demand	<b>107,591</b>	75,549
<b>Non-current liabilities</b>		
Between 1 year and 2 years	–	2,793
Between 2 years and 5 years	–	–
Over 5 years	–	–
	–	2,793
Total interest-bearing bank borrowings	<b>107,591</b>	78,342



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 20. BANK BORROWINGS (continued)

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Unsecured	71,533	45,502
Secured	36,058	32,840
	<b>107,591</b>	78,342

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Wholly repayable within 5 years	107,591	78,342
Wholly repayable after 5 years	–	–
	<b>107,591</b>	78,342

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

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Hong Kong Dollar	60,870	45,502
Renminbi	46,721	32,840
	<b>107,591</b>	78,342

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 21. TRADE AND BILLS PAYABLES

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Trade payables	4,332	4,080
Bills payable	4,677	9,606
	<b>9,009</b>	13,686

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

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
0 to 30 days	3,464	3,754
31 to 60 days	392	67
61 to 90 days	253	9
Over 90 days	223	250
	<b>4,332</b>	4,080

## 22. ACCRUED LIABILITIES AND OTHER PAYABLES

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Salaries and productivity incentive bonuses payable	11,444	15,426
Accounts payables for acquisition of property, plant and equipment	25,959	35,260
Other payables and accruals	56,694	57,001
	<b>94,097</b>	107,687

## 23. OTHER BORROWING

As at 30 June 2017, other borrowing of HK\$25,000,000 from an independent third party, Sinotech Investments Limited, is unsecured, bearing interest at a fixed rate of 4.0% per annum (31 December 2016: 4% per annum) and repayable on 31 December 2018.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 24. SHARE CAPITAL

	Numbers of shares		Share capital	
	30 June 2017 '000	31 December 2016 '000	30 June 2017 HK\$'000	31 December 2016 HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>				
<b>Authorised</b>				
At 1 January and at the end of the reporting period	<b>100,000,000</b>	100,000,000	<b>1,000,000</b>	1,000,000
<b>Issued and fully paid</b>				
At 1 January	<b>2,955,697</b>	2,955,697	<b>29,557</b>	29,557
Issue of Consideration Shares (note 13(a))	<b>80,000</b>	–	<b>800</b>	–
At the end of the reporting period	<b>3,035,697</b>	2,955,697	<b>30,357</b>	29,557

## 25. CAPITAL COMMITMENTS

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Capital expenditure in respect of property, plant and equipment – contracted for but not provided for	<b>110,003</b>	79,707

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 26. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group as lessee had the following minimum lease payments:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Office premises	74	422
Plant premises	–	536
Landfill	173	–
	<b>247</b>	<b>958</b>

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

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Within 1 year	189	958
After 1 year but within 5 years	58	–
After 5 years	–	–
	<b>247</b>	<b>958</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 26. OPERATING LEASE COMMITMENTS (continued)

The Group as lessor

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

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

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Within 1 year	<b>39,093</b>	43,974
After 1 year but within 5 years	<b>140,945</b>	164,440
After 5 years	<b>111,593</b>	140,933
	<b>291,631</b>	349,347

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 27. RELATED PARTY TRANSACTIONS

## (a) List of related parties

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

Name of related party	Relationship
New Universe Enterprises Limited ("NUEL")	A shareholder interested in 35.31% of the issued share capital of the Company, and the Company's Directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are also the directors of NUEL.
CM International Capital Limited ("CMIC Cayman")	A shareholder interested in 26.35% of the issued share capital of the Company, and the Company's Director, Mr. LIAO Feng is also a director of CMIC Cayman.
Sun Ngai International Investment Limited ("Sun Ngai")	100% owned subsidiary of New Universe Holdings Limited ("NUHL"), and the Company's Directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are also the directors of Sun Ngai and NUHL.
Mr. XI Yu	The Company's Director and a shareholder of NUEL who is interested in 83.66% of the issue share capital of NUEL.
Zhenjiang New District Solid Waste Disposal Limited* (鎮江新區固廢處置股份有限公司) ("Zhenjiang New District")	An associate of the Group, of which the Company holds 24.6% effective equity interest.

\* For identification purpose only

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

## 27. RELATED PARTY TRANSACTIONS (continued)

## (b) Transactions with related parties:

	<b>Six months ended 30 June</b>	
	<b>2017</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2016 (Unaudited) HK\$'000
<b>Recurring transactions:</b>		
Rental paid to Sun Ngai	<b>300</b>	300
Consultancy fee paid to Mr. XI Yu	–	36
Landfill charges on hazardous waste disposal paid to Zhenjiang New District	<b>6,261</b>	1,149

## (c) Arrangement on standby loan facility

On 13 June 2017, the Company accepted and agreed to a commitment letter issued by CMIC Cayman for a standby loan facility in the amount of HK\$500,000,000 to finance capital expenditure on environmental projects and merger and acquisition of appropriate environmental project(s) of the Company. Within an availability of period until 30 December 2017, loan(s) to be drawn down under the standby facility shall bear interest not more than the 5-year-term loan interest rate quoted from time to time by The People's Bank of China, and for each drawdown the Company shall enter into a loan agreement in the form acceptable to both parties, including the provision of credit enhancement that CMIC Cayman may request for at its discretion.

## (d) Key management personnel remuneration:

	<b>Six months ended 30 June</b>	
	<b>2017</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2016 (Unaudited) HK\$'000
Salaries and other benefits	<b>4,653</b>	4,102
Discretionary bonuses	–	–
Retirement scheme contributions	<b>52</b>	57
	<b>4,705</b>	4,159