New Universe Environmental Group Limited

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

Annual Report 2017

Corporate Information

PLACE OF INCORPORATION
Cayman Islands

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

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

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

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

COMPLIANCE OFFICER
Ms. CHEUNG Siu Ling

COMPANY SECRETARY
Mr. HON Wa Fai

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

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

SHARE REGISTRAR AND TRANSFER OFFICES
Principal
Conyers Trust Company (Cayman) Limited*
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

LEGAL ADVISERS
As to Cayman Islands Law
Conyers Dill & Pearman (Cayman) Limited

As to Hong Kong Law
Troutman Sanders

As to PRC Law
Beijing Sinobridge PRC Lawyers

FINANCIAL ADVISER
OCTAL Capital Limited

INDEPENDENT AUDITOR
Crowe Horwath (HK) CPA Limited

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
Cathay Bank, Hong Kong Branch

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

Stock Code
00436

Board Lot
20,000 shares

CORPORATE WEBSITE
www.nuigl.com

Note:

Ms. ZHANG Ying was appointed as the executive director of the Company with effect from 8 November 2017.

* With effect from 15 March 2017, the principal share registrar and transfer office changed its name from Codan Trust Company (Cayman) Limited to Conyers Trust Company (Cayman) Limited.

Contents

Chairman's Statement

I am pleased to present the audited consolidated results of New Universe Environmental Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017.

The year 2017 was a challenging year for the Company that we have upheld our united effort facing different renewed policies set for the environmental protection industry during the 13th Five-Year Plan period in the mainland of The People's Republic of China ("China" or the "PRC"). The Company has increased its capacity in handling hazardous waste in Jiangsu Province in 2017 in light of the national vision to intensifying efforts of strengthening environmental protection and making the skies blue over the country.

In 2017, the Group recorded a growth on both revenue and profitability as compared to the previous years. For the year ended 31 December 2017, total reportable segment revenue of the Group (inclusive of dividend income from long-term equity investments) was HK$385,943,000 (2016: HK$323,237,000) with a year-on-year increase of 19.4% (2016: 12.9%). Total reportable segment revenue from the provision of industrial and medical waste treatment and disposal services was HK$278,672,000 (2016: HK$219,348,000) with a year-on-year increase of 27.0% (2016: 18.5%). Total reportable segment revenue from the provision of industrial sewage and sludge treatment and facility services in the eco-plating specialised zone was HK$103,751,000 (2016: HK$99,690,000) with a year-on-year increase of 4.1% (2016: 3.1%). The overall profit margin (pre-tax) of the reportable segment results of the Group's environmental operations in 2017 was approximately 40.3% (2016: 34.7%).

For the year ended 31 December 2017, the profit attributable to owners of the Company was HK$83,577,000 (2016: HK$61,947,000), an increase of 34.9% from 2016. Total earnings per share attributable to the owners of the Company was HK$0.0278 for the year ended 31 December 2017 (2016: HK$0.0210), an increase of 32.4% from 2016.

Equity attributable to owners of the Company as at 31 December 2017 was HK$887,438,000 (2016: HK$687,285,000). Cash and cash equivalents of the Group as at 31 December 2017 was HK$237,884,000 (2016: HK$171,589,000).

Final Dividend

The board (the "Board") of directors (the "Directors") of the Company recommends the payment of a final dividend of HK$0.0065 per share at a payout ratio of approximately 23.6% of the profit attributable to the owners of the Company for the year ended 31 December 2017, which is subject to the approval of the shareholders at the forthcoming annual general meeting. Upon shareholders' approval, the final dividend is expected to be payable on or about 31 July 2018 to shareholders whose names appear on the register of members on 29 June 2018.

Business Prospects

Entering 2018, the environmental regulatory compliance inspection would be continuously implemented by the government across all regions of China, and it is expected that by the end of December of 2018, chemical enterprises with outdated production equipment and process unable to adjust to the environmental requirements in China will gradually be phased out. Chemical industry is the prime industry of Jiangsu Province, where most industrial clients of the Group are situated, and the Group is motivated to continue its effort on the betterment of its environmental operations and enhancing its hazardous waste treatment and disposal capacity there. Leveraging our experience on the industrial waste treatment and disposal services over 10 years in Jiangsu Province, the Group continues to confine on the environmental protection industry and will explore for new opportunities of the industry in other areas in China prudently. The Group will continue to improve its operational efficiency and optimize its operating costs. We expect the Company will adopt more green technologies to benefit the society and continue to reward its investors with sustainable growth and better results in the coming year.

Our Acknowledgment

I would like to express my gratitude to our shareholders, our business partners, customers, suppliers and financiers for their continuous support to the Group. I would also like to extend my thanks and appreciation to the management team and all colleagues of the Group for their efforts and their dedication to working toward our results in 2017.

XI Yu
Chairman

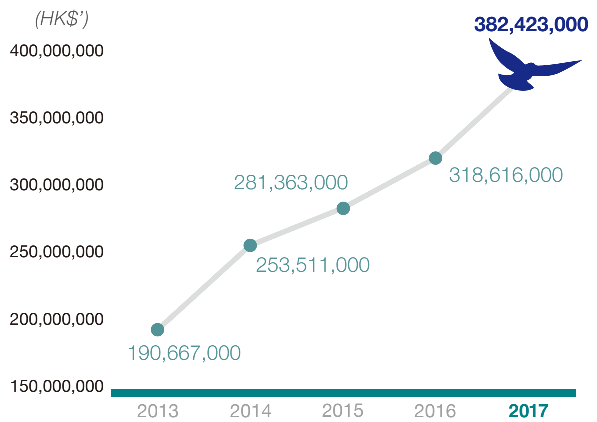
Hong Kong, 23 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

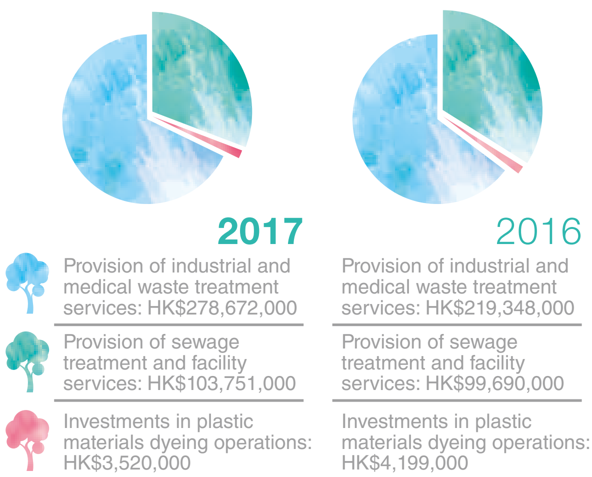
- **Group revenue up 20.0% to HK$382,423,000.**
- **Profit attributable to owners of the Company up 34.9% to HK$83,577,000.**
- **Equity attributable to owners of the Company was HK$887,438,000 at 31 December 2017.**
- **Cash and cash equivalents of the Group amounted to HK$237,884,000 at 31 December 2017.**
- **Total earnings per share attributable to owners of the Company up 32.4% to HK cents 2.78.**
- **The Board resolved to declare a final dividend of HK cents 0.65 per share for the year ended 31 December 2017.**

5-Year Group Revenue*

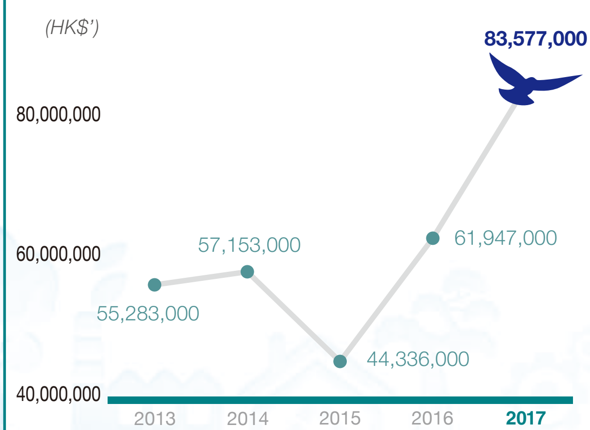


* *Group revenue represents the consolidated revenue from all environmental related operations of the Group but excludes the other revenue and other net income that being included in the segment revenue.*

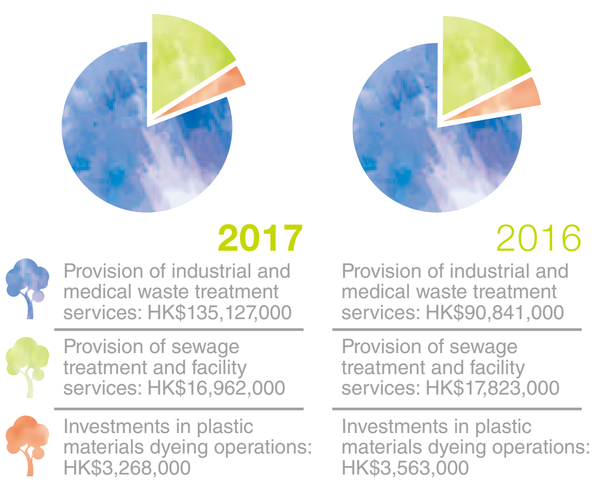
Segment Revenue

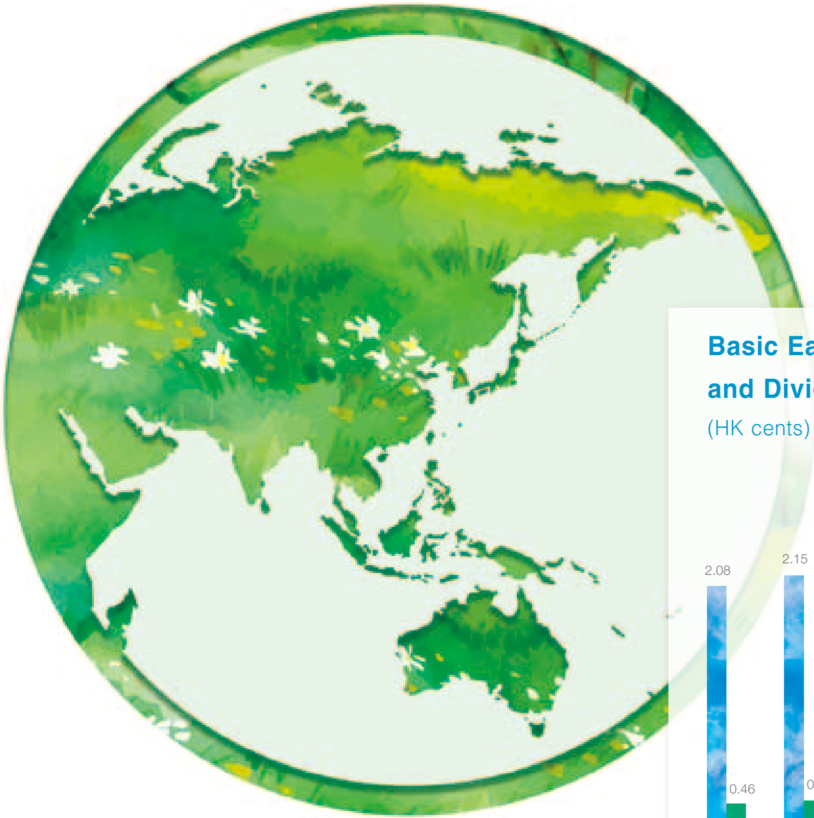


5-Year Profit Attributable to Owners of Company



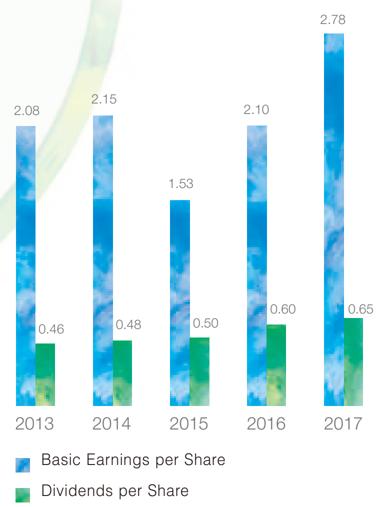
Segment Results





Basic Earnings per Share and Dividends per Share

(HK cents)



BUSINESS REVIEW

Environmental Industrial and Medical Waste Integrated Treatment and Disposal Services

For the year ended 31 December 2017, the Group had collected from external customers for treatment and disposal in aggregate of approximately 52,383 metric tons (2016: 34,985 metric tons) of hazardous industrial waste, 7,234 metric tons (2016: 6,426 metric tons) of regulated medical waste, and 2,358 metric tons (2016: 2,367 metric tons) of general industrial waste from various cities in Jiangsu Province, China. For the year ended 31 December 2017, the total revenue of the Group's operations of providing environmental waste integrated treatment and disposal services was approximately HK$278,672,000 (2016: HK$218,926,000) of which the revenue from treatment of hazardous industrial waste, medical waste and general industrial waste were HK$244,667,000, HK$31,780,000 and HK$2,225,000 (2016: HK$189,407,000, HK$27,917,000 and HK$1,602,000) respectively and the segment profit margin (pre-tax) of the Group's environmental waste integrated treatment and disposal services was approximately 48.5% (2016: 41.4%).

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	**31 December 2017 Annual capacity metric tons**	31 December 2016 Annual capacity metric tons
Licensed hazardous waste incineration facilities	(i), (ii)	**111,400**	45,200
Licensed epidemic medical waste incineration facilities	(ii)	**6,000**	8,000
Licensed epidemic medical waste detoxification treatment facilities	(iii)	**5,860**	–
Licensed hazardous waste landfill facilities	(iv)	**–**	18,000
Total licensed treatment and disposal facilities	(v)	**123,260**	71,200
Constructed hazardous waste landfill facilities pending operating permission licence	(iv)	**18,000**	–
Constructed medical waste treatment facilities pending operating permission licence		**–**	5,940
Total constructed treatment and disposal facilities pending licences		**18,000**	5,940
New incineration facilities under construction		**33,000**	72,600
New incineration facilities planned to start construction within one year		**–**	33,000
New facilities under construction or to be constructed		**33,000**	105,600

Notes:

(i) Increase in total incineration capacity was mainly attributable to the hazardous waste operating permission licences being newly granted to the Group during the year ended 31 December 2017. On 28 July 2017, the existing and newly built facilities of the Group at Dafeng District, Yancheng, Jiangsu Province was granted a renewed hazardous waste operating permission licence for an increased annual incineration capacity of total 39,000 metric tons. On 20 December 2017, the newly built facilities of the Group at Suqian, Jiangsu Province was granted a new hazardous waste operating permission licence for an annual incineration capacity of 40,000 metric tons and would be put into operation commencing 2018.

(ii) Certain old incineration facilities for handling hazardous industrial waste and regulated epidemic medical waste in Zhenjiang City, Jiangsu Province have ceased during the year ended 31 December 2017.

(iii) Well-built detoxification facilities dedicated to handling regulated epidemic medical waste in Taizhou City and Zhenjiang City of the Jiangsu Province were granted new operating permission licences for total annual handling capacity of 5,860 metric tons during the year ended 31 December 2017.

(iv) The hazardous waste operating permission licence for the hazardous waste landfill facilities located in Yancheng, Jiangsu Province, granted in December 2016 has lapsed in November 2017, and the construction of the landfill would be subject to further optimisation and the renewal of the licence would be deferred.

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

Environmental Industrial Sewage Treatment Services in Eco-plating Specialised Zone

For the year ended 31 December 2017, total revenue of the Group's operations of providing environmental industrial sewage and sludge treatment services and providing facilities to the manufacturers in the eco-plating specialised industrial zone (the "Eco-plating Specialised Zone") was approximately HK$103,751,000 (2016: HK$99,690,000) and the segment profit margin (pre–tax) was approximately 16.3% (2016: 17.9%).

In the Eco-plating Specialised Zone with land area of approximately 180,000 square metres with total gross floor area of factory buildings built of approximately 106,605 square metres, the Group owns 22 factory buildings leased by 48 manufacturing clients engaging in plating operations as at 31 December 2017. The Group operates a centralised plating sewage treatment plant, a centralised industrial sludge treatment plant and customised facilities equipped for all clients in the zone.

In 2017, certain clients with production process unable to meet the environmental requirements have moved out of the zone that resulted in slightly decrease in pre-tax profit margin of this operating segment.

As at 31 December 2017, the Group's operations in the Eco-plating Specialised Zone were summarised as follows:

	2017	2016
Total gross floor area of factory buildings and facilities built (square metres)	**106,605**	106,605
Average utilisation rate of buildings and facilities	**86.0%**	89.7%
Plating sewage handled by the centralised sewage treatment plant (metric tons)	**655,357**	738,166
Average utilisation rate of sewage treatment capacity	**39.7%**	44.7%

Strategic Investments in Plastic Materials Dyeing Operations

The Group holds the equity interests in three manufacturing entities that principally engaged in plastic materials dyeing in China as long-term equity investments. For the year ended 31 December 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 2.5%, 1.7% and 3.1% (2016: 1.0%, 2.6% and 4.3%) respectively.

For the year ended 31 December 2017, total dividend received by the Group (before PRC dividend tax) in relation to the results of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei in 2016 was approximately HK$3,520,000 (2016: HK$4,199,000 in relation to the results in 2015).

Business Combination and Acquisition of Assets

Pursuant to the sale and purchase agreement dated 31 March 2017 (the "SPA") entered into by the wholly-owned subsidiary of the Company, New Universe International Holdings Limited as the purchaser and Sinotech Investments Limited as the vendor (the "Vendor"), the Company has completed the SPA on 21 April 2017 (the "Acquisitions"). The Acquisitions constituted a discloseable transaction for the Company under the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and details of which have been announced by the Company on 31 March 2017 and 21 April 2017.

Upon completion of the SPA, the Company has acquired the 30% equity interest in Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd. 南京化學工業園天宇固體廢物處置有限公司 ("NCIP"), which is engaged in hazardous industrial waste treatment and disposal service in Nanjing, through the acquisition of the 100% equity interest in the issued share capital of Ever Champ (China) Limited 恒明（中國）有限公司 ("ECCL") and the entire interest of the outstanding interest-free unsecured shareholder's loan at a total consideration of HK$148,000,001. The acquisition was considered a business combination with regard to the operations of NCIP engaging in hazardous industrial waste treatment and disposal service in Jiangsu Province.

Upon completion of the SPA, the Company also acquired the land use rights and the liquid assets located in Jiangsu Province through the acquisition of (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, the entire interest of the outstanding interest-free unsecured shareholder's loan, and the 100% equity interest in a subsidiary in China at a total consideration HK$42,300,001; and (ii) 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, the entire interest of the outstanding interest-free unsecured shareholder's loan, and the 100% equity interest in its subsidiary in China at a total consideration of HK$27,500,001.

The aggregate consideration for the Acquisitions was HK$217,800,003, of which HK$153,800,003 would be settled in cash by installments payable to the Vendor and the balance of HK$64,000,000 was settled by the issue and allotment of 80,000,000 new shares of the Company to the nominee of the Vendor on 21 April 2017.

The Acquisitions comprised of business combination and acquisitions of assets located in Jiangsu Province enable the Group to extend its environmental waste treatment services and clients' network to Nanjing, and to further broaden the business scope of environmental operations in Jiangsu Province.

Outlook

Up to 31 December 2017, the Group owned 6 (2016: 6) sites and interested in 2 (2016: 1) sites in joint venture to engage in providing hazardous waste treatment and disposal services, and also owned an industrial park, the Eco-plating Specialised Zone. The Group currently services approximately 800 medical organisations and a portfolio of approximately 800 manufacturing clients engaging in different industrial businesses inclusive of chemicals, plastics, automotive, paper-making and plating in the country. As at 31 December 2017, the combined licensed capacity of the Group for the collection, storage and treatment of hazardous industrial and medical waste in China was approximately 123,260 metric tons per annum (2016: 71,200 metric tons per annum). It is expected that the existing completed facilities together with those facilities to be completely shortly would contribute stable returns to the Group in the foreseeable future.

Further to a framework agreement signed by the Company on 17 November 2017, a joint venture company has been established on 26 December 2017 in Guangxi, China, with a registered capital of RMB70,000,000, of which the Company will contribute 65% of the equity interest. It is expected that the joint venture company will set up an integrated hazardous waste treatment centre which will include an integrated hazardous waste treatment plant and a hazardous landfill site at the Liuzhou City of Guangxi.

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 explore for opportunities in a timely manner 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 China, the Group expects that profit growth will sustain in the coming year.

FINANCIAL REVIEW

The summary of annual and interim results for the year ended 31 December 2017 together with corresponding figures for 2016 is presented as follows:

Summary of annual results

(Expressed in HK$'000 unless indicated otherwise)

	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000	Change %
Revenue from environmental waste treatment and disposal services	1(i)	**278,672**	218,926	+27.3
Revenue from environmental industrial sewage treatment and facility services	1(ii)	**103,751**	99,690	+4.1
Total Revenue	1	**382,423**	318,616	+20.0
Average gross profit margin (in percentage)	2	**43.8**	45.5	-3.7
Other revenue	3	**3,520**	4,621	-23.8
Other net income	4	**28,539**	13,254	+115.3
Distribution and selling expenses	5	**4,682**	5,745	-18.5
Administrative expenses	6	**50,553**	46,684	+8.3
Other operating expenses	7	**20,622**	21,335	-3.3
Gain on bargain purchase		**7,200**	–	N/A
Finance income	8	**(184)**	3,036	N/A
Finance costs	9	**9,129**	3,962	+130.4
Share of profits of associates	10	**11,716**	3,985	+194.0
Income tax	11	**20,916**	5,985	+249.5
Net profit for the year	12	**112,534**	86,118	+30.7
Profit attributable to owners of the Company	12	**83,577**	61,947	+34.9
Total basic and diluted EPS (in HK cents)	13	**2.78**	2.10	+32.4
EBITDA	14	**189,576**	130,304	+45.5

Summary of interim results

(Expressed in HK$'000 unless indicated otherwise)

	Note	1H 2017 HK$'000	2H 2017 HK$'000	Total 2017 HK$'000
Revenue from environmental waste treatment and disposal services	1(i)	**120,561**	**158,111**	**278,672**
Revenue from environmental industrial sewage treatment and facility services	1(ii)	**46,989**	**56,762**	**103,751**
Total Revenue	1	**167,550**	**214,873**	**382,423**
Average gross profit margin (in percentage)	2	**44.1**	**43.6**	**43.8**
Other revenue	3	**3,701**	**(181)**	**3,520**
Other net income	4	**11,052**	**17,487**	**28,539**
Distribution and selling expenses	5	**2,705**	**1,977**	**4,682**
Administrative expenses	6	**20,950**	**29,603**	**50,553**
Other operating expenses	7	**9,768**	**10,854**	**20,622**
Gain on bargain purchase		**7,200**	**–**	**7,200**
Finance income	8	**(10)**	**(174)**	**(184)**
Finance costs	9	**3,530**	**5,599**	**9,129**
Share of profits of associates	10	**6,256**	**5,460**	**11,716**
Income tax	11	**6,310**	**14,606**	**20,916**
Net profit for the period	12	**58,907**	**53,627**	**112,534**
Profit attributable to owners of the Company	12	**46,840**	**36,737**	**83,577**
Basic and diluted EPS attributable to owners of the Company (in HK cents)	13	**1.57**	**1.21**	**2.78**
EBITDA	14	**89,266**	**100,310**	**189,576**

	Note	1H 2016 HK$'000	2H 2016 HK$'000	Total 2016 HK$'000
Revenue from environmental waste treatment and disposal services	1(i)	109,250	109,676	218,926
Revenue from environmental industrial sewage treatment and facility services	1(ii)	48,190	51,500	99,690
Total Revenue	1	157,440	161,176	318,616
Average gross profit margin (in percentage)	2	49.0	42.0	45.5
Other revenue	3	4,608	13	4,621
Other net income	4	7,224	6,030	13,254
Distribution and selling expenses	5	4,546	1,199	5,745
Administrative expenses	6	21,164	25,520	46,684
Other operating expenses	7	7,760	13,575	21,335
Finance income	8	316	2,720	3,036
Finance costs	9	1,984	1,978	3,962
Share of net profit of an associate	10	1,837	2,148	3,985
Income tax	11	347	5,638	5,985
Net profit for the period	12	55,357	30,761	86,118
Profit attributable to owners of the Company	12	42,490	19,457	61,947
Basic and diluted EPS attributable to owners of the Company (in HK cents)	13	1.44	0.66	2.10
EBITDA	14	76,305	53,999	130,304

Notes:

1. Net increase in total revenue for the year ended 31 December 2017 was mainly attributable to:

   (i) net increase in total quantities of both industrial and medical hazardous waste collected for innocuity treatment and disposal after the newly built facilities were put into operation with new operating permission licence obtained in 2017; and

   (ii) adjustments on unit prices for leasing facilities to the manufacturing clients in the Eco–plating Specialised Zone in 2017.

2. Decrease in gross profit margin of the Group for the year ended 31 December 2017 was mainly attributable to increase in direct costs on handling post-incineration residues in 2017.

3. Net decrease in other revenue for the year ended 31 December 2017 was mainly attributable to decrease in dividends received from the long-term equity investments in 2017.

4. Net increase in other net income for the year ended 31 December 2017 was mainly attributable to increase in refund of VAT paid on environmental-related operations under tax preferential policy in China granted to the Group in 2017.

5. Net decrease in distribution and selling expenses for the year ended 31 December 2017 was mainly attributable to decrease in marketing incentive expenses in 2017.

6. Net increase in administrative expenses for the year ended 31 December 2017 was mainly attributable to the increase in administrative staff costs of the Group in 2017.

7. Net decrease in other operating expenses for the year ended 31 December 2017 was mainly attributable to decrease in research and development costs of the Group incurred in 2017.

8. Net decrease in finance income for the year ended 31 December 2017 was mainly attributable to the increase in exchange losses arisen on financing activities during the year.

9. Net increase in finance costs for the year ended 31 December 2017 was mainly attributable to increase in interests on bank borrowings and additional interest to finance the consideration payable after the completion of the acquisition of subsidiaries in 2017.

10. Net increase in profit shared from the associates for the year ended 31 December 2017 was mainly attributable to the profit shared from the newly acquired associate in 2017.

11. Net increase in income tax for the year ended 31 December 2017 was mainly attributable to increase in taxable profits in 2017.

12. For the year ended 31 December 2017, net increase in profit and increase in profit attributable to owners of the Company were mainly attributable to:

    (i) increase in revenue from the operating segment of environmental waste treatment and disposal services;

    (ii) increase in refund of VAT paid under tax preferential policy in China;

    (iii) gain on bargain purchase arisen on a business combination completed in 2017; and

    (iv) profit shared from a newly acquired associate in 2017.

13. Increase in earnings per shares ("EPS") was directly attributable to the increase in net profit in 2017.

14. The Company uses the profit for the reporting period before deduction of interest, taxation, depreciation and amortisation ("EBITDA") to measure the operating results of the Group. Increase in EBITDA for the year ended 31 December 2017 was mainly attributable to the increase in net profit of the Group in 2017.

Seasonality of operations

For the year ended 31 December 2017 and 2016, the operation of providing environment hazardous waste treatment and disposal services has encountered a relatively high demand of treatment services in the third and fourth quarters of a year.

For the year ended 31 December 2017, the environmental waste treatment services reported a revenue of HK$278,672,000 (2016: HK$218,926,000) and pre-tax profit of HK$135,127,000 (2016: HK$90,841,000) with revenue of approximately 43.3% (2016: 49.9%) being accumulated in the first half of the year and approximately 56.7% (2016: 50.1%) being accumulated in the second half of the year. In 2017, certain newly built environmental hazardous waste treatment facilities of the Group were granted operating permission licences in the fourth quarter and hence drove up the revenue of the Group in the second half of the year.

Capital expenditure

For the year ended 31 December 2017, the Group incurred capital expenditure to increase property, plant and equipment and to acquire land use rights (i) for the operating segment of environmental waste treatment and disposal services amounted approximately to HK$211,132,000 (2016: HK$90,304,000), (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$5,374,000 (2016: HK$8,070,000), and (iii) for corporate use at the head office in Hong Kong amounted approximately to HK$42,000 (2016: HK$21,000).

Commitments

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

	31 December 2017 HK$'000	31 December 2016 HK$'000
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	**80,330**	79,707
– Capital contribution payable to a newly established joint venture	**54,600**	–

Liquidity, financial resources and gearing

For the year ended 31 December 2017, the Group financed its operations with internally generated cash flows, banking facilities, other borrowings and issuance of new shares. The Group remained stable in its financial position with equity attributable to owners of the Company amounted to HK$887,438,000 as at 31 December 2017 (31 December 2016: HK$687,285,000) and total assets amounted to HK$1,538,917,000 as at 31 December 2017 (31 December 2016: HK$1,035,706,000).

Except for the issuance of 80,000,000 new shares of the Company on 21 April 2017 to settle part of the consideration payable to the vendor upon completion of a business combination, the Company did not have any equity fund raising activity within the past twelve months immediately prior to the date of this report.

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

	31 December 2017 HK$'000	31 December 2016 HK$'000
(i) Cash and bank balances	**237,884**	171,589
(ii) Available unused secured banking facilities	**–**	48,701
(iii) Available unused unsecured banking facilities	**82,726**	23,700

Note:

After the end of the reporting period, on 3 February 2018, Suqian New Universe Solid Waste Disposal Company Limited* (宿遷宇新固體廢物處置有限公司), a wholly owned subsidiary of the Company in PRC, was granted a secured bank facility of RMB30,000,000 (approximately HK$36,000,000) to finance its capital expenditure on construction of hazardous waste treatment and disposal facilities.

* *For identification purpose only*

Key Performance indicators

The Group monitors its financial performance and earning potential through EBITDA. EBITDA of the Group was HK$189,576,000 for the year ended 31 December 2017 (2016: HK$130,304,000).

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 166% for the year ended 31 December 2017 (2016: 120%).

The Group monitors its liquidity through current ratio. The current ratio of the Group representing the ratio of the consolidated current assets to the consolidated current liabilities was 0.9 time as at 31 December 2017 (31 December 2016: 1.3 times). The current ratio being less than 1 as at 31 December 2017 was mainly attributable to the bank loans payable in or after 2019 amounted approximately to HK$59,968,000 have been classified as current liabilities because those banking facilities bore standard terms and conditions that the banker reserves its overriding right at any time to cancel or vary the facilities and demand immediate repayment of all outstanding amount.

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 debt (excluding deferred government grants, income tax payable and deferred tax liabilities) 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:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Bank borrowings	**182,677**	78,342
Other borrowing	**25,000**	25,000
Consideration payable for acquisition of subsidiaries	**84,800**	–
Trade, bills and other payables, accruals and customers' deposits received	**208,310**	130,433
Total debt	**500,787**	233,775
Less: cash and cash equivalents	**237,884**	171,589
Net debt	**262,903**	62,186
Total equity (inclusive of non-controlling interests)	**997,567**	769,489
Total capital	**1,260,470**	831,675
Gearing ratio	**20.9%**	7.5%

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 year ended 31 December 2017 are as follows:

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.01each		
Authorised		
At 1 January 2017 and at 31 December 2017	100,000,000	1,000,000
Issued and fully paid		
At 1 January 2017	2,955,697	29,557
Consideration shares issued for business combination	80,000	800
At 31 December 2017	3,035,697	30,357

On 21 April 2017, the Company allotted and issued 80,000,000 new ordinary shares ("Consideration Shares") of the Company to the Vendor upon completion of the Acquisitions to satisfy the amount of HK$64,000,000, being part of the total consideration payable by the Company pursuant to the SPA. The Consideration Shares were issued under the general mandate granted to the Directors at the annual general meeting held on 6 May 2016. The Consideration Shares are not subject to any subsequent sale restriction. The aggregate nominal value of the 80,000,000 Consideration Shares at a par value of HK$0.01 per share was HK$800,000. The 80,000,000 Consideration Shares were determined by both parties to the SPA at HK$0.80 per share and at an aggregate price of HK$64,000,000, according to the SPA. The actual fair value price of the Consideration Shares issued by the Company was HK$56,800,000 based on HK$0.71 per share according to the closing price of the Company's shares on the Stock Exchange on 21 April 2017.

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

Material acquisitions and disposals of subsidiaries and affiliated companies

On 21 April 2017, the Company has acquired (i) the 100% equity interest and the entire interest of the shareholder's loan of Ever Champ (China) Limited 恒明(中國)有限公司, a company incorporated in Hong Kong, and its 30% equity interest in Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd. 南京化學工業園天宇固體廢物處置有限公司, a sino-foreign joint equity enterprise established in Nanjing at a consideration of HK$148,000,001, (ii) the 100% equity interest and the entire interest of the outstanding interest-free unsecured shareholder's loan of Fair Industry Waste Recyclables Limited 信榮工業廢物再生利用有限公司, a company incorporated in Hong Kong, and its 100% equity interest in Jiangsu Xin Yu Environmental Technology Company Limited* 江蘇新宇環保科技有限公司, a wholly foreign-owned enterprise established in the Zhenjiang City of Jiangsu Province at a consideration HK$42,300,001; and (iii) the 100% equity interest and the entire interest of the outstanding interest-free unsecured shareholder's loan of Fair International Investment Enterprise Limited 信榮國際投資企業有限公司, a company incorporated in Hong Kong, and its 100% equity interest in Taixing Xin Xin Resources Recycling Company Limited* 泰興新新資源再生利用有限公司, a wholly foreign-owned enterprise established in the Taixing City of Jiangsu Province at a total consideration of HK$27,500,001.

* *For identification purpose only*

On 6 December 2017, the 100% owned subsidiary of the Group, HK Smartech Trading (Shenzhen) Limited* 港匯科貿易(深圳)有限公司 was duly de-registered in Shenzhen, China. The de-registration of the subsidiary did not have any significant financial impact to the Group.

On 26 December 2017, a sino-foreign joint venture, Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited* 柳州新宇榮凱固體廢物處置有限公司, was established in Liuzhou, Guangxi, of which, under the joint venture agreement, the Company will contribute 65% of the registered capital and the Company will account for the investment using equity method.

Save as disclosed therein, there were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the year ended 31 December 2017.

Significant investments held and their performance

According to the valuation report dated 23 March 2018 issued by an independent professional valuer, DTZ Cushman & Wakefield Limited ("DTZ", formerly known as DTZ Debenham Tie Leung Limited) (2016: DTZ Debenham Tie Leung Limited), 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 31 December 2017 were HK$29,900,000, HK$11,540,000 and HK$38,560,000 (31 December 2016: HK$12,300,000, HK$16,700,000 and HK$34,600,000) respectively. The changes in value of the long-term equity investments for the year end 31 December 2017 were recognised as other comprehensive income and accounted for in investment revaluation reserve of the Group.

Impairment testing on goodwill

As at 31 December 2017, the assessment on the recoverable amount of the Group's cash generating unit principally engaged in environmental waste treatment services in China was determined by referring to the valuation report dated 23 March 2018 issued by the independent professional valuer, DTZ (2016: DTZ), after their review of the cash flows projection covering a five-year period with an annual growth rate at 2% (2016: 2%) of the environmental entities of the Group comprising Zhenjiang New Universe Solid Waste Disposal Company Limited, Yancheng New Universe Solid Waste Disposal Company Limited, and Taizhou New Universe Solid Waste Disposal Company Limited, using the pre-tax discount rate of 18.48% (2016: 19.60%) taken into account of the risks for the industries, no impairment loss to the goodwill was considered necessary for the year end 31 December 2017 (2016: Nil).

Charges on assets

The Group pledged certain property, plant and equipment and the land use rights with carrying amounts of HK$51,762,000 and HK$15,839,000 respectively (2016: HK$51,232,000 and HK$15,435,000 respectively, together with bank deposits of HK$9,606,000) to secure banking facilities totally amounted approximately to HK$28,440,000 as at 31 December 2017 (2016: HK$81,541,000) which to the extent of HK$28,440,000 were utilised as secured bank borrowings as at 31 December 2017 (2016: HK$32,840,000) granted to the Group.

Contingent liabilities

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

Employee information

As at 31 December 2017, the Group had 569 (2016: 443) full-time employees, of which 20 (2016: 21) were based in Hong Kong, and 549 (2016: 422) in China. For the year ended 31 December 2017, staff costs, including Directors' remuneration and amount capitalised as inventories was HK$71,692,000 (2016: HK$56,166,000). Employees and Directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, and continued development and training.

* *For identification purpose only*

Exposure to fluctuations in exchange rates

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

The results of the Group's subsidiaries in China are translated from RMB into HK$ at the exchange rates approximating the rates ruling at the dates of the transactions. Statement of financial position items of the Group's subsidiaries in China are translated from RMB into HK$ at the closing rate ruling at the end of the reporting period. For the year ended 31 December 2017, RMB appreciated on average relatively to the HK$ that resulted in an overall upside exchange difference on translation from RMB to HK$ for the financial statements of the subsidiaries in China amounted approximately to HK$57,335,000 (2016: downside exchange difference of HK$41,277,000), which were recognised as other comprehensive income and accumulated separately in equity in the translation reserve of the Company and did not have any effect to the profit and loss of the Company in current year. The accumulated exchange differences in the translation reserve will be reclassified to profit or loss as when the interests in the relevant subsidiaries in China being entirely or partially disposed of by the Group.

Principal risks and uncertainties

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

1. The Group is dependent on continuous renewal of hazardous waste operating permission licences to be granted by the China Government. The environmental business of the Group involving in collection, storage, incineration, landfill, treatment and final disposal of hazardous waste in China requires operating permission licences for handling hazardous waste and the operating permission licences for handling epidemic medical waste issued by the Environmental Protection Bureau of Jiangsu Province and local environmental authorities. All subsidiary entities of the Group engaging in environmental operations have to maintain and continuously uphold their operating standards and waste management standards and technically renovate the facilities in order to comply with the environmental policies, standards, and legislations as promulgated by the China Government that might be renewed or revised from time to time, or otherwise, there is a risk that the hazardous waste operating permission licence(s) of the Group may be suspended temporarily or withdrawn or the renewal of which may be deferred and subject to the compliance with the China Governmental directions for renovation and reconstruction.

2. The Group faces competition in the market of hazardous waste collection for treatment and disposal services from other operators in the environmental hazardous waste treatment industry. The Group has to continuously upkeep its facilities and provide continuing staff development, and to strengthen its waste management standard and financial stability in order to compete with the increasing competitors engaged in treatment of hazardous waste which may have greater financial resources to develop larger scaled waste disposal and recycling facilities and better technical know-how than we have.

3. The Group engages in hazardous waste incineration to reduce quantity of hazardous waste and to decompose hazardous waste through high temperature incineration process, and handling industrial sewage discharging by clients in an industrial zone that faces environmental and social responsibility risks, which might be caused by incidental breach of environmental emission limits, incidental safety issues and incidental adverse waste discharging conditions caused by clients, and which could have negatively impact to the environmental waste treatment operations of the Group. The Group has sought for high quality plant construction design, and implemented stringent controls over the construction of new projects. The Group undertakes to continuously upgrade the efficiency of the existing plant and equipment and to enhance the project management standards from time to time. The Group will appoint independent professionals to report on environmental emissions periodically and to monitor all possible environmental impact to the society.

4. The scale of the Group's operations has been increasing moderately which, at the same time, increases the significance of internal control risks arising from the uncertainties of effectiveness and achievement of the objective of the internal control system, or ineffectiveness of the internal control due to any defective critical point subsisted in the internal control system or any improper internal control measure. The Group has committed to continuously value the risk management and internal control systems of the Group by appointing independent professional consultants to carrying out internal control review on all key operations of the Group periodically. The Group also assigned designated staffs to monitor each key operation of the Group who would strengthen the liaison between the Group's headquarter and the project companies, and from time to time, keep the headquarter informed of the status of the projects and ensure the management's policies are being implemented in a timely and effective manner.

5. The impact of economic conditions on local industries in China would affect the quantities of hazardous waste discharged and the treatment service pricing for the specific market offered by specific client base of the Group for environmental waste treatment and disposal services. The Group's existing business strategy has been confined to certain specific markets that new strategies would be developed by the Group to strengthen penetration of different geographical markets and thereby to reduce its dependency on the specific markets.

6. Lack of appropriately skilled and experienced human resources could result in a delay in achieving the Group's strategic goals and development of new projects. The Company has reviewed organizational structure of the Group and responsibilities and duties of all key staff members regularly. The risk of the loss of key personnel is mitigated by regular reviews of recruitment and retention practices, remuneration packages and succession planning within the management team.

7. The Group faces various financial risks that have been disclosed in note 41 to the financial statements on pages 168 to 174 of this report.

5-YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	**382,423**	318,616	281,363	253,511	190,667
Cost of sales	**(214,778)**	(173,683)	(159,740)	(139,529)	(99,687)
Gross profit	**167,645**	144,933	121,623	113,982	90,980
Other revenue	**3,520**	4,621	4,952	4,601	4,640
Other net income	**28,539**	13,254	9,310	27,198	489
Distribution and selling expenses	**(4,682)**	(5,745)	(7,144)	(8,799)	(6,303)
Administrative expenses	**(50,553)**	(46,684)	(41,176)	(36,726)	(29,880)
Other operating expenses	**(20,622)**	(21,335)	(16,689)	(17,058)	(7,602)
Gain on bargain purchase	**7,200**	–	–	–	–
Operating profit	**131,047**	89,044	70,876	83,198	52,324
Finance income	**(184)**	3,036	640	1,539	1,624
Finance costs	**(9,129)**	(3,962)	(2,799)	(2,817)	(3,511)
Finance costs, net	**(9,313)**	(926)	(2,159)	(1,278)	(1,887)
Gain on deemed disposal of associates	**–**	–	–	–	6,128
Share of profit of associates, net	**11,716**	3,985	4,154	2,555	3,979
Profit before taxation	**133,450**	92,103	72,871	84,475	60,544
Income tax	**(20,916)**	(5,985)	(13,459)	(12,596)	(16,421)
Profit for the year from continuing operations	**112,534**	86,118	59,412	71,879	44,123
Discontinued operations					
Profit for the year from discontinued operations	**–**	–	–	–	18,685
Profit for the year	**112,534**	86,118	59,412	71,879	62,808
Profit for the year attributable to:					
Owners of the Company	**83,577**	61,947	44,336	57,153	55,283
Non-controlling interests	**28,957**	24,171	15,076	14,726	7,525
	112,534	86,118	59,412	71,879	62,808
Profit for the year attributable to owners of the Company arising from:					
Continuing operations	**83,577**	61,947	44,336	57,153	36,598
Discontinuing operations	**–**	–	–	–	18,685
	83,577	61,947	44,336	57,153	55,283
Dividend declared for the results of the year	**19,732**	18,214	14,778	14,187	12,216

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**754,897**	531,379	527,884	505,640	435,844
Prepaid lease payments for land use rights	**139,670**	118,447	99,984	94,236	102,410
Goodwill	**33,000**	33,000	33,000	33,000	33,000
Interests in associates	**183,520**	18,236	15,360	16,756	14,348
Long-term equity investments	**80,000**	63,600	76,700	85,000	67,820
	1,191,087	764,662	752,928	734,632	653,422
Current assets					
Inventories	**2,460**	1,476	1,042	1,379	1,736
Trade and bills receivables	**69,175**	58,507	46,857	45,638	54,074
Prepayments, deposits and other receivables	**34,500**	26,782	14,569	16,615	12,684
Prepaid lease payments for land use rights	**3,811**	3,084	2,599	2,711	2,719
Pledged bank deposits	**–**	9,606	5,318	10,313	–
Cash and cash equivalents	**237,884**	171,589	175,805	121,780	109,827
	347,830	271,044	246,190	198,436	181,040
Total assets	**1,538,917**	1,035,706	999,118	933,068	834,462

CONSOLIDATED ASSETS AND LIABILITIES (continued)

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current liabilities					
Bank borrowings	**137,677**	75,549	39,798	40,788	54,007
Trade and bills payables	**6,226**	13,686	4,251	2,152	1,456
Accrued liabilities and other payables	**196,967**	107,687	114,972	98,050	92,128
Deposits received from customers	**5,117**	9,060	3,621	901	2,458
Consideration payable for acquisition of subsidiaries	**35,200**	–	–	–	–
Deferred government grants	**504**	452	447	455	278
Income tax payable	**6,074**	2,463	9,436	9,796	3,636
	387,765	208,897	172,525	152,142	153,963
Non-current liabilities					
Bank borrowings	**45,000**	2,793	7,874	1,260	–
Other borrowing	**25,000**	25,000	30,000	48,000	40,000
Consideration payable for acquisition of subsidiaries	**49,600**	–	–	–	–
Deferred government grants	**3,637**	3,454	3,790	4,671	7,305
Deferred tax liabilities	**30,348**	26,073	25,157	25,742	24,937
	153,585	57,320	66,821	79,673	72,242
Total liabilities	**541,350**	266,217	239,346	231,815	226,205
Net current (liabilities)/assets	**(39,935)**	62,147	73,665	46,294	27,077
Net assets	**997,567**	769,489	759,772	701,253	608,257
Share capital	**30,357**	29,557	29,557	27,557	26,557
Reserves	**857,081**	657,728	659,296	600,981	523,149
Equity attributable to owners of the Company	**887,438**	687,285	688,853	628,538	549,706
Non-controlling interests	**110,129**	82,204	70,919	72,715	58,551
Total equity	**997,567**	769,489	759,772	701,253	608,257

DIRECTORS

XI Yu ("Mr. XI", aged 60)

Chairman of the Board

Mr. XI was appointed as executive Director on 11 April 2016, and nominated as the Chairman of the Board on the same date. He is also the chairman of the executive committee of the Board.

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

Mr. XI graduated from the Chemistry Department of the University of Beijing in July 1980. Mr. XI is the director and shareholder personally holding 83.66% equity interests in New Universe Enterprises Limited ("NUEL"), which beneficially owns 1,071,823,656 shares of the Company, representing approximately 35.31% of the issued share capital of the Company. Mr. XI is also the director of New Universe Holdings Limited and the director of its subsidiary, China (HK) Chemical & Plastics Company Limited, which is principally engaged in trading of plastic resins.

SONG Yu Qing ("Mr. SONG", aged 69)

Chief Executive Officer

Mr. SONG was appointed as vice-chairman of the Board and non-executive Director on 15 June 2010. He was re-designated as executive Director and the chief executive officer of the Company on 12 June 2012. Mr. SONG was the Chairman of the Board and the chairman of the executive committee of the Board from 18 August 2014 to 11 April 2016. He is a member of the executive committee of the Board.

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

CHEUNG Siu Ling ("Ms. CHEUNG", aged 56)

Compliance Officer and Authorised Representative

Ms. CHEUNG was appointed as executive Director on 1 April 2005. On 18 August 2014, Ms. CHEUNG was appointed as the authorised representative, the compliance officer and the process agent of the Company. She is a member of the executive committee of the Board. Ms. CHEUNG is the director of various subsidiaries of the Group. Ms. CHEUNG obtained a Master of Business Administration degree from the University of South Australia in September 2005. Ms. CHEUNG is also the director and shareholder personally holding 6.07% equity interests in NUEL. She has been the director of China (HK) Chemical & Plastics Company Limited since January 1992 and the director of its holding company, New Universe Holdings Limited since July 1995.

ZHANG Ying ("Ms. ZHANG", aged 36)

Ms. ZHANG was appointed as executive Director on 8 November 2017. She is a member of the executive committee of the Board.

Ms. ZHANG holds a Bachelor of Economics in Insurance and a Master of Economics in Financial Mathematics and Financial Engineering from the Shanghai University of Finance and Economics. Ms. ZHANG is currently a senior investment manager of CM International Capital Limited (中民國際資本有限公司), a company incorporated in Hong Kong, ("CMIC Hong Kong"). Ms. ZHANG worked at Sinolink Securities Co., Ltd. (國金證券股份有限公司) from January 2007 to September 2014 and was the chief analyst at the time of departure from the company. CM International Capital Limited ("CMIC Cayman") beneficially owns 800,000,000 ordinary shares of the Company, representing approximately 26.35% of the Company's shares in issue. CMIC Cayman is 100% directly owned by CMIC Hong Kong, and CMIC Hong Kong is in turn 100% directly owned by China Minsheng Investment Corp. Limited (中國民生投資股份有限公司).

LIU Yu Jie ("Ms. LIU", aged 53)

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

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

HON Wa Fai ("Mr. HON", aged 57)

Financial Controller, Company Secretary and Authorised Representative

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

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

CHAN Yan Cheong ("Dr. CHAN", aged 64)

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

Dr. CHAN joined City University of Hong Kong in February 1991 and has been awarded Chair Professorship since July 2001. He is currently a director of the EPA Centre in the Department of Electronic Engineering of City University of Hong Kong. Dr. CHAN obtained a Bachelor of Science degree in Electrical Engineering in August 1977, a Master of Science degree in Materials Science in December 1978, and a Doctor of Philosophy degree in Electrical Engineering in July 1983, all from Imperial College of Science and Technology, University of London, United Kingdom. He obtained a Master of Business Administration degree from the University of Hong Kong in December 1989. Dr. CHAN was admitted as a Fellow of the Institute of Electrical and Electronic Engineers, INC (USA) in January 2004 and a Chartered Electrical Engineer of the Institution of Engineering & Technology (United Kingdom) in February 1988. His research interests include RoHS & WEEE research, green electronics manufacturing, failure analysis, and reliability engineering.

YUEN Kim Hung, Michael ("Mr. YUEN", aged 56)

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

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

HO Yau Hong, Alfred ("Mr. HO", aged 60)

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

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

Notes:

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

(b) Details of Directors' emoluments are set out in note 10 to the financial statements on page 124 of this annual report.

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

SENIOR MANAGEMENT

WONG Lai Wa ("Ms. Iris WONG", aged 47)

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

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

LIU Yuan ("Ms. LIU Yuan", aged 47)

Assistant General Manager of the Company
Director & General Manager of Zhenjiang New Universe Solid Waste Disposal Company Limited
Director of Jiangsu New Universe Environmental Engineering Management Limited

Ms. LIU Yuan was appointed in January 2009 as director and general manager of the Group's subsidiary, Zhenjiang New Universe Solid Waste Disposal Company Limited. Ms. LIU Yuan was appointed as finance manager of Zhenjiang New Universe Solid Waste Disposal Company Limited in April 2003 and was promoted to deputy general manager in September 2005 before being appointed as the general manager of the subsidiary. Ms. LIU Yuan graduated from Nanjing College of Economics (now renamed as Nanjing University of Finance and Economics) with a Professional Certificate in Accounting and Statistics in June 1998, and she was conferred the title of intermediate accountant in China in May 2001.

ZHOU Bin ("Mr. ZHOU", aged 58)

General Manager of Zhenjiang Sinotech Eco-Electroplating Development Limited

Mr. ZHOU was appointed in October 2014 as general manager of the Group's subsidiary, Zhenjiang Sinotech Eco-Electroplating Development Limited. He has worked as a general manager at Shenzhen Hong Tong Supply Chain Company Limited* (深圳市宏通供應鏈股份有限公司) from May 2012 to June 2013 and in three other companies engaged in property development and related operations from March 2003 to April 2014 before being appointed by the Group, and he mainly worked on the project management in those companies Mr. ZHOU graduated from the Party School of CPC Jiangsu Provincial Committee in the undergraduate study of public administration in China in July 1992.

LI Qi ("Mr. LI", aged 54)

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

Mr. LI was appointed in September 2014 as deputy general manager and in April 2017 promoted to general manager of the Group's subsidiary, Yancheng NUHF Environmental Technology Limited*, (鹽城新宇輝豐環保科技有限公司) and was appointed as director of Yancheng NUHF Environmental Technology Limited* and Xiangshui New Universe Environmental Technology Limited in May 2015. Mr. LI has worked as a factory manager at Beijing Yanshan Petrochemical Company Limited from 1984 to 2002 and in three other companies engaged in project and technology development and environmental related operations from 2003 to 2007 before being appointed by the Group, and he mainly worked on corporate administration. Mr. LI obtained a Master's degree in Business Management from Beijing Institute of Technology, China in September 1997, and he was conferred the title of engineer specialised in chemical engineering in China in October 1998.

* *For identification purpose only*

HE Ling Yun (“Mr. HE”, aged 46)

General Manager of Jiangsu New Universe Environmental Engineering Management Limited

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

Note:

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

	2017 Number of individuals	2016 Number of individuals
Emolument bands (in HK dollar)		
Nil to HK$500,000	**–**	3
HK$500,001 to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	–
	5	7

* *For identification purpose only*

Scope and Reporting Year

This is the third ESG report of New Universe Environmental Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), highlighting its Environmental, Social, and Governance (the "ESG") performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Main Board Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of of its key business operations ("Key Operations" as listed below, that contributing to a total of 100% of the Group's consolidated revenue in 2017) in Jiangsu Province, Mainland China from 1 January 2017 to 31 December 2017, unless otherwise stated.

– Taizhou New Universe Solid Waste Disposal Co. Ltd, which owns environmental detoxification facilities to collect, store and handle regulated medical waste ("Taizhou New Universe")

– Yancheng NUHF Environmental Technology Ltd, which owns hazardous waste warehouses, detoxification machineries, incinerators and landfill, to collect, store and handle industrial hazardous waste and regulated medical waste ("Yancheng NUHF")

– Zhenjiang New Universe Solid Waste Disposal Co. Ltd, which owns hazardous waste warehouses, detoxification machineries and incinerators, to collect, store and handle industrial hazardous waste and regulated medical waste ("Zhenjiang New Universe")

– Zhenjiang Sinotech Eco-Electroplating Development Co., Ltd which owns an industrial park zone and is responsible for operating the centralised industrial sewage filtering plant and centralised sludge treatment centre, to collect, store and handle industrial sewage and sludge waste discharged within the zone ("Eco-Plating Specialised Zone")

– Xiangshui New Universe Environmental Technology Ltd, which owns hazardous waste warehouses, detoxification machineries and incinerators, to collect, store and handle industrial hazardous waste ("Xiangshui New Universe")*

* additional scope, comparing to 2016 ESG report.

Total building area for the Key Operations was 203,166m^2 with additional 87,695m^2 as approved and regulated hazardous landfill site. A total of 62,695 tonnes of hazardous and medical waste, 644,462m^3 of wastewater, 5,555m^3 of sludge were handled and treated by the Key Operations during the reporting year.

Stakeholder Engagement and Materiality

Considering the potential impacts stakeholders may bring to the Group's businesses, the Company maintains close communication through various channels with key internal and external stakeholders including shareholders, employees, suppliers, business partners, government and regulators, customers and local communities, to understand their concerns and expectations, most of all, significant issues which may pose risks to the business operations. During the reporting year, the Group has specifically engaged board members, senior management, frontline staff and external consultant to gain further insights on material aspects and challenges via meetings, focus groups and questionnaires. Aspects recognized as key material issues included: **Water, Air Emission, Waste and Effluent, Other Material Use (including packaging materials) and Occupational Health and Safety.**

Stakeholders' Feedback

The Company welcomes stakeholders' feedback on the environmental, social and governance approach and performance of the Group. Any stakeholder could give the suggestions or share the views with the Company via email at comsec@nuigl.com or newuniverse@prchina.com.hk.

The Company's Mission and Vision on Sustainability Commitment

Mission

Being in the environmental industry since 2007, the Company's business operations and customers have been expanded to a greater area over Jiangsu Province district in the Mainland China. Currently the Group services more than 800 enterprises in Jiangsu Province. The Group has become the most trustworthy business partner of industrial enterprises trying to clear off hazardous waste produced, through incineration treatment to ensure proper disposal of industrial hazardous waste and safety emission reduction. The Group also serves more than 700 hospitals and medical establishments of different sizes situated at Zhenjiang, Taizhou and Yancheng in Jiangsu Province, China, and is responsible for collecting and handling infectious medical hazardous waste from them, with a mission to protect citizens by preventing spreading infectious diseases within community.

The Group also has constructed, developed and managed the Eco-Plating Specialised Zone which consists of sewage and sludge treatment plants specialised for treating electroplating chemicals, factory buildings, office buildings, and infrastructure of water, stream & electricity supplies specially designed for the electroplating industry.

The Group undertakes to ensure lean and effective management, to exceed expectations of shareholders, to optimize integrated strength of business units, and to assure missions on environmental support to avoid hazardous waste pollution.

Vision on Environmental, Social and Governance

With China becoming the world's second largest economy, the 13th Five-Year Plan (2016-20) shows that government continues to have ambitious expectation and goals on environmental management and clean technology, such as initiatives on upgrading wastewater treatment plants and supporting facilities, implementing new policies and more stringent control on hazardous waste management, further enforcement and measures on environmental performance and compliance, as well as disclosure of environmental information.

The Jiangsu Provincial Committee also transposed targets from the 13th Five Year Plan to an Action Plan, which sets more specific and focused goals on clean technology, emission and wastewater discharge standards, and ecological protection for business operations within Jiangsu Province.

The Group sees both the 13th Five-Year Plan and Jiangsu Provincial Committee's Action Plan as an excellent support and solid foundation to its vision, which is to strengthen corporate governance policies and practices, to be innovative and develop more sophisticated and environmentally friendly waste treatment facilities, and to make greater contribution to the society and the environment. At the same time, the Group ensures the sustainability of profitable business operations, results in healthy and long-term returns to its shareholders.

Changes

Major changes during the reporting year included:

– Inclusion of Xiangshui New Universe in reporting scope as its incineration facility fully commenced operation

– Yancheng NUHF has installed a new incinerator with bigger capacity to treat hazardous waste more effectively, with external installation of flue heater for better control of flue gas and reduce the erosion rate of internal system; hazardous waste landfill fully commenced operation

– Zhenjiang New Universe has installed waste-to-energy generation system to self-generate electricity within the operation plant, it is estimated to generate appropriate 500-550 kWh per hour with 4,000 kcal/kg of solid waste

Overall, with China's rapid digital development and innovation, Key Operations of the Group is going in the direction of intelligent control administrative system, not only it can replace paper works and time consumed for human resources and procurement processes, it also assists the overall monitoring of environmental parameters, safety alertness, job tasks allocation and streamline the management process.

A. Environmental

The Key Operations of the Group have operating permission licences for handling both industrial and medical hazardous waste issued by Environmental Protection Bureau, China, treating most types of national categorised hazardous waste from HW01 to HW49 (with an approved annual capacity up to 5,860 tonnes for HW01 (detoxification), 6,000 tonnes for HW01 (incineration), and up to 71,400 tonnes for other types of waste).

To monitor the impacts of activities on the environment and natural resources, the Key Operations of the Group conduct regular third-party sampling and testing for below criteria to ensure the operations comply with national standards:

– Groundwater quality
– Soil quality
– Waste gas emission
– Wastewater discharge
– Residue content resulted from incineration process
– Noise pollution

Challenges

To meet the rapid industrial and medical development in China as well as government's waste reduction targets, the demand for handling hazardous waste and medical waste has increased in response. While the Key Operations of the Group have already prepared and in progress to meet future demand by investing on better incinerating technology with higher standards and bigger capacity, however, engaged suppliers may not be able to keep up with the progress.

During the reporting year, the external subcontractor working for Taizhou New Universe was unable to further handle the increasing volume of disinfected waste (non-hazardous waste) treated by the de-toxification facilities, due to frequent repair works and maintenance required for the subcontractor's incinerators. The issue has been reviewed by the management of the Group, and alternate solutions to lower the dependence on external parties to handle disinfected/detoxified medical waste and/or to directly handle through other newly built incineration facilities of the Group are being discussed and will further report in the next reporting year.

1. Emissions

The Key Operations make continuous effort on managing and monitoring waste gas and residue content resulted from incineration process. Regular third-party sampling and testing are conducted for major parameters (carbon monoxide, nitrogen oxides, sulphur dioxide, hydrogen chloride and hydrogen fluoride) to evaluate the capability of existing facilities on meeting regulatory environmental requirements and national standards. No exceedances were reported during the reporting year.

(i) Air Pollutant Emissions

During the reporting year, nitrogen oxides (NO_x), sulphur oxides (SO_x) and respiratory suspended particles (PM) were emitted from fuel consumption of incinerators and company vehicles. The Group will continue take steps to further decrease the dependence on fossil fuels and reduce air emissions.

Gaseous Fuel Consumption

During the reporting year, natural gas was used for operations in Zhenjiang New Universe and Yancheng NUHF for incinerators, contributing to 408 kg of NO_x emission and 2 kg of SO_x emission. The increase of natural gas consumption was mainly due to increasing demand for handling hazardous waste and medical waste.

Vehicle Operation

Passenger car, light goods vehicle and other mobile machinery (such as fork lifters) using diesel and petrol were utilised during the reporting year, that resulted in 2,289 kg of NO_x emission, 5 kg of SO_x emission, 114 kg of PM emission. The Group will consider various parameters such as fuel efficiency and cost effectiveness when purchasing vehicles in the coming years.

(ii) Greenhouse Gas (GHG) Emissions

Scope of Greenhouse Gas Emissions	Emission Sources	Emission (in tonnes of CO_2e)	Total Emission (in percentage)
Scope 1 Direct Emission			
Combustion of fuel for stationary source	Natural gas	4,011	20%
	Fuel oil	240	
	Diesel	2,061	
Combustion of fuel for mobile sources	Petrol	238	
	Diesel	609	
Refrigerants		259	
Scope 2 Indirect Emission			
Purchased electricity		28,961	79%
Purchased natural gas		1,273	
Scope 3 Other Indirect Emission			
Paper waste disposed at landfills		4	1%
Water consumption		514	
Business air travel		18	
Total		38,188	

Note 1: Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Combined margin emission factor of 0.70 tCO_2/MWh was used for purchased electricity in Mainland China.

Note 3: Emission for the combustion of natural gas, fuel oil and diesel for stationary source were calculated with emission factors from Greenhouse Gas Protocol Tool for Energy Consumption in China, provided by the Greenhouse Gas Protocol.

Throughout the reporting year, apart from the continuous increase of scale of the Key Operations of the Group, better channel in collecting, tracing and monitoring ESG data and information has been established to monitor the total amount of GHG emission caused by the waste treatment operations. There were 38,188 tonnes of carbon dioxide equivalent (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emitted in the reporting year.

a. *Scope 1 – Direct Emissions*

Combustion of fuel for stationary source (natural gas, fuel oil and diesel)

2,125,965 m^3 of natural gas, 80,325 litres of fuel oil and 769,958 litres of diesel oil were used for expanded operations for incinerators, stabilization of incineration process and control of hazardous emission that resulted in 6,312 tonnes of carbon dioxide equivalent emissions.

Combustion of fuel for mobile sources (petrol and diesel)

Passenger car, light goods vehicle and other mobile machinery (such as fork lifters) were utilised during the reporting year, contributing to a total consumption of 224,256 litres of diesel and 87,805 litres of petrol, that resulted in 847 tonnes of carbon dioxide equivalent emissions.

Steam

Steam consumption by operations in Taizhou New Universe, Eco-Plating Specialised Zone and Xiangshui New Universe was 61,289 tonnes. The decrease of steam consumption was mainly due to the reduced demand by clients at the Eco-Plating Specialised Zone.

Refrigerants

150 kg of R-410A were used for air-conditioning systems in Yancheng NUHF and Xiangshui New Universe during the reporting year, that resulted in 259 tonnes of carbon dioxide equivalent emissions.

b. *Scope 2 – Energy Indirect Emissions*

Purchased Electricity

Electricity consumption by the Key Operations was 41,205,471 kWh, with an energy intensity of 204 kWh/tonne of treated hazardous and medical waste at Taizhou New Universe, Yancheng NUHF, Zhenjiang New Universe and Xiangshui New Universe and 44 kWh/m^3 of treated wastewater at Eco-Plating Specialised Zone, that contributed to an emission of 28,961 tonnes of carbon dioxide equivalent. The Key Operations of the Group regularly promotes energy-saving initiatives throughout operating areas, enforcing good practices in terms of maintenance of plants and equipment for better efficiency and productivity.

Purchased Natural Gas

2,125,965m^3 of natural gas was consumed by operations in Zhenjiang New Universe and Yancheng NUHF (2016: 1,326,790m^3), resulted in an emission of 1,273 tonnes of carbon dioxide equivalent.

c. *Scope 3 – Other Indirect Emissions*

Paper

A total of 815 tonnes of paper was estimated to be disposed at landfills (under the assumption that all paper, whether being stored or purchased within the organization boundary, would eventually be disposed at landfills unless collected and recycled), which contributed to an emission of 4 tonnes of carbon dioxide equivalent.

Water

Fresh water consumption by the Key Operations was 1,279,352 m^3 with water intensity of 4 m^3/tonne of treated hazardous and medical waste at Taizhou New Universe, Yancheng NUHF, Zhenjiang New Universe and Xiangshui New Universe and 2 m^3/m^3 of treated wastewater at Eco-Plating Specialised Zone, that contributed to an emission of 514 tonnes of carbon dioxide equivalent. Water was mainly supplied by the private water supply companies/industrial parks where the Key Operations of the Group are situated. There was no issue in sourcing water that is fit for purpose. The Key Operations shall continue enforce water conservation measures in every major aspect in operations.

Wastewater Discharge

All operating plants have equipped with on-site wastewater treatment facilities to carry out pre-treatment prior to discharge to wastewater treatment plant within the industrial park or close proximity (except for Eco-Plating Specialised Zone which has its own wastewater treatment plant and discharges treated water that meets national standard, Integrated Wastewater Discharge Standard Table 4 Level 3 Standard (GB8978-1996). No exceedances were reported during the reporting year.

During the reporting year, construction of water tank to collect first 30-min rain water within the Eco-Plating Specialised Zone has been completed, as well as the installation of flow control device with automatic sampling in order to carry out self-monitoring on clients' water discharge quality. In addition, facility upgrade has been made at the wastewater treatment plant in order to achieve larger capacity and higher efficiency to serve the growing demand from clients within the zone:

– Change from using sodium sulphide to a more environmental friendly agent during electroplating wastewater treatment process to remove heavy metals

– Adopt MVR (mechanical vapor recompression) technology for effective treatment of mixed electroplating wastewater, and reduction of overall residue volume and the amount of COD and other heavy metals

– Reinforce existing filtration system for safeguarding the quality of wastewater before discharging

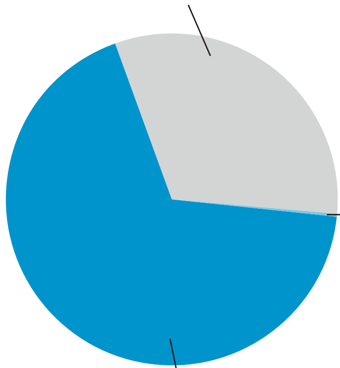
The Group has also started the second phrase of electroplating wastewater treatment upgrade and it is expected to commission around fourth quarter of next reporting year.

Business Air Travel

The Group keeps tracks of employees' business travelling and their relative carbon emission throughout the reporting year. During the reporting year, the Key Operations of the Group's business air travel contributed to a total 18 tonnes of carbon dioxide equivalent emissions. Site visits were often needed due to business nature, nonetheless the Group shall encourage employees to make use of teleconferencing or videoconferencing systems to reduce carbon footprint on business air travel.

(iii) *Hazardous Waste*

The Group continues adopting three core principles prior to hazardous waste disposal: source reduction, toxicity elimination and recycling. Hazardous waste from Key Operations of the Group included residue from incineration, sludge from electroplating wastewater treatment, contaminated activated carbon and waste lubricant. A total amount of 17,381 tonnes of hazardous waste was generated during the reporting year and was disposed at either on-site licensed hazardous waste landfill or nearby designated hazardous waste landfill.



During the reporting year, the wastewater treatment facility at Eco-Plating Specialised Zone has been upgraded, not only to meet the tightened wastewater discharge standard set out by the Government, but also to significantly reduce the generation of hazardous sludge:

– Replace all existing frame filter press with membrane filter press for more efficient and effective separation of water from sludge, which further reduces sludge's moisture content and its overall volume by 15%

– Adopt MVR (mechanical vapor recompression) technology which reduces the amount of COD and other heavy metals in the electroplating wastewater and the overall volume of waste sludge, thus, the cost on waste handling fee, has also been reduced.

(iv) *Non-hazardous Waste*

A total amount of 6,009 tonnes of non-hazardous waste was generated from operations in Taizhou New Universe, Eco-Plating Specialised Zone, Yancheng NUHF. It was mainly domestic waste in nature with small amount of commercial waste from office and employee residence, as well as disinfected and shredded medical waste, which was sent to the nearby incinerator for further handling. For Xiangshui New Universe, the domestic waste was fed back into on-site incinerator for handling.

2. Use of Resources

(i) *Energy Consumption*

Energy Consumption Sources	Consumption (in kWh)
Natural Gas	21,008,958
Fuel Oil	863,136
Diesel	9,940,496
Petrol	778,094
Electricity	41,205,471

The Group's business operations resulted in a total energy consumption of 73,796,155 kWh from the use of natural gas, fuel oil, diesel, petrol and electricity, with an overall energy intensity of 723 kWh/tonne of treated hazardous and medical waste and 44 kWh/m^3 of treated wastewater.

(ii) *Packaging Materials*

Packaging materials were used for transferring waste from customers to the Group's operating plants and for storing treated residue (fly ash and slag) before sending off to hazardous waste landfill. They were mainly metal drums and bags made of polypropylene, polyethylene, tetrafluoroethylen, polyvinyl chloride with some recycled contents, which were provided by suppliers. According to the Key Operations' standard procedure, contaminated packaging materials are disinfected, incinerated or deposited at designated hazardous waste landfill depending on the waste content. Non-contaminated ones will be reused internally as much as possible.

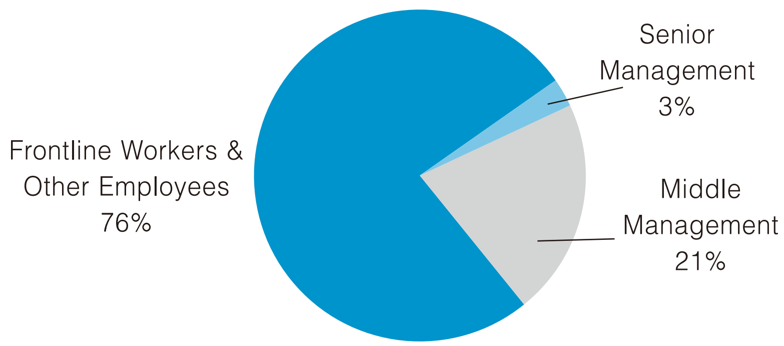
B. Social

1. Employment and Labour Practices

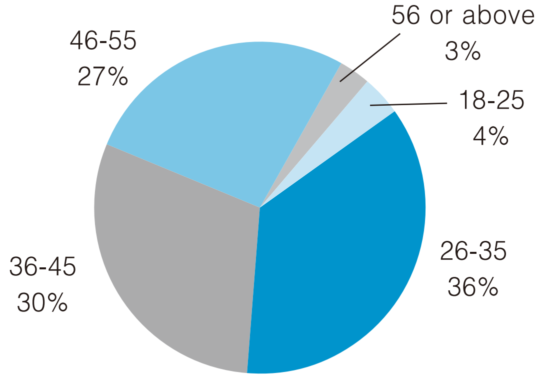
(i) *Employment*

The Key Operations of the Group had a total number of 407 (2016: 302) employees as of 31 December 2017, in which all employees were from various provinces in The People's Republic of China. 100% of them were full-time employees.

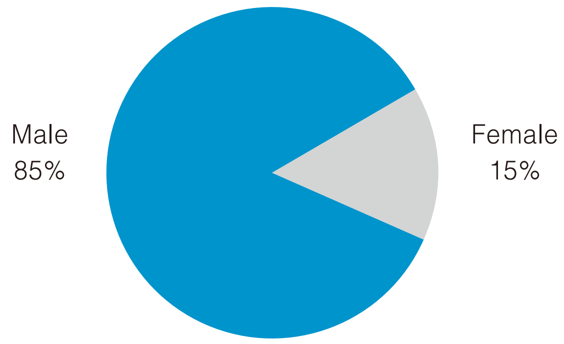
WORKFORCE BY EMPLOYMENT TYPE



WORKFORCE BY AGE GROUP



WORKFORCE BY GENDER



During reporting year, there was no major changes in policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity and anti-discrimination for all Key Operations. The increase in workforce, comparing to 2016, was mainly due to additional inclusion of Xiangshui New Universe in the reporting scope and increased production demand at Yancheng NUHF. With the growing demand from clients and the municipal government, the Key Operations have adopted mobile application and other intelligent control administrative system to encourage better utilization of information technology in human resources management. The Group did not note any cases of material non-compliance in relation to employment during reporting year.

Competitive Compensation and Benefits Package

Employees of the Key Operations are entitled to basic salary with various allowance as per their job positions, age and extra work hours, year-end bonus on performance, basic social insurance including pension, medical, work-related injury, unemployment compensation and maternity. The Group regularly reviews employees' salary together with business growth and market price, the compensation is generally above market average. Accommodation, canteen, convenient store, and shuttle bus are provided for employees working at remote plant locations.

Internal Promotion

Internal promotion and job opportunities are offered to existing employees and selection is based on the monthly review on work capability, attitude, and quality of work on a point scoring system. Employees are encouraged to discuss their goals regarding job advancement and career development.

Award and Penalty System

An "Award and Penalty System" in which employees with good presentation, responsibility, discipline and act as role models are recognized and rewarded with cash bonus, while disciplinary action and cash penalty would be taken if an employee has committed an act of serious misconduct or deceitful behaviours.

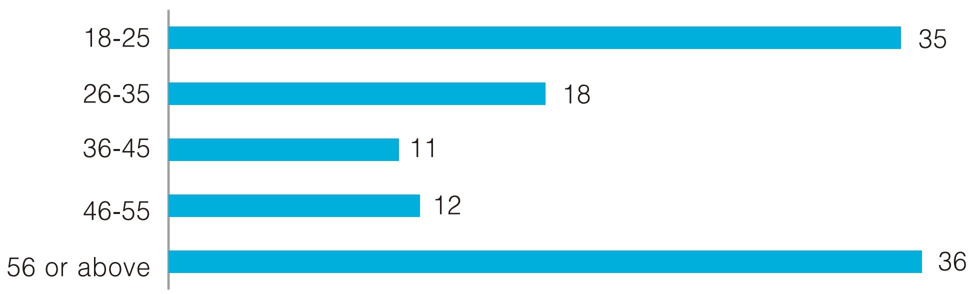
Equal Opportunity

The Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Recruitment channel by the Key Operations includes recruitment webpage, staff referral, platform on Department of Human Resources and Social Security. Employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic, background, religion, colour, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law.

Turnover

The overall annual turnover rate is 16% with 64 employees left the Key Operations of the Group in 2017. All of them were from The People's Republic of China. The annual turnover rate (categorized by age group and gender) in the reporting year are as follows:

ANNUAL TURNOVER RATE BY AGE GROUP (%)



ANNUAL TURNOVER RATE BY GENDER (%)

(ii) Employee Health and Safety

During the reporting year, there was no major changes in policies related to providing safe working environment and protecting employees from occupational hazards. The Group did not note any cases of material non-compliance in relation to health and safety laws and regulations.

Group's Health and Safety Policy

Key Operations of the Group commit to:

- Establish health and safety management system and operational procedures according to law, regulations, guidelines, standard documents as promulgated
- Establish health and safety organization chart and identify leadership
- Conduct regular pre-evaluation of potential hazards, current working environment and possible impact with control
- Establish and review yearly health and safety implementation plan
- Ensure all working areas are equipped with emergency equipment and medicine
- Ensure signs and labelling related to health and safety are clearly visible at working areas
- Ensure notification, news and reminders are regularly updated and posted on notice boards and at working areas
- Conduct annual health and safety training and emergency drill for all employees
- Carry out regular monitoring on site-specific emissions, ensure employees' safety at work
- Upgrade work procedures and operating environment, continuous improvement on employees' working conditions
- Provide, check and upgrade personal protective equipment in accordance to employees' job requirements
- Arrange annual occupational health examination and body check; establish and follow up with employees' health records
- Ensure the implementation and effectiveness of above practices through standardized inspection and review system

Acknowledgement on Occupational Health Hazard

Every employee is required to sign an Acknowledgement on Occupational Health Hazard, in which the employee is informed of potential health risk exposure related to their job position, and it is their right to be provided with personal protective equipment, trainings, medical attention and compensation, if injured. The acknowledgement also clearly states that it is employee's responsibility to report any malpractice or illegal activities that causes any life danger or violation of law and regulation.

Emergency Contingency Plans

For all Key Operations, emergency contingency plans have been developed and reviewed annually in response to service disruptions due to natural disasters or equipment failure and drills are carried out on annual basis to ensure staff to stay alert with working environment and its potential hazards.

Fire distinguishing installation at the chemical receipt pit at Zhenjiang New Universe has been upgraded during the reporting year, in which emergency button has been placed on site and at control centre. Carbon dioxide and foam will be released immediately shall the button is pressed.

Providing a Safe and Hygienic Working Environment

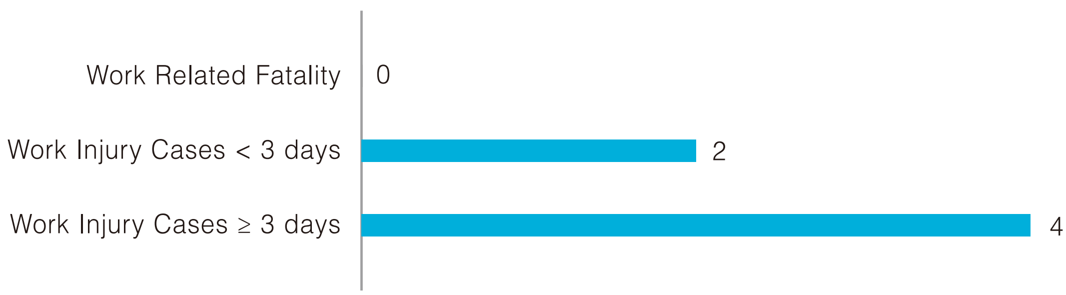
Key Operations receive and handle various type of hazardous, infectious and toxic waste on daily basis. According to standard procedures different type of waste must be labelled properly, handled and stored separately from the loading areas at client's sites to off-loading areas at treatment handling facilities. Once waste is received at the facilities, they are processed immediately on the same day. Storage of contaminated waste is prohibited. Also, it is in daily work procedure that regular disinfection of facilities handling hazardous waste must be carried out to ensure the overall hygiene of working environment.

Third-party Evaluation

The Group has regular practice on engaging third party professionals to evaluate occupational health and safety for any new projects, or any changes or upgrading made to individual projects, followed by regular monitoring and review during daily operation.

There was no work-related fatality in the reporting year. 315 working days were lost due to self-reported work injury cases at the Key Operations (see graph below):

NUMBER OF WORK INJURY CASES



(iii) Development and Training

During the reporting year, there was no major changes in policies on improving employee's knowledge and skills for discharging duties at work.

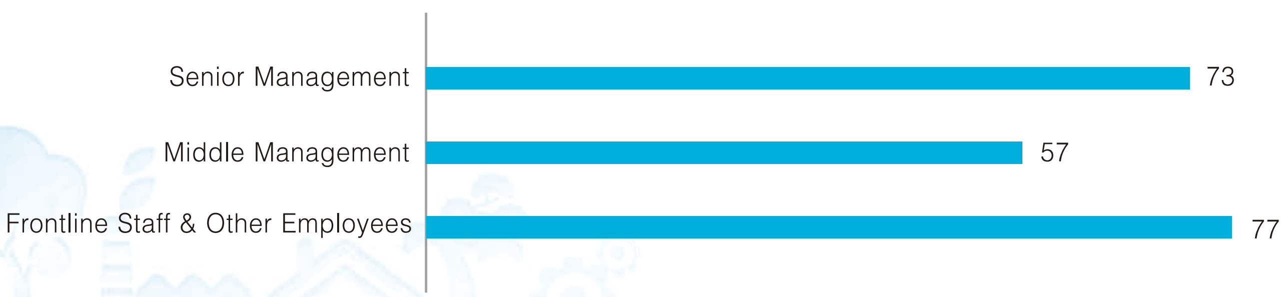
The Group offers training opportunities to all employees and sets annual training plan on environmental aspects and monthly training plan on safety. Top management of the Group regularly reviews training needs based on three aspects:

- Industry-related – how the Group's operations fit into the environmental industry and market trend
- Job-related – professional and operational skills required to foster an error-free operating environment at incineration and de-toxification processes
- Task-related – other knowledge and skills for adding business value or to streamline workflow

In addition to compulsory induction training, internal trainings for employees generally fall in the following categories: work safety, fire safety, occupational health, environmental protection, work procedures, ISO 9001 quality management system and ISO 14001 Environmental Management System. These trainings aim to strengthen employees' knowledge, competency, productivity and effectiveness related to their job position, as well as relevant laws and regulations, policies and procedures, and their response to emergency for both hazardous waste fire and leakage. Employees in management level were required to attend both internal corporate management skill training course and external safety training held by State Administration of Work Safety.

The Group also encourages employees to attend external training courses for excavation, heavy lifting and hoisting machinery operation, class III incinerator operation, welder certification, electrician permit, on-site health and safety certification.

PERCENTAGE OF EMPLOYEES TRAINED BY EMPLOYEE CATEGORY (%)



PERCENTAGE OF EMPLOYEES TRAINED BY GENDER (%)

AVERAGE TRAINING HOURS COMPLETED PER EMPLOYEE BY EMPLOYEE CATEGORY (HOUR)

AVERAGE TRAINING HOURS COMPLETED PER EMPLOYEE BY GENDER (HOUR)

(iv) *Labour Standard*

During the reporting year, there was no major changes in policies and the Group did not note any cases of material non-compliance relating to preventing child and forced labour. The Group's Key Operations follow the Regulation on Labour Security Supervision on labour and social security of the State Council of the People's Republic of China in terms of employment management. The recruitment process is strictly abided by the guidelines of the Group's Human Resources Department and as stated in Corporate Management Policy.

2. Operating Practices

(i) Supply Chain Management

During reporting year, there was no major changes in policies on managing environmental and social risks of the supply chain. The Group's Key Operations have engaged 183 suppliers for packaging, raw materials for production, printing suppliers, engineering related equipment supplies, hospitality and office supplies, general equipment supplies, spare parts supplies and wastewater treatment solutions are all from mainland China.

The Group is in strict compliance with Procurement Management Policy with standardized procurement guidelines and procedures for purchasing any equipment or supplies related to research and development department, office and fire control and safety. For instance, quotations from more than 3 suppliers must be obtained for any new purchase for comparison, with priority given to previous supplier.

As always, quality, price and liability are the top screening criteria for selecting qualified suppliers. The Group's Key Operations will continue improving the procurement procedure and strengthening on-site inspection upon receipt of procured goods. Every year, the Group invites representatives from different departments to review product and service quality, after-sales service and market price, followed by assessing the suppliers' performance before renewing or cancelling the partnership agreement with current supplier.

(ii) Service Responsibility

During the reporting year, there is no major changes in policies and the Group did not note any cases of material non-compliance regarding service responsibility as required by related laws and regulations. For business operations in Taizhou New Universe, Yancheng NUHF, Zhenjiang New Universe and Xiangshui New Universe, the Group have received no product or service related complaints. For business operation in Eco-Plating Specialised Zone, 111 (2016: 274) service related complaints have been received in 2017, in which majority was related to lift maintenance and repair works. All complaints have been followed up and resolved.

Complaint hotline and handling procedure had been established to effectively handle any enterprises' concerns or problems within the Eco-Plating Specialised Zone in a timely manner. Responsible parties shall be identified and notified within 1 hour of complain, and the status or the result of the case shall be reported back to complainant within 24 hours of complain. If the complainant is not satisfied with the results, customer services department shall continue following up with responsible parties. Weekly and monthly summary of complaints, action taken, and results are used for assessing customer services department's performance.

(iii) Anti-corruption

During reporting year, there was no major changes in policies relating to bribery, extortion, fraud and money laundering and there was no concluded legal cases regarding corrupt practices. The Group has a Corporate Integrity Management Policy with the aims on strengthening employees' ethics, maintain the Group's reputation, promote individuals' self-disciplines and comply with laws, regulations and the Group's rules and policies. Any favouritism, abuse of power and other acts contrary to the principle of honesty and self-discipline are not allowed and shall be reported to department heads for handling.

As stated in Procurement Management Policy that purchasing manager shall not accept any gift, rebate or bribes from supplier; if he or she has made a wrongful act due to serious dereliction of duty or violation of the principle, he or she shall be dismissed, and the case shall be submitted to the public security department for further handling.

3. Community Investment

During reporting year, there was no major changes in policies on community engagement to understand the needs of the communities where the Key Operations operate and to ensure their activities take into consideration the communities interests.

As an environmental enterprise, the Company focuses on upgrading its operation system and technology to ensure clean environment is protected and provided for surrounding community. The Group will continue exploring opportunity on corporate social responsibility contribution and will progress further on greater interaction and integration with the community and customers it serves.

Dangerous Chemical Tank Truck Cleansing Service

Since early 2006, Zhenjiang New Universe has been the first and only company in the city qualified to provide dangerous chemical tank truck cleansing services. The cleansing services resolve the pollution problem of remnant chemicals caused by tank truck cleansing for various chemical industries in Zhenjiang. The cleansing plant is operated under strict procedures to ensure the remnant chemical waste after cleaning is handled for controlled disposition.

Emergency Unit

To conform with the environmental development requirements of Zhenjiang City and with the support of the Environmental Protection Department, Zhenjiang New Universe owns an emergency unit to handle pollution accidents in Zhenjiang. The emergency unit stands by to service summon calls from local authorities, and has involved in cleaning up various pollution troubles caused by traffic accidents and illegal direct waste discharge.

CORPORATE GOVERNANCE PRACTICES

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

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2017, the Company has applied the principles of and complied with all the code provisions set out from time to time in the Corporate Governance Code ("CG Code") entered in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Main Board Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in The Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Main Board Listing Rules. With specific enquiries having been made of all the Directors, all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2017.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible to determine the appropriate corporate governance practices applicable to the Company's operations and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance policies applicable to employees and Directors of the Company; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPOSITION OF THE BOARD

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

Executive Directors

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

Independent non-executive Directors

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

Biographical details of the Directors of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 23 to 28 of this annual report.

ROLE AND FUNCTION OF THE BOARD

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

Directors' attendance to board meetings and shareholders meetings

The following table shows the attendance record of each Board member for the board meetings and Shareholders' meetings of the Company held during the year ended 31 December 2017:

	Number of meetings attended/held			
Board member	**Regular Board meeting**	**Non-regular Board meeting**	**Directors' meeting pursuant to CG Code A.2.7**	**Annual general meeting**
Executive director				
Mr. XI Yu	**4/4**	**8/9**	**1/1**	**1/1**
Mr. SONG Yu Qing	**4/4**	**9/9**	**–**	**0/1**
Ms. CHEUNG Siu Ling	**4/4**	**8/9**	**–**	**1/1**
Ms. ZHANG Ying(1)	**1/1**	**4/4**	**–**	**–**
Ms. LIU Yu Jie	**4/4**	**9/9**	**–**	**0/1**
Mr. HON Wa Fai	**4/4**	**9/9**	**–**	**1/1**
Mr. LIAO Feng(2)	**3/3**	**2/5**	**–**	**0/1**
Independent non-executive director				
Dr. CHAN Yan Cheong	**4/4**	**9/9**	**1/1**	**1/1**
Mr. YUEN Kim Hung, Michael	**4/4**	**9/9**	**1/1**	**1/1**
Mr. HO Yau Hong, Alfred(3)	**4/4**	**9/9**	**1/1**	**0/1**

Notes:

(1) Ms. ZHANG Ying was appointed as Director on 8 November 2017.

(2) Mr. LIAO Feng resigned as Director on 8 November 2017.

(3) Mr. HO Yau Hong, Alfred was unable to attend the annual general meeting held on 17 May 2017 owing to his personal affairs and he has delegated to other independent non-executive directors to answer questions, if any, at the annual general meeting.

Board meetings and procedures

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

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

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

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

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

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

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

Relationship among Board members

Each of Mr. XI Yu and Ms. CHEUNG Siu Ling is a director and shareholder of the Company's substantial shareholder, New Universe Enterprises Limited ("NUEL"), which currently holds approximately 35.31% of the issued share capital of the Company.

Mr. XI Yu and Ms. CHEUNG Siu Ling are directors of Sun Ngai International Investment Limited ("Sun Ngai"), which is the landlord of the office premises leased by the Group as head office in Hong Kong for the year ended 31 December 2017.

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and the Chief Executive Officer ("CEO") of the Company are carried out by different individuals and have been clearly defined.

Mr. XI Yu was appointed Chairman of the Company on 11 April 2016. The Chairman provides leadership and strategic direction for the Board. The Chairman ensures that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established. He encourages all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. The Chairman encourages any Director with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus. For the year ended 31 December 2017, the Chairman has held a meeting once with the independent non-executive Directors without presence of all executive Directors to discuss on risk management and corporate governance functions of the Company.

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

Mr. SONG Yu Qing was appointed the CEO of the Company on 12 June 2012. The CEO is responsible for strategic planning and implementation, sourcing, meeting with potential business partners, exploring for business opportunities for the Group, client development, recruiting senior management, staff development, collaboration across the affiliated company network, enhancing best practices, and timely reporting to the Board regarding the Group's overall progress.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Main Board Listing Rules require every listed issuer to have at least three independent non-executive directors, and at least one of whom must have the appropriate professional qualifications, or accounting or related financial management expertise. For the year ended 31 December 2017, two of the independent non-executive Directors of the Company have the appropriate professional qualifications or accounting or related financial management expertise.

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

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

Based on the annual written confirmation given by each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred in accordance with Rule 3.13 of the Main Board Listing Rules and the undertaking in writing given by each of them as to their continuing independence, the Board believes that each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is independent. The Board also considers that Dr. CHAN Yan Cheong being an academic expert in electronic engineering, and Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred each being an accounting professional will bring in strong expertise by contributing impartial view and making independent judgment on all issues to be discussed at the Board meetings.

Each of the independent non-executive Directors, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has signed a renewed letter of appointment with the Company for tenure of two years commenced on 1 February 2017. Dr. CHAN Yan Cheong has signed a renewed letter of appointment for tenure of two years commencing on 1 April 2017.

Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred have been independent non-executive Directors of the Company since 1 February 2000, 24 April 2002, and 30 September 2004 respectively. Each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred has served as the Company's independent non-executive Director for more than 9 years, further appointment for each of them shall be subject to a separate resolution to be approved by the Shareholders at the annual general meeting of the Company.

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

RESPONSIBILITIES OF DIRECTORS

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

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

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

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

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

Executive Directors

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

Note: Mr. LIAO Feng did not renew the letter of appointment with the Company for the period from 6 May 2017 to the date of his resignation, though he has carried out the function of advising on the corporate finance of the Company and advising on investment opportunities for the Group during his whole tenure as executive director of the Company until he resigned on 8 November 2017.

Independent non-executive Directors

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

Continuing Professional Development of Directors

All Directors are aware of their responsibilities to the shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group.

Every newly appointed Director shall receive a formal, comprehensive and tailored induction to ensure that he or she has a proper understanding of the business and operations of the Group and that he or she is fully aware of his or her duties and responsibilities as a director under applicable statutory and regulatory rules and requirements.

All Directors are provided with regular updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

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

According to the records maintained by the Company, each of the Directors has received continuing professional development for the year ended 31 December 2017 as follows:

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

Board Diversity Policy

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Company has adopted a written board diversity policy with aims to endorse the principle that the Board should have a balance of skills, experience and diversity of perspectives appropriate to the Company's business.

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

Subsequent to the end of the year 2017, the Nomination Committee of the Company has reviewed and assessed the composition of the Board and made recommendations to the Board on re-election of Directors of the Company having regard to the merit of candidates.

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

Disclosure Policy

The Company has adopted a written Disclosure Policy with aims to provide a general guide to the Directors, officers[(1)], senior management and relevant employees[(2)] of the Company in the handling of confidential information and/or monitoring of information disclosure pursuant to the applicable laws and regulations whereas:

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

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

Directors' Insurance

The Company has continuously arranged for the directors and officers liability insurance cover with appropriate indemnity limits in respect of legal action against the Directors.

BOARD COMMITTEES

The Company established four Board Committees. The table below provides membership information of these committees on which each Board member serves:

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

Notes:

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference adopted in alignment with the Rule 3.21 of Main Board Listing Rules and the paragraph C.3 of CG Code. The Audit Committee is to serve as a focal point for communication among other Directors, the external auditor, and the management in relation to functions of financial and other reporting, statutory audits, risk management and internal control systems; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal control systems and as to the efficiency of independent audits of the Company.

Composition of Audit Committee

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

Meetings of Audit Committee

The following was an attendance record of the Audit Committee meetings during the year ended 31 December 2017:

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

A summary of principal works and duties performed by the Audit Committee during the year ended 31 December 2017, amongst others, is set out as follows:

(i) reviewed the annual report for the year ended 31 December 2016;

(ii) discussed and reviewed the interim results for 6 months ended 30 June 2017 as reviewed by the independent accountants, Crowe Horwath (HK) CPA Limited;

(iii) reviewed the quarterly unaudited results for 3 months ended 31 March and 9 months ended 30 September 2017 respectively;

(iv) reviewed the independent valuation reports prepared by the independent professional valuers engaged by the Company in relation to the fair value of the long-term equity investments, impairment testing on goodwill arisen on the environmental entities of the Group and the acquisition of subsidiaries in 2017; and

(v) reviewed the risk management and internal control systems and discussed with the independent professional advisers engaged by the Company to review the risk management and internal control systems of the Group.

REMUNERATION COMMITTEE

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

Composition of Remuneration Committee

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

Meetings of Remuneration Committee

The following was an attendance record of the Remuneration Committee meetings during the year ended 31 December 2017:

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

A summary of principal works and duties performed by the Remuneration Committee during the year ended 31 December 2017, amongst others, is set out as follows:

(i) reviewed and made recommendation to the Board on the remuneration of executive Directors and senior management for the years ended 31 December 2016 and 2017;

(ii) advised on the compensation of new executive Director appointed to the Board in 2017; and

(iii) advised on the compensation to all board members in commensurate with their performance.

NOMINATION COMMITTEE

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

Composition of Nomination Committee

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

Meetings of Nomination Committee

The following was an attendance record of the Nomination Committee meetings during the year ended 31 December 2017:

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

A summary of principal works and duties performed by the Nomination Committee during the year ended 31 December 2017, amongst others, is set out as follows:

(i) reviewed the composition of the Board;

(ii) reviewed and noted the reasons for the resignation of an executive Director in 2017;

(iii) advised on the nomination of new executive Director appointed to the Board of the Company in 2017;

(iv) assessed the independence of independent non-executive Directors proposed for re-election at the annual general meeting; and

(v) discussed and made recommendations pursuant to the Board Diversity Policy of the Company.

EXECUTIVE COMMITTEE

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

Composition of Executive Committee

Mr. XI Yu *(committee chairman)*
Mr. SONG Yu Qing
Ms. CHEUNG Siu Ling
Ms. ZHANG Ying
Ms. LIU Yu Jie
Mr. HON Wa Fai

Meetings of Executive Committee

The following was an attendance record of the Executive Committee meetings during the year:

Committee member	Number of meetings attended/held
Mr. XI Yu *(chairman of committee)*	2/2
Mr. SONG Yu Qing	–
Ms. CHEUNG Siu Ling	6/6
Ms. ZHANG Ying (appointed on 8 November 2017)	–
Ms. LIU Yu Jie	–
Mr. HON Wa Fai	6/6
Mr. LIAO Feng (resigned on 8 November 2017)	–

For the year ended 31 December 2017, the principal works and duties performed by the Executive Committee were mainly for the consideration and approval of authorised transactions within the terms of reference of the committee, and the execution of resolutions and directions of the Board. The Executive Committee took the following role and function of which the decisions made have been reviewed, confirmed and adopted by the Board:

(a) refer proposed transactions to the Board for decision making if any member of the Executive Committee has doubt on any compliance issue under the applicable rules in respect of the transactions under consideration and in any event, seek professional advice on any compliance issue;

(b) report to the Board at the next scheduled meeting of the Board on any decision or commitment (made within its authority for ordinary course of business of the Group) approved by the Executive Committee and entered into on behalf of the Group; and

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

SUPPLY OF AND ACCESS TO INFORMATION

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

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

AUDITOR'S REMUNERATION

For the years ended 31 December 2017 and 2016, the remuneration paid/payable to the independent auditor of the Company in respect of their audit and non-audit services was as follows:

	2017 **HK$'000**	2016 HK$'000
Audit services	**1,130**	980
Non-audit services	**170**	370

ACCOUNTABILITY AND AUDIT

The Audit Committee has reviewed with the Board on the Company's financial statements for the year ended 31 December 2017. The Directors acknowledge their responsibility of preparing the accounts and presenting a balanced, clear and comprehensive assessment for the Company's performance, position and prospects. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Crowe Horwath (HK) CPA Limited acknowledge their reporting responsibilities in the independent auditor's report to the consolidated financial statements of the Company for the year ended 31 December 2017.

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility to ensure that proper and effective systems of risk management and internal control systems of the Group are maintained. The senior management of the Company is delegated with the responsibility to design and implement an internal control system to manage risks. The senior management of the whole Group, including but not limited to, the Directors and executive officers of the Company, the directors of the subsidiaries and the general managers and deputy general managers of each subsidiary of the Group, maintains, monitors and implements the risk management and internal control systems on an ongoing basis.

The Group's risk management and internal control systems include a defined management structure with specified limits of authority, which are designed to achieve business objectives and goals, safeguard assets against unauthorised use or disposition, control over operating and capital expenditures, ensure the maintenance of proper books and records for providing reliable financial information used for internal or publication purposes, and ensure compliance with relevant legislation and regulations.

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

Notwithstanding the Company has not established its own internal audit function, the Group is committed to maintaining and upholding good corporate governance practice, and risk management and internal control systems. The Company has established a project controlling team nominated by the Board comprising the deputy general manager of the Company, the project assistants, and the supervisors nominated by the Company to take up the responsibilities of monitoring the day-to-day operational management, risk management function, and internal control systems of all operating units of Group in the Mainland China, integrating with the systems of monthly and annual planning and budgeting process, counter-approval and implementation and control process, identifying any risk or possible failure of the operating units, and reporting and making suggestions on how each operating unit to achieve the objectives and goals set. The project controlling team meets regularly with the Executive Directors and report on matters to be updated to the Board timely.

The Company engages with independent professional party to review on the Group's compliance with the CG Code, and review on the risk management and internal control systems of the Group on an ongoing basis. For the years ended 31 December 2016 and 2017, the Company engaged with SHINEWING Risk Services Limited, adopting the internal control model set down by the Committee of Sponsoring Organisations of the U.S. Treadway Commission for internal controls, to carry out independent review on the risk management and internal control systems of the key operations of the Group and the corporate governance functions of the Company. Based on the independent review reports, the Board has impartial reference on the assessment, the implementation and the continuous improvement to the key operations of the Company toward more effective risk management function and internal control system.

For the year ended 31 December 2017, based on the review of the effectiveness of the risk management and internal control systems being conducted, the Board considered the risk management and internal control systems of the Company were effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The scope of the review covered the adequacy of resources, qualification/experience of staff of the Group's accounting and financial reporting function, and their training and budget.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

COMPANY SECRETARY

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

Pursuant to Rule 3.29 of the Main Board Listing Rules, Mr. HON has taken no less than 15 hours of relevant professional training on corporate governance, financial management and accountancy for the year ended 31 December 2017.

SHAREHOLDERS' RIGHTS

Communication with Shareholders

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

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

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

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

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

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

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

Procedures for Shareholders to convene a general meeting

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

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

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

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

Procedures for nominating a person for election as a director in general meeting

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

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

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

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

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

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

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

Procedures for directing Shareholders' enquiries to the Board

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

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

Telephone number	:	(852) 2435 6811
Facsimile number	:	(852) 2435 3220
E-mail	:	comsec@nuigl.com
Correspondence address	:	Rooms 2109-2112, 21/F., Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong
For the attention of	:	The Chairman

INVESTOR RELATIONS

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

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

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

On behalf of the Board

XI Yu
Chairman

Hong Kong, 23 March 2018

The directors ("Directors") of New Universe Environmental Group Limited ("Company") are pleased to present their report together with the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

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

The activities of the principal subsidiaries are summarised as follows:

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

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

(c) investments in plastic materials dyeing business.

BUSINESS REVIEW

A business and financial review of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017 and the material factors underling its results and financial position together with the risk and outlook of the Company's business as required by Schedule 5 to the Hong Kong Companies Ordinance are set out in the section headed "Management Discussion and Analysis" on pages 4 to 19 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The "Environmental, Social and Governance Report" of the Company for the year ended 31 December 2017 is set out on pages 29 to 45 of this annual report.

For the year ended 31 December 2017, the Group's key business operations make continuous effort and investment on managing and monitoring environmental parameters, to equip the existing facilities on meeting regulatory environmental requirements and national standards, as well as current and future demand for handling hazardous and medical waste. No environmental exceedances were recorded and there was no non-compliance in relation to environmental, social or governance aspects. Engagement with stakeholders has resulted in raised concerns on key material issues, which include: Water, Air Emission, Waste and Effluent, Other Material Use (including packaging materials) and Occupational Health and Safety. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders for advancing ESG management.

The Company has engaged with an independent consultant firm, Ascent Partners Advisory Service Limited, to review the Company's overall performance in the environmental, social and governance of the key business operations of the Group for the preparation of the Environmental, Social and Governance Report of the Company for the years ended 31 December 2017 and 2016 with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Main Board Listing Rules.

CORPORATE GOVERNANCE

Information on the principal corporate practices of the Company for the year ended 31 December 2017 and significant subsequent events, if any, up to the date of this report is set out in the section headed "Corporate Governance Report" on pages 46 to 64 of this annual report.

RESULTS AND FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2017 and the state of the Group's affairs as at that date are set out in the financial statements on pages 85 to 180 of this annual report.

DIVIDENDS AND APPROPRIATIONS

The dividend of HK$0.006 per share totally amounted to approximately HK$18,214,000 paid on 28 July 2017 was made in respect of the year ended 31 December 2016.

On 23 March 2018, the Directors recommended the payment of a final dividend of HK$0.0065 per share in respect of the year ended 31 December 2017 amounting to approximately HK$19,732,000 which is subject to approval of the shareholders at the forthcoming annual general meeting:

Annual general meeting date	:	Friday, 18 May 2018
Book close date for final dividend	:	Tuesday, 26 June 2018 to Friday, 29 June 2018
Record date for final dividend	:	Friday, 29 June 2018
Final dividend payment date	:	Tuesday, 31 July 2018

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years ended 31 December 2017, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 20 to 22 of this annual report.

SEGMENT INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 32 to the financial statements.

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

Neither the Company, nor any of its subsidiaries has purchased, sold, or redeemed any of the Company's listed securities during the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 89 of this annual report.

Details of the movement in the reserves of the Company during the year are set out in note 33 to the financial statements.

At 31 December 2017, the distributable reserves of the Company amounted to HK$568,824,000 (2016: HK$495,489,000) which was calculated according to Article 134 of the Articles of Association of the Company that dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

BORROWINGS

Particulars of bank and other borrowings of the Group and the Company as at 31 December 2017 are set out in notes 26 and 31 to the financial statements.

INTEREST CAPITALISED

The Group did not capitalise any interest during the year (2016: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total			
	Sales		**Purchases**	
	2017	2016	**2017**	2016
The largest customer	**4.1%**	8.4%		
Five largest customers in aggregate	**18.3%**	26.9%		
The largest supplier			**12.0%**	19.7%
Five largest suppliers in aggregate			**40.6%**	48.0%

At no time during the years ended 31 December 2017 and 2016 did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

At no time during the years ended 31 December 2017 and 2016 have the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers of the Group.

DIRECTORS OF THE COMPANY

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

Executive Directors:

Mr. XI Yu
Mr. SONG Yu Qing
Ms. CHEUNG Siu Ling
Ms. ZHANG Ying (appointed on 8 November 2017)
Ms. LIU Yu Jie
Mr. HON Wa Fai
Mr. LIAO Feng (resigned on 8 November 2017)

Independent Non-Executive Directors:

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

In accordance with article 84 of the Company's articles of association, Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. HON Wa Fai retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with article 83 of the Company's articles of association, Ms. ZHANG Ying shall retire at the forthcoming annual general meeting and, being eligible, offer herself for re-election.

DIRECTORS OF THE SUBSIDIARIES

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

Name of subsidiary	Director(s) of the subsidiary				
Ever Champ (China) Limited	A	B			
Fair International Investment Enterprise Limited	A	B			
Fair Industry Waste Recyclables Limited	A	B			
Fair Time International Limited	A	B			
Jiangsu New Universe Environmental Engineering Management Limited* (江蘇宇新環保工程管理有限公司)	D				
Jiangsu Xin Yu Environmental Technologies Limited* (江蘇新宇環保科技有限公司)	A				
New Sinotech Investments Limited	B				
New Universe (China) Investment Limited	B				
New Universe (China) Limited	A	B			
New Universe Environmental Protection Investment Limited	B				
New Universe Environmental Technologies (Jiang Su) Limited	A	B			
New Universe International Ecology Limited	B				
New Universe International Group Limited	A[(1)]	B	C[(2)]		
New Universe International Holdings Limited	B				
New Universe Recyclable Investments Limited	B				
New Universe Recyclables Limited	A	B			
Smartech International Group Limited	B				
Smartech Manufacturing Limited	A	B			
Smartech Plastic Moulding Limited	A	B			
Smartech Services Limited	A	B			
Suqian New Universe Solid Waste Disposal Company Limited* (宿遷宇新固體廢物處置有限公司)	A				
Taixing Xin Xin Resources Recycling Company Limited* (泰興新新資源再生利用有限公司)	A				
Taizhou New Universe Solid Waste Disposal Company Limited	A	E	F	G	
Xiangshui New Universe Environmental Technology Limited	A	B	H	I	J
Yancheng New Universe Solid Waste Disposal Company Limited	A				
Yancheng NUHF Environmental Technology Limited* (鹽城新宇輝豐環保科技有限公司)	A	B	H	I	J
Zhenjiang New Universe Solid Waste Disposal Company Limited	A	D	E	F	G
Zhenjiang Sinotech Eco-Electroplating Development Limited	A				

* *For identification purposes only*

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

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

Notes:

(1) Mr. XI Yu was appointed as director of New Universe International Group Limited on 17 November 2017.

(2) Mr. HON Wa Fai resigned as director of New Universe International Group Limited on 17 November 2017.

DIRECTORS' SERVICE CONTRACTS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 23 to 28 of this annual report.

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

Details of the emoluments of the Directors and the chief executives and of the five highest paid individuals in the Group are set out respectively in notes 10 and 11 to the financial statements.

EMOLUMENT POLICY

The emolument policy for the employees of the Company is set out by the Remuneration Committee on the basis of the employees' merit, qualifications and competence.

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

RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund scheme for all employees in Hong Kong. Particulars of the retirement benefit plans of the Group are set out in note 37 to the financial statements.

SHARE OPTION SCHEME

The Company has adopted a share option scheme with terms duly passed by the Company's shareholders at the general meeting held on 5 May 2015 ("Share Option Scheme"). The terms of the Share Option Scheme are in accordance with the provisions set out in Chapter 17 of the Main Board Listing Rules.

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

As at 31 December 2017, no option was granted or was outstanding under the Share Option Scheme.

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

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Hong Kong Stock Exchange Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 ("Model Code") of the Main Board 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

	Number of ordinary shares of HK$0.01 each				
Name of Director	**Personal/ beneficial interest**	**Interests of children or spouse**	**Interests of controlled corporation**	**Number of shares held**	**% of total shares in issue**
Mr. XI Yu *(note)*	–	–	1,071,823,656	1,071,823,656	35.31
Ms. LIU Yu Jie	202,400,000	–	–	202,400,000	6.67

Associated corporation

Long positions in ordinary shares of NUEL

	Number of ordinary shares of US$1.00 each of NUEL				
Name of Director	**Personal/ beneficial interest**	**Interests of children or spouse**	**Interests of controlled corporation**	**Number of shares held**	**% of total shares in issue**
Mr. XI Yu *(note)*	16,732	–	–	16,732	83.66
Ms. CHEUNG Siu Ling *(note)*	1,214	1,214	–	2,428	12.14

Note: New Universe Enterprises Limited ("NUEL") is beneficially interested in 1,071,823,656 shares of the Company, representing approximately 35.31% of the issued share capital of the Company as at 31 December 2017. Mr. XI Yu and Ms. CHEUNG Siu Ling are both directors and shareholders of NUEL.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were entered in the register referred to therein as required pursuant to section 352 of the SFO or required, to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

As at 31 December 2017, the interests or short positions of those persons, other than a director or the chief executive of the Company whose interests has been disclosed therein above, in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

	Number of ordinary shares of HK$0.01 each of the Company				
Name of shareholder	Beneficial owner	Family interest	Interest of controlled corporation	Number of shares held	% of total shares in issue
NUEL[(i)]	1,071,823,656	–	–	1,071,823,656	35.31
CM International Capital Limited ("CMIC Cayman")[(ii)]	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")[(ii)]	–	–	800,000,000	800,000,000	26.35
China Minsheng Investment Corp. Limited 中國民生投資股份有限公司[(ii)]	–	–	800,000,000	800,000,000	26.35
Ms. LIU Yu Jie[(iii)]	202,400,000	–	–	202,400,000	6.67

Notes:

(i) NUEL is the beneficial owner of the 1,071,823,656 shares of the Company. NUEL is beneficially owned as to 83.66% by Mr. XI Yu.

(ii) CMIC Cayman is the beneficial owner of the 800,000,000 shares of the Company. CMIC Cayman is 100% directly owned by CMIC Hong Kong. CMIC Hong Kong is 100% directly owned by China Minsheng Investment Corporation Limited (中國民生投資股份有限公司).

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

Save as disclosed above, as at 31 December 2017, so far as is known to the Directors, the Company has not been notified of any other interests or short positions in the shares and underlying shares which had been recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

CONNECTED TRANSACTIONS

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

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT

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

Pursuant to the Facility Letter, if Mr. XI Yu (being defined as the "Controlling Shareholder" in the Facility Letter) (i) ceases to be directly or indirectly the single largest shareholder of the Company; (ii) ceases to own directly or indirectly at least 30% of the issued shares with voting rights of the Company; or (iii) ceases to have the management control over the Company, the Bank may cancel all or any part of the Facility and declare all or any part of the outstanding Facility, together with accrued interest, and all other amounts accrued under the Facility Letter immediately due and payable, whereupon all or part of the Facility shall be immediately cancelled and all such outstanding amounts shall become immediately due and payable.

As at 31 December 2017, the Controlling Shareholder, through his beneficial interest in 83.66% of the issued share capital of NUEL, indirectly owns approximately 35.31% of the total issued share capital of the Company.

The Company has drawn down the entire amount of the Facility on 15 December 2017 and the unsecured bank loan concerned was HK$50,000,000 as at 31 December 2017.

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

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

As at 31 December 2017 and any time during the year, transactions, arrangements, or contracts subsisted, of which certain Directors had interests that were deemed significant to the business of the Group are set out as follows:

Mr. XI Yu and Ms. CHEUNG Siu Ling, the executive Directors of the Company, are also the directors of the landlord, Sun Ngai International Investment Limited ("Sun Ngai") to the tenancy agreement dated 20 July 2016 entered into by Smartech Services Limited ("Smartech Services", an indirectly 100% owned subsidiary of the Company) as tenant, pursuant to which, Smartech Services has leased two office units as headquarter of the Company in Hong Kong at Rooms 2109 and 2110, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong at a monthly rental of HK$50,000 for the term from 1 August 2016 to 31 July 2017. A new tenancy agreement dated 5 July 2017 was entered into between Sun Ngai and Smartech Services to lease three office units at Rooms 2109 to 2111, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong for the term from 1 August 2017 to 31 July 2018 at a monthly rental of HK$80,000. For the year ended 31 December 2017, total rental paid by Smartech Services to Sun Ngai were HK$750,000.

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

Save as disclosed therein and the related party transactions entered into by the Group during the year as set out in note 38 to the financial statements, no transaction, arrangement or contract of significance to which the Company, any of its holding company, subsidiaries, or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

PERMITTED INDEMNITY PROVISION

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

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

PUBLIC FLOAT

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

SUBSEQUENT EVENTS

Significant subsequent events occurred after the reporting period are set out in note 44 to the financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

During the year ended 31 December 2017, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has reviewed with the management the consolidated financial statements of the Company for the year ended 31 December 2017.

INDEPENDENT AUDITOR

The financial statements of the Company and the Group for the years ended 31 December 2017 were audited by Crowe Horwarth (HK) CPA Limited ("Crowe Horwath (HK)"). Crowe Horwath (HK) retire and, being eligible, offer themselves for re-appointment and a resolution for the re-appointment of Crowe Horwath (HK) as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

XI Yu
Chairman

Hong Kong, 23 March 2018

Crowe Horwath

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

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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

OPINION

We have audited the consolidated financial statements of New Universe Environmental Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 85 to 180, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
(a) Recoverability of goodwill (refer to notes 2(l)(ii), 3(b)(i) and 18 to the consolidated financial statements) As disclosed in note 18 to the consolidated financial statements, at 31 December 2017, the Group had an identified cash generating unit, which is NUET (JS) as referred to in note 19(b) to the consolidated financial statements acquired in 2017, with a goodwill of approximately HK$33 million, property, plant and equipment of approximately HK$89.4 million and prepaid lease payments for land use rights of approximately HK$11.6 million. There is a risk that the performance of the identified cash generating unit to which the goodwill and other relevant assets are allocated, will result in impairment to the carrying value of those assets allocated to this identified cash generating unit. This could be due to weaker than forecast demand, increasingly stricter governmental regulations and policies in Mainland China and/or other factors. The recoverable amount of this identified cash generating unit to which the goodwill, relevant property, plant and equipment, and prepaid lease payments for land use rights are allocated, is determined on the basis of value in use calculations conducted by independent professional valuers with experiences in valuing similar assets. The key assumptions used in the assessment of the carrying amount of this identified cash generating unit, to which the goodwill, relevant property, plant and equipment and prepaid lease payments are allocated, are discount rate, long-term growth rate, revenue growth and profit margins. As the impairment review process involves estimation uncertainty and significant judgements by management, this gives rise to inherent subjectivity in the carrying value of those assets of the identified cash generating unit recorded in the consolidated financial statements. No impairment on the goodwill was required at the reporting period end.	Our audit procedures in this area included: – Performing certain procedures to identify indicators for impairment of the cash generating unit to which goodwill and/or property, plant and equipment and the prepaid lease payments for land use rights and allocated. These included physical inspection of the title documents and conditions of property, plant and equipment and the leasehold land of the cash generating unit, reviewing the future business plans and forecast performance, management meeting minutes, latest government environmental policies and approvals in Mainland China, renewal of the operating licences related to environmental treatment of industrial and medical wastes and industrial sewage, and enquiring management as to whether they are aware of any indicators of impairment of the cash generating unit; – Assessing the external valuers' independence, competence, capabilities and objectivity; – Assessing the appropriateness of valuation methodology used and allocation of cash flows between identified cash generating unit, to which the goodwill, relevant property, plant and equipment, and prepaid lease payments for land use rights are allocated, being consistent year on year; – Checking the projections of cash flows of the identified cash generating unit in the valuation model to detailed forecasts prepared by management; assessing the appropriateness of the key assumptions, primarily estimated asset economic useful lives, revenue and cost growth rate used in the valuation model including whether they are reasonable in light of historic growth rate; assessing the long-term growth rates in the valuation model do not exceed industry published data determined by reference to published growth rates of comparable companies; – Performing our own assessment of key estimates and assumptions used to estimate the discount rate, revenue, growth rates and profit margins of the identified cash generating unit, and challenging the management judgements on these estimates and key assumptions; and

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
(a) Recoverability of goodwill (continued) Refer to notes 2(g) and 3(b)(i) to the consolidated financial statements for the accounting policies for goodwill and the estimation uncertainties on impairment of goodwill, respectively.	– Evaluating management's sensitivity analysis and performing our own sensitivity analysis on the key assumptions used, including assessing the effect of a reasonably possible change in growth rates, forecast cash flows and discount rates. We also assessed whether the Group's disclosures in respect of the impairment review and the sensitivity of the outcome of the impairment review to changes in the key assumptions reflected the risks inherent in the valuation.
(b) Valuation of long-term equity investments (refer to notes 2(h), 3(a)(i), 21 and 40 to the consolidated financial statements) The long-term equity investments of approximately HK$80 million represent three unquoted investments in plastic materials dyeing business in Mainland China. The valuations for these unquoted investments are performed by an independent firm of qualified valuers with qualifications and recent experiences in valuing similar assets, using the ratio of enterprise value to earnings before interest and tax ratio of comparable listed companies, adjusted for lack of marketability discount. Owing to the illiquid nature (i.e. lack of marketability) of these unquoted investments, the assessment of fair value necessitates significant and complex judgements made by the management. Inappropriate judgements made in the assessment of fair value, in particular, in respect of earnings multiples, illiquidity discount and the selection of comparable listed companies could have significant impact on the fair value of the unquoted investments.	We obtained and evaluated the valuation reports, together with the working spreadsheets and assumptions applied, for each of these unquoted investments. We assessed valuation model methodology against industry practice and valuation guidelines. We assessed and challenged the appropriateness of the valuation approach and key assumptions and the discount factor for lack of marketability of unquoted investments. In respect of the valuation model inputs, we checked the earnings and earnings multiples to the results of investee companies and comparable listed companies, and latest available management accounts of these investee companies, and other available information available from relevant external market sources. We checked the calculation of the valuation models used for determining the fair value of these unquoted investments at the year end. We also assessed the accounting treatment for the changes in the fair value of these unquoted investments in the consolidated statement of comprehensive income and the related disclosures for the unquoted investments made in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
(c) Recoverability of trade and bills receivables (refer to notes 2(l)(i), 3(b)(iii) and 23 to the consolidated financial statements) At 31 December 2017, the Group had trade and bills receivables of approximately HK$69.2 million. Recoverability of trade and bills receivables is a significant risk due to the material nature of these balances and the economic instability will expose the Group to the risk of bad debt. Determining impairment provisions against the trade and bills receivables is a judgmental area requiring significant judgmental estimates by management of the probability of default by the customers whose abilities to settle the trade debts may deteriorate after the year end. The Group's policy on making provision for receivable is disclosed in note 2(l)(i) to the consolidated financial statements.	We assessed the adequacy of the provision for impairment against trade and bills receivables. This included review of: – the Group's internal controls on debt recovery and actions taken to collect the overdue debts; – past settlement track records of the customers and cash received, on a sample basis, from the customers after year end and up to the audit opinion date; – ageing analysis for trade receivables by customers and update on the creditworthiness of the customers; and – any disputes with customers by comparing, on a sample basis, the discrepancies on the debtor confirmations directly obtained from the customers, correspondences with the customers and the Group's external solicitors for identifying potential disputes with customers. We also assessed the Group's disclosures in respect of trade and bills receivables and provision for impairment made in the consolidated financial statements
(d) Acquisition and impairment assessment of interest in an associate (refer to notes 15(a) and 20 to the consolidated financial statements) During the year, the Group acquired 30% equity interest in Nanjing Chemical Park Tianyu Solid Waste Disposal Co., Ltd ("NCIP"), through purchase of entire equity interests of Ever Champ (China) Limited ("ECCL") at a consideration of approximately HK$148 million. At 31 December 2017, the carrying amount of the 30% equity interest in NCIP was approximately HK$163.5 million and the Group's share of post- acquisition results of NCIP for the year then ended was approximately HK$7.6 million.	Our audit procedures on this area included: – Evaluating the reasonableness for the price allocation to and the determination of the fair value of the identified assets and liabilities of ECCL and NCIP, and the fair value of the consideration payable at the date of acquisition; – Assessing the independent professional valuer's independence, competence, capabilities and objectivity; – Evaluating the appropriateness for the valuation methodologies used at the acquisition date and at reporting period end;

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit
(d) Acquisition and impairment assessment of interest in an associate (continued)	
The acquisition of 30% equity interest in NCIP through purchase of ECCL was a business combination and NCIP had already started its business at completion date of the acquisition. At the completion date of acquisition, the price allocation to and determination of fair value of the identifiable assets and liabilities of ECCL and NCIP, and fair value for 30% equity interest in NCIP were determined by management of the Group with reference to valuations performed by an independent professional valuer with experiences and qualifications in valuing similar assets. At the completion date of acquisition, the fair value assets less liabilities of ECCL exceeded the fair value of the consideration paid for entire equity interest of ECCL, whose only asset is 30% equity interest in NCIP, by an amount of approximately HK$7.2 million which was credited to profit or loss for the year, mainly due to drop in the fair value of 80,000,000 consideration shares issued by the Company, determined at HK$0.71 per consideration with reference to the closing price of the Company's shares at the date of completion of the acquisition, as compared with the issue price at HK$0.8 per consideration shares stipulated in the sale and purchase agreement, as disclosed in note 15(a) to the consolidated financial statements. The recoverable amount of 30% equity interest in NCIP is the higher of value-in-use and fair value less costs of disposal. At 31 December 2017, impairment assessment on the carrying amount of 30% equity interests in NCIP was performed by management based on the valuation of NCIP, as an identified cash generating unit, by independent professional valuer with experiences and qualifications in valuing similar assets. The determination of the fair value of assets less liabilities of ECCL and NCIP at the acquisition date and the impairment assessment on the carrying value of interest in NCIP at the reporting period end involve significant judgements and assumptions made by management of the Group.	– Checking the projection of cash flows of NCIP in the valuation models to the detailed forecasts prepared by management of NCIP and evaluating the reasonableness of key assumptions underlying the cash flow projection; – Assessing the reasonableness of the discount rate and long-term growth rate in the valuation models not exceeding the industry data at public domains; – Challenging the key assumptions in the valuation models made by management of NCIP and the independent valuer; – Evaluating management's sensitivity analysis on the key assumptions used, including assessment of effect of a reasonably possible change in growth rate, cash flow projections and discount rate. We also assessed the adequacy of disclosures for the acquisition of 30% equity interests in NCIP, through purchase of entire equity interest in ECCL, and interest in 30% equity interest in NCIP made in the consolidated financial statements.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Crowe Horwath (HK) CPA Limited
Certified Public Accountants

LEUNG Chun Wa
Practising Certificate Number: P04963

Hong Kong, 23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	**382,423**	318,616
Cost of sales		**(214,778)**	(173,683)
Gross profit		**167,645**	144,933
Other revenue	6	**3,520**	4,621
Other net income	7	**28,539**	13,254
Distribution and selling expenses		**(4,682)**	(5,745)
Administrative expenses		**(50,553)**	(46,684)
Other operating expenses		**(20,622)**	(21,335)
Gain on bargain purchase	15(a)	**7,200**	–
Operating profit		**131,047**	89,044
Finance income	8	**(184)**	3,036
Finance costs	8	**(9,129)**	(3,962)
Finance costs – net	8	**(9,313)**	(926)
Share of profits of associates	20	**11,716**	3,985
Profit before taxation	9	**133,450**	92,103
Income tax	12	**(20,916)**	(5,985)
Profit for the year		**112,534**	86,118
Attributable to:			
Owners of the Company		**83,577**	61,947
Non-controlling interests	19(b)	**28,957**	24,171
		112,534	86,118
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	14	**2.78**	2.10

The notes on pages 92 to 180 are an integral part of these financial statements.

	Note	**2017 HK$'000**	2016 HK$'000
Profit for the year		**112,534**	86,118
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences			
– on translation of financial statements of overseas subsidiaries		**57,335**	(41,277)
– on translation of financial statements of overseas associates	20	**13,122**	(1,109)
– reclassification of translation reserve upon de-registration of an overseas subsidiary		**–**	(29)
Fair value changes on long-term equity investments	21, 45	**16,400**	(13,100)
Tax effect relating to changes in fair value of long-term equity investments	30(b)	**(1,640)**	1,310
Other comprehensive income for the year, net of income tax		**85,217**	(54,205)
Total comprehensive income for the year		**197,751**	31,913
Attributable to:			
Owners of the Company		**161,567**	13,211
Non-controlling interests		**36,184**	18,702
Total comprehensive income for the year		**197,751**	31,913

The notes on pages 92 to 180 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	16	**754,897**	531,379
Prepaid lease payments for land use rights	17	**139,670**	118,447
Goodwill	18	**33,000**	33,000
Interests in associates	20	**183,520**	18,236
Long-term equity investments	21	**80,000**	63,600
		1,191,087	764,662
Current assets			
Inventories	22	**2,460**	1,476
Trade and bills receivables	23	**69,175**	58,507
Prepayments, deposits and other receivables	24	**34,500**	26,782
Prepaid lease payments for land use rights	17	**3,811**	3,084
Pledged bank deposits	25	**–**	9,606
Cash and cash equivalents	25	**237,884**	171,589
		347,830	271,044
Current liabilities			
Bank borrowings	26	**137,677**	75,549
Trade and bills payables	27	**6,226**	13,686
Accrued liabilities and other payables	28	**196,967**	107,687
Deposits received from customers		**5,117**	9,060
Consideration payable for acquisition of subsidiaries	15(d)	**35,200**	–
Deferred government grants	29	**504**	452
Income tax payable	30(a)	**6,074**	2,463
		387,765	208,897
Net current (liabilities)/assets		**(39,935)**	62,147
Total assets		**1,538,917**	1,035,706
Total assets less current liabilities		**1,151,152**	826,809

The notes on pages 92 to 180 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Non-current liabilities			
Bank borrowings	26	**45,000**	2,793
Other borrowing	31	**25,000**	25,000
Consideration payable for acquisition of subsidiaries	15(d)	**49,600**	–
Deferred government grants	29	**3,637**	3,454
Deferred tax liabilities	30(b)	**30,348**	26,073
		153,585	57,320
Net assets		**997,567**	769,489
Capital and reserves			
Share capital	32	**30,357**	29,557
Reserves	33	**857,081**	657,728
Equity attributable to owners of the Company		**887,438**	687,285
Non-controlling interests	19(b)	**110,129**	82,204
Total equity		**997,567**	769,489

The notes on pages 92 to 180 are an integral part of these financial statements.

XI Yu
Chairman

SONG Yu Qing
Chief Executive Officer

	Attributable to owners of the Company									
	Share capital HK$'000 (note 32)	Share premium HK$'000 (note 33(c)(i))	Translation reserve HK$'000 (note 33(c)(ii))	Investment revaluation reserve HK$'000 (note 33(c)(iii))	Capital reserve HK$'000 (note 33(c)(iv))	Statutory reserve HK$'000 (note 33(c)(v))	Retained profits HK$'000 (note 33(c)(vi))	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	29,557	400,465	1,157	13,330	5,173	32,141	207,030	688,853	70,919	759,772
Profit for the year	–	–	–	–	–	–	61,947	61,947	24,171	86,118
Other comprehensive income										
Exchange differences										
– on translation of financial statements of overseas subsidiaries	–	–	(35,808)	–	–	–	–	(35,808)	(5,469)	(41,277)
– on translation of financial statements of an overseas associate	–	–	(1,109)	–	–	–	–	(1,109)	–	(1,109)
– reclassification of translation reserve upon de-registration of an overseas subsidiary	–	–	(29)	–	–	–	–	(29)	–	(29)
Fair value changes on long-term equity investments, net of deferred tax	–	–	–	(11,790)	–	–	–	(11,790)	–	(11,790)
Total comprehensive income for the year	–	–	(36,946)	(11,790)	–	–	61,947	13,211	18,702	31,913
Release of capital reserve upon de-registration of a foreign subsidiary	–	–	–	–	(1)	–	–	(1)	1	–
Transfer to statutory reserve	–	–	–	–	–	3,339	(3,339)	–	–	–
Dividend relating to 2015	–	–	–	–	–	–	(14,778)	(14,778)	–	(14,778)
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(7,418)	(7,418)
At 31 December 2016 and 1 January 2017	29,557	400,465	(35,789)	1,540	5,172	35,480	250,860	687,285	82,204	769,489
Profit for the year	–	–	–	–	–	–	83,577	83,577	28,957	112,534
Other comprehensive income										
Exchange differences										
– on translation of financial statements of overseas subsidiaries	–	–	50,108	–	–	–	–	50,108	7,227	57,335
– on translation of financial statements of overseas associates	–	–	13,122	–	–	–	–	13,122	–	13,122
Fair value changes on long-term equity investments, net of deferred tax	–	–	–	14,760	–	–	–	14,760	–	14,760
Total comprehensive income for the year	–	–	63,230	14,760	–	–	83,577	161,567	36,184	197,751
Issue of consideration shares *(note 15(a))*	800	56,000	–	–	–	–	–	56,800	–	56,800
Transfer to statutory reserve	–	–	–	–	–	23,510	(23,510)	–	–	–
Dividend relating to 2016	–	–	–	–	–	–	(18,214)	(18,214)	–	(18,214)
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(8,259)	(8,259)
At 31 December 2017	**30,357**	**456,465**	**27,441**	**16,300**	**5,172**	**58,990**	**292,713**	**887,438**	**110,129**	**997,567**

The notes on pages 92 to 180 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**133,450**	92,103
Adjustments for:			
Interest income	8	**(1,244)**	(864)
Interest expenses	8	**9,129**	3,962
Dividends from long-term equity investments		**(3,520)**	(4,199)
Share of profits of associates	20	**(11,716)**	(3,985)
Depreciation of property, plant and equipment	16	**43,399**	34,632
Amortisation of land use rights	17	**3,414**	2,643
Net loss on disposal of property, plant and equipment		**600**	1,059
Gain on bargain purchase	15(a)	**(7,200)**	–
Release of deferred government grants	29	**(489)**	(467)
Operating cash flows before movements in working capital		**165,823**	124,884
Increase in inventories		**(984)**	(434)
Increase in trade and bills receivables		**(10,668)**	(11,650)
Decrease/(increase) in prepayments, deposits and other receivables		**2,483**	(4,458)
(Decrease)/increase in trade and bills payables		**(7,460)**	9,435
Increase/(decrease) in accrued liabilities and other payables		**86,376**	(7,285)
(Decrease)/increase in deposits received from customers		**(3,943)**	5,439
Cash generated from operations		**231,627**	115,931
Net income tax paid	30(a)	**(11,206)**	(7,933)
Dividend tax paid		**(3,766)**	(2,416)
Interest received	8	**1,244**	864
Net cash generated from operating activities		**217,899**	106,446

The notes on pages 92 to 180 are an integral part of these financial statements.

	Note	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Dividends received from an associate		**3,754**	–
Dividends received from long-term equity investments		**3,520**	4,199
Cash outflow arising from acquisition of subsidiaries, net of cash acquired	15(a), (b) & (c)	**(26,185)**	–
Proceeds from disposal of property, plant and equipment		**109**	550
Payments for purchases of property, plant and equipment		**(216,269)**	(73,693)
Payments for purchases of land use rights		**(279)**	(24,702)
Increase in deposits paid for purchases of property, plant and equipment		**(960)**	(2,755)
Payment of deposit for proposed joint venture/acquisition		**(1,200)**	(5,000)
Receipt of government grants		**436**	404
Net cash used in investing activities		**(237,074)**	(100,997)
FINANCING ACTIVITIES			
Dividends paid to shareholders of the Company	13(b)	**(18,214)**	(14,778)
Dividends paid to non-controlling interests of subsidiaries	19(b)	**(8,259)**	(7,418)
Proceeds from bank borrowings	25(b)	**190,994**	80,691
Repayment of bank borrowings	25(b)	**(89,099)**	(50,021)
Interest paid	8	**(9,129)**	(3,962)
Placement of pledged bank deposits for bank borrowings	25(b)	**(4,677)**	(9,606)
Release of pledge on bank deposits	25(b)	**14,283**	5,318
Repayment of other borrowings		**–**	(5,000)
Net cash generated/(used in) from financing activities		**75,899**	(4,776)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**56,724**	673
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**171,589**	175,805
Effect of foreign exchange rate changes		**9,571**	(4,889)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**237,884**	171,589

The notes on pages 92 to 180 are an integral part of these financial statements.

1. GENERAL INFORMATION

(a) New Universe Environmental Group Limited (the "Company") 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 have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 May 2000. With effect from 1 August 2016, the listing of the shares of the Company has been transferred from the GEM to the Main Board of the Stock Exchange.

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

(c) The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as follows:

(i) environmental treatment and disposal of hazardous industrial and medical wastes;

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

(iii) investments in plastic materials dyeing operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

A summary of the significant accounting policies adopted by the Group is set out below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

At 31 December 2017, the Group's current liabilities exceeded current assets by approximately HK$39,935,000 which included, as disclosed in note 26 below, approximately HK$59,968,000 in respect of the non-current portions of long-term bank borrowings that contained a standard demand clause for immediate repayment at the discretion of the financial institutions under the underlying banking facilities granted. During the year ended 31 December 2017 and up to the date of approval for the consolidated financial statements, there had been no breaches on any of covenants of the relevant banking facilities. Notwithstanding the demand clause for immediate repayment in the banking facilities, the Company considered that the financial institutions will not exercise their discretionary rights to demand immediate repayment of these non-current portions of these long-term bank borrowings in the next twelve months from the date of approval of the consolidated financial statements and before their maturities.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future, after taking into consideration of (a) cash and bank balances of approximately HK$237,884,000 as at 31 December 2017, (b) unused and available credit facilities of approximately HK$82,726,000 at 31 December 2017, (c) new bank loan facilities of approximately HK$36,000,000 subsequently obtained from certain banks up to the date of approval for the consolidated financial statements, and (d) additional new credit facilities and/or financial arrangements which are currently under serious and advanced stage of discussions between the Group and certain financial institutions.

Management of the Company has prepared a cash flow forecast of the Group for a period covering not less than twelve months from date of approval for the consolidated financial statements. Based on the cash flow forecast and after having taken into account of the Group's available credit facilities and the above measures taken to date, management of the Group is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources, existing and new credit facilities and the future capital expenditure requirements. Accordingly, the Company has prepared the consolidated financial statements for the year 31 December 2017 on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost convention except for the long-term equity investments (see note 2(h)) which are stated at their fair value.

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

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

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

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable the users of financial statements to evaluate change in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 25(b) to the financial statements. Apart from the additional disclosure in note 25(b), the application of these amendments has had no impact on the Group's consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments provide guidance on how an entity determines, in accordance with HKAS 12 Income Taxes, whether to recognise a deferred tax asset in relation to unrealised losses of a debt instrument that is measured at fair value under certain specific facts and circumstances, such as it is probable that all the contracted cash flows of the debt instruments will be collected and any gains/losses on the debt instruments are taxable (deductible only when realised). The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Amendments to HKFRS 12 as part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The Group has applied the amendments to HKFRS 12 included in the Annual Improvements to HKFRs 2014-2016 Cycle for the first time in the current year. The amendments to HKAS 28 Investments in Associates and Joint Ventures included in the annual improvements are not yet mandatorily effective and they have not been early applied by the Group.

HKFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates and joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarified that except for summarised financial information, all other disclosure requirements under HKFRS 12 are applicable. The amendments have had no impact on the Group's financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, of which the possible impact are set out in note 45 to the financial statements.

(d) Subsidiaries and non-controlling interests

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) (i) Business combination

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) (i) Business combination (continued)

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

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

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

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

(ii) Acquisition of a subsidiary not constituting a business

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Goodwill

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

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

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

(h) Other investments in equity securities

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

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

– Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is re-measured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(u)(iii) and 2(u)(iv) respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Other investments in equity securities (continued)

- Long-term investments in securities which do not fall into any of the above categories are categorised as available-for-sale securities. At the end of each reporting period, the fair value is re-measured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve. As an exception to this, investments in equity securities that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(l)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 2(u)(iii).

When the investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/ derecognised on the date the Group commits to purchase/sell the investments or they expire.

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment losses (see note 2(l)).

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

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

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

(j) Construction in progress

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

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

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases that do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates that write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(iv) Leasehold land for own use

When the Group makes payments for a property interest which includes both leasehold land and buildings elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment property. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates accounted for under the equity method in the consolidated financial statements (see note 2(e), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

– For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets that are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

For available-for-sale securities which are stated at fair value, when a decline in the fair value has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets

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

- property, plant and equipment;
- construction in progress;
- prepaid lease payments;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare interim financial report in compliance with HKAS 34 *Interim Financial Reporting*, in respect of first half of a financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would be at the end of the financial year (see notes 2(l)(i) and 2(l)(ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increased in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit and loss.

(m) Inventories

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter measured at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(l)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Cash and cash equivalents

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

(p) Trade and other payables

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

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(r) Employee benefits

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee benefits (continued)

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(s) Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

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

- the same taxable entity; or

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

(t) Provisions and contingent liabilities

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

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

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from provision of services

Revenue from provision of waste and sewage treatment and related services are recognised in when the services are rendered.

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

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

(iii) Dividend income

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

(iv) Interest income

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

(v) Government grant/subsidy income

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

(v) Borrowing costs

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

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

(w) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Translation of foreign currencies (continued)

On disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e., partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(x) Related parties

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

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

(2) has significant influence over the Group; or

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties (continued)

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

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

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

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

(y) Segment reporting

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

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(i) Fair value of long-term equity investments

The Company has engaged an independent professional valuer to assess the fair market value of those long-term equity investments as disclosed in note 20 to the financial statements. The Directors of the Company made a review on the judgement of the independent professional valuer in selecting an appropriate valuation technique for the financial instruments not quoted in an active market. Valuation techniques applied by the independent professional valuer are commonly used by other market practitioners. The estimation of fair value of the long-term equity investments which are unlisted equity instruments includes the adoption of a market approach with some assumptions supported by observable market data or parameters deemed compatible to the operations of those investments.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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

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

(iii) Functional currency of the Company

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

(iv) Included in the Group's property, plant and equipment and prepaid lease payments for land use rights were certain buildings and equipment facilities ancillary to sewage treatment and the leasehold land of the eco-plating specialized zone with an aggregate carrying amount of approximately HK$230,371,000 as at 31 December 2017 (2016: HK$219,546,000) that are leased to the customers for use in accordance with the arrangement of the master agreements made between the Group and these customers. As the industrial sewage services provided to these customers are significant to the arrangement as whole inside the eco-plating specialized zone which is owned, operated and managed by the Group, these relevant buildings and equipment facilities, and leasehold land are accounted for and classified under property, plant and equipment and prepaid lease payments for land use rights, respectively, instead of investment property in the consolidated financial statements.

(b) Sources of estimation uncertainty

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

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2017 and 2016 was HK$33,000,000. Further details are set out in note 18 to the financial statements.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Sources of estimation uncertainty (continued)

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

The Group's major operating assets represent property, plant and equipment. Management performs review for impairment of the property, plant and equipment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. Management considered there was no impairment indicator of property, plant and equipment for the year ended 31 December 2017.

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

(iii) Impairment of trade and other receivables

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

As at 31 December 2017, the carrying amounts of trade and bill receivables and other receivables are HK$69,175,000 and HK$34,500,000 (2016: HK$58,507,000 and HK$26,782,000) respectively, which approximated to the present value of their respective estimated future cash flows.

No impairment was considered necessary in the consolidated financial statements at 31 December 2017 and 2016.

(iv) Income taxes and deferred taxation

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

As at 31 December 2017, the undistributed profits of the profitable PRC subsidiaries of the Group amounted to RMB121,369,000 (equivalent to approximately HK$145,643,000) (2016: RMB91,878,000 (equivalent to approximately HK$102,628,000)), which the Group can control the dividend policies in respect of the amount and timing of future distributions by the PRC subsidiaries and accordingly, at 31 December 2017, the Group has made a provision of approximately HK$9,003,000 (2016: HK$6,638,000) for deferred tax liabilities in respect of the expected withholding tax on distributions out of the distributable profits of the PRC subsidiaries.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Sources of estimation uncertainty (continued)

(v) In respect of the acquisition of 30% equity interests in NCIP as referred to in note 15(a), the vendor has irrevocably undertaken to the Group that the combined net profits of NCIP for the two financial years ending 31 December 2017 and 2018, prepared under HKFRS, shall not be less than approximately RMB44,334,000, failing which, the vendor shall compensate to the Group in accordance with the relevant sale and purchase agreement. Management considered both the actual net profit of NCIP for the year ended 31 December 2017 and profit forecast of NCIP for the financial year ending 31 December 2018, taking into account of the commercial operation for second phase plant scheduled to commence in May 2018, NCIP's waste disposal and processing capacity doubled after the operation of its second phase plant, and the business circumstances facing NCIP that the demand for its services in hazardous industrial waste disposal and processing has been exceeding supply in the designated chemical industry park in Nanjing, the PRC. Management concluded that NCIP's combined net profits for the two financial years ending 31 December 2017 and 2018 would exceed RMB44,334,000 and accordingly, the fair value for the negative contingent consideration was determined to be zero at both the acquisition date and 31 December 2017.

4. SEGMENT INFORMATION

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

(i) provision of environmental waste treatment and disposal services;

(ii) provision of environmental industrial sewage treatment and facility services in an eco-plating specialised zone; and

(iii) investments in plastic materials dyeing business.

(a) Segment results, assets and liabilities

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

– Segment assets include all current and non-current assets with the exception of corporate assets. Segment liabilities include all current and non-current liabilities with the exception of corporate liabilities attributable to head office in Hong Kong.

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

4. SEGMENT INFORMATION (continued)

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

For the year ended 31 December 2017

	Operating segments					
	Environmental waste treatment and disposal services HK$'000	Environmental sewage treatment and facility services HK$'000	Plastic dyeing investments HK$'000	Segment sub-total HK$'000	Unallocated head office and corporate HK$'000	Total HK$'000
Revenue from external customers	278,672	103,751	–	382,423	–	382,423
Other revenue	–	–	3,520	3,520	–	3,520
Reportable segment revenue	278,672	103,751	3,520	385,943	–	385,943
Reportable segment results	135,127	16,962	3,268	155,357	–	155,357
Other net income	27,038	1,499	–	28,537	2	28,539
Finance income	(413)	(17)	141	(289)	105	(184)
Finance costs	(5,914)	(1,000)	–	(6,914)	(2,215)	(9,129)
Depreciation and amortisation	(29,348)	(16,847)	–	(46,195)	(618)	(46,813)
Reportable segment assets	1,025,655	370,709	80,418	1,476,782	62,135	1,538,917
Additions to non-current segment assets	211,132	5,374	–	216,506	42	216,548
Reportable segment liabilities	459,734	62,405	1,700	523,839	17,511	541,350

4. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2016

	Operating segments					
	Environmental waste treatment and disposal services HK$'000	Environmental sewage treatment and facility services HK$'000	Plastic dyeing investments HK$'000	Segment sub-total HK$'000	Unallocated head office and corporate HK$'000	Total HK$'000
Revenue from external customers	218,926	99,690	–	318,616	–	318,616
Other revenue	422	–	4,199	4,621	–	4,621
Reportable segment revenue	219,348	99,690	4,199	323,237	–	323,237
Reportable segment results	90,841	17,823	3,563	112,227	–	112,227
Other net income	12,240	1,014	–	13,254	–	13,254
Finance income	2,751	433	(176)	3,008	28	3,036
Finance costs	(959)	(1,391)	–	(2,350)	(1,612)	(3,962)
Depreciation and amortisation	(20,541)	(16,116)	–	(36,657)	(618)	(37,275)
Reportable segment assets	572,711	355,252	63,951	991,914	43,792	1,035,706
Additions to non-current segment assets	90,304	8,070	–	98,374	21	98,395
Reportable segment liabilities	175,468	76,129	60	251,657	14,560	266,217

4. SEGMENT INFORMATION (continued)

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

	2017 HK$'000	2016 HK$'000
Revenue		
Consolidated revenue	**382,423**	318,616
Elimination of inter-segment revenue	**–**	–
Other revenue	**3,520**	4,621
Reportable segment revenue	**385,943**	323,237
Profit or loss		
Reportable segment profit	**155,357**	112,227
Unallocated head office and corporate expenses, net	**(21,907)**	(20,124)
Consolidated profit before taxation	**133,450**	92,103
Assets		
Reportable segment assets	**1,476,782**	991,914
Unallocated head office and corporate assets	**62,135**	43,792
Consolidated total assets	**1,538,917**	1,035,706
Liabilities		
Reportable segment liabilities	**523,839**	251,657
Unallocated head office and corporate liabilities	**17,511**	14,560
Consolidated total liabilities	**541,350**	266,217

(c) Geographic information

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

(d) Major customers

For the years ended 31 December 2017 and 2016, there was no major customer accounted for more than 10% of the total revenue of the Group.

5. REVENUE

Revenue represents the revenue from the provision of industrial and medical waste treatment and disposal services and the provision of industrial sewage and sludge treatment services and the related facilities and utilities in an eco-plating specialised zone. An analysis of the Group's revenue is presented as follows:

	2017 HK$'000	2016 HK$'000
Industrial and medical waste treatment and disposal services	**278,672**	218,926
Industrial sewage and sludge treatment services, related facilities and utilities	**103,751**	99,690
	382,423	318,616

6. OTHER REVENUE

	2017 HK$'000	2016 HK$'000
Dividend income from long-term equity investments	**3,520**	4,199
Scrap sales	**–**	422
	3,520	4,621

7. OTHER NET INCOME

	2017 HK$'000	2016 HK$'000
Refunds of VAT *(note (i))*	**15,461**	11,797
Government subsidies *(note (ii))*	**10,647**	315
Release of deferred government grants	**489**	467
Sundry income	**1,942**	675
	28,539	13,254

Notes:

(i) Pursuant to the tax rules and regulations in the PRC with effect from 2015, entities that engage in the environmental operations, comply with the requirements in the PRC and pay Value-Added Tax ("VAT") are entitled to a refund to the extent of 70% of the VAT paid.

(ii) Government subsidiaries received by the Group from the PRC Government did not bear any unfulfilled conditions or contingencies for the relevant subsidies.

8. FINANCE INCOME AND COSTS

	2017 HK$'000	2016 HK$'000
Interest expenses on:		
Bank borrowings wholly repayable within five years	**4,672**	2,917
Other borrowings wholly repayable within five years	**4,457**	1,045
Total finance costs	**9,129**	3,962
Finance income from:		
Interest income on short-term bank deposits	**1,244**	864
Net foreign exchange (loss)/gain	**(1,428)**	2,172
Total finance income	**(184)**	3,036
Net finance costs	**9,313**	926

9. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	2017 HK$'000	2016 HK$'000
Amortisation of land lease prepayments	**3,414**	2,643
Depreciation for property, plant and equipment	**43,399**	34,632
Operating lease charges: minimum lease payments		
– land and buildings in Hong Kong	**846**	696
– land and buildings in PRC	**709**	1,595
– landfill in PRC	**116**	116
	1,671	2,407
Net loss on disposal of property, plant and equipment	**600**	1,059
Auditor's remuneration:		
– audit service	**1,130**	980
– non-audit services	**170**	370
	1,300	1,350
Staff costs:		
– Directors' emoluments *(note 10)*	**4,469**	3,543
– salaries, wages and other benefits of employees other than Directors	**60,056**	47,289
– contributions to retirement benefits schemes	**7,167**	5,334
Total staff costs	**71,692**	56,166
Cost of sales *(note)*	**214,778**	173,683

Note:

Included in cost of sales were raw materials consumed of HK$44,795,000 (2016: HK$34,944,000), water and electricity consumed of HK$32,873,000 (2016: HK$34,540,000), staff costs of HK$26,295,000 (2016: HK$24,060,000) and depreciation of HK$40,165,000 (2016: HK$30,604,000), and of which staff costs and depreciation have already been included in the respective total amounts disclosed above.

10. DIRECTORS' EMOLUMENTS

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

	Director fee HK$'000	Salaries and allowance HK$'000	Benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2017					
Executive Directors					
Mr. XI Yu(iii)	**35**	**1,654**	**–**	**18**	**1,707**
Mr. SONG Yu Qing	**–**	**600**	**–**	**18**	**618**
Ms. CHEUNG Siu Ling	**190**	**–**	**–**	**–**	**190**
Ms. ZHANG Ying(i)	**27**	**–**	**–**	**–**	**27**
Mr. LIAO Feng(ii)	**154**	**–**	**–**	**–**	**154**
Ms. LIU Yu Jie	**180**	**–**	**–**	**–**	**180**
Mr. HON Wa Fai	**–**	**1,035**	**–**	**18**	**1,053**
Independent non-executive Directors					
Dr. CHAN Yan Cheong	**180**	**–**	**–**	**–**	**180**
Mr. YUEN Kim Hung, Michael	**180**	**–**	**–**	**–**	**180**
Mr. HO Yau Hong, Alfred	**180**	**–**	**–**	**–**	**180**
	1,126	**3,289**	**–**	**54**	**4,469**
Year ended 31 December 2016					
Executive Directors					
Mr. XI Yu(iii)	26	1,186	–	14	1,226
Mr. SONG Yu Qing	–	600	–	18	618
Ms. CHEUNG Siu Ling	75	–	–	–	75
Mr. LIAO Feng(ii)	75	–	–	–	75
Ms. LIU Yu Jie	75	–	–	–	75
Mr. HON Wa Fai	–	1,000	–	18	1,018
Independent non-executive Directors					
Dr. CHAN Yan Cheong	152	–	–	–	152
Mr. YUEN Kim Hung, Michael	152	–	–	–	152
Mr. HO Yau Hong, Alfred	152	–	–	–	152
	707	2,786	–	50	3,543

Notes:

(i) Ms. ZHANG Ying was appointed as executive Director with effect from 8 November 2017.

(ii) Mr. LIAO Feng resigned as executive Director with effect from 8 November 2017.

(iii) Mr. XI Yu was appointed as executive Director with effect from 11 April 2016.

During the year, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the Directors has waived any emoluments for the years ended 31 December 2017 and 2016.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2016: two) are Directors whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other three (2016: three) individuals during the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**1,269**	938
Discretionary bonuses	**3,765**	3,326
Retirement scheme contribution	**–**	–
	5,034	4,264

The emoluments of the three (2016: three) individuals with the highest emoluments fell within the following bands:

	2017 Number of individuals	2016 Number of individuals
Emolument bands (in HK dollar)		
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	–
	3	3

During the year, no emoluments were paid by the Group to the above three (2016: three) individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

12. INCOME TAX

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

	2017 HK$'000	2016 HK$'000
Current tax		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**14,777**	8,814
Under/(over)-provision in respect of prior years	**3,504**	(5,055)
	18,281	3,759
Deferred tax *(note 30(b))*	**2,635**	2,226
	20,916	5,985

12. INCOME TAX (continued)

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

Notes:

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

(ii) Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the years. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2016.

(iii) On 19 April 2016, 鹽城新宇輝豐環保科技有限公司 ("Yancheng NUHF", Yancheng NUHF Environmental Technology Limited*), a subsidiary of the Group, obtained the consent from the relevant applicable tax authorities, for a preferential tax treatment that Yancheng NUHF is entitled to the exemption from PRC Enterprise Income Tax for three years, starting from 2014, following by a 50% tax exemption for the ensuring three years. The over-provision of income tax accrued at the tax rate of 25% by Yancheng NUHF in the financial year 2015 of HK$5,055,000 was reversed and credited to the profit or loss for the last year ended 31 December 2016.

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

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

	2017 **HK$'000**	2016 HK$'000
Profit before taxation	**133,450**	92,103
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdiction concerned	**33,681**	25,110
Tax effect of expenses not deductible for tax purpose	**14,645**	1,476
Tax effect of income not taxable for tax purpose	**(5,752)**	(457)
Tax effect of tax losses not recognised	**–**	2,585
Under/(over)-provision in relation to prior years	**3,504**	(5,055)
Tax effect of temporary differences recognised	**2,635**	2,226
Effect of income tax preferential policy in PRC	**(27,797)**	(19,900)
Tax expense for the year	**20,916**	5,985

* *For identification purpose only*

13. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2017 HK$'000	2016 HK$'000
Final dividend proposed after the end of the reporting period of HK$0.0065 (2016: HK$0.0060) per share	**19,732**	18,214

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period and is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017 HK$'000	2016 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.0060 (2016: HK$0.0050) per share	**18,214**	14,778

14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the profit attributable to owners of the Company of HK$83,577,000 (2016: HK$61,947,000) and the weighted average number of 3,011,587,429 (2016: 2,955,697,018) ordinary shares of the Company in issue during the year.

(a) Profit attributable to owners of the Company

	2017 HK$'000	2016 HK$'000
Earnings for the purpose of basic and diluted earnings per share	**83,577**	61,947

(b) Weighted average number of ordinary shares

	2017	2016
Ordinary shares in issue at 1 January	**2,955,697,018**	2,955,697,018
Effect of new shares issued	**55,890,411**	–
Weighted average number of ordinary shares at 31 December	**3,011,587,429**	2,955,697,018

There were no dilutive potential ordinary shares in existence during both years, therefore, diluted earnings per share is the same as basic earnings per share.

15. 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 "SPA"), 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. ECCL is a company incorporated in Hong Kong, of which its main asset is the 30% equity interest and shareholder's loan in NCIP, a sino-foreign joint equity enterprise established in the PRC, Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd ("NCIP"). ECCL and its interests in NCIP collectively are referred to as the "ECCL Group", which is engaged in industrial hazardous waste treatment and disposal operations. This acquisition of the interest in NCIP through the purchase of 100% interest in ECCL has been accounted for using the acquisition method. 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 consideration shares issued by the Company, determined using the published price available at the date of completion of the Acquisition, amounted to HK$56,800,000. Cash consideration of approximately HK$15,960,000 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 SPA.

Included in the SPA, 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 RMB44,334,000 ("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$15,960,000, after deducting the amount of any shortfall in the guaranteed profit, back to the Vendor.

After taking into account of NCIP's actual net profit for the year ended 31 December 2017 and its profit forecast for the financial year of 2018, the Directors considered that the combined Net Profits for the two financial years ending 31 December 2017 and 2018 of NCIP would exceed the Profit Guarantee, and accordingly, the estimated fair value of the contingent consideration receivable arising from the Profit Guarantee clause of the SPA was assessed to be zero (level 3 fair value measurement) at the acquisition date and as at 31 December 2017.

Since the date of the Acquisition, ECCL Group has contributed HK$Nil and HK$7,557,000 to the Group's revenue and profit before taxation respectively for the year ended 31 December 2017. Had the Acquisition occurred on 1 January 2017, ECCL Group would have contributed revenue and profit before taxation for the current year of HK$Nil and HK$7,520,000 respectively.

Acquisition-related costs amounting approximately to HK$1,300,000, have been recognised as other operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2017.

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

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

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

	Fair value HK$'000
Interest in an associate	
– 30% of fair value of net assets of NCIP (see below)	144,200
Loan to NCIP *(Note 24(b))*	3,800
Other receivables	244
Cash and bank balances	18
Other payables	(262)
Fair value of net assets acquired	148,000
Total consideration	140,800
Contingent consideration receivable under Profit Guarantee clause of the SPA	–
Less: Fair value of net assets acquired	(148,000)
Gain on bargain purchase	7,200
Satisfied by:	
Consideration shares *(note 32(a))*	56,800
Cash consideration paid on acquisition date	18,167
Cash consideration payable *(note (d)(ii) below)*	65,833
	140,800
Net cash outflow arising from acquisition:	
Cash consideration paid on acquisition date	(18,167)
Cash consideration already paid in prior year	5,000
Cash paid after acquisition date	(13,167)
Less: Cash and cash equivalent acquired	18
	(26,316)

A business valuation for 100% interest of NCIP at 28 February 2017 was conducted by DTZ Cushman & Wakefield Limited ("DTZ"), using the income approach, based on which, the Directors considered that the fair value less cost of disposal for ECCL's 30% equity interest in NCIP at the acquisition date did not materially differ from HK$144,200,000.

The gain on bargain purchase represented the difference between the fair value of 80,000,000 new shares of the Company issued as settlement for part of consideration on the date of completion of the acquisition at HK$0.71 per new share, based on the closing price of the Company's shares at the acquisition date, and the issue price of the consideration shares at HK$0.80 per share based on the terms of the SPA.

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

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

The fair value of assets less liabilities of NCIP attributable to ECCL, at the date of completion of the acquisition of ECCL, were as follows:

	Fair value
	HK$'000
Property, plant and equipment	104,634
Construction in progress	21,350
Land use rights	18,527
Trademarks	28,355
Licenses and other intangible assets	454,808
Inventories	706
Trade and other receivables	6,145
Cash and bank balances	10,478
Trade and other payables	(43,136)
Tax payable	(878)
Bank borrowings	(10,168)
Loans from shareholders	
– ECCL	(3,800)
– Other shareholders of NCIP	(8,867)
Deferred tax liabilities	(97,488)
Fair value of net assets of NCIP	480,666
30% of fair value of net assets of NCIP, attributable to ECCL at acquisition date	144,200

As disclosed in note 20 to the consolidated financial statements, NCIP had revenue and net profit of approximately HK$91,876,000 and HK$25,206,000, respectively, for the post-acquisition period ended 31 December 2017, since the acquisition date. The post-acquisition net result of NCIP shared by the Group was approximately HK$7,562,000 for the post acquisition period, since the acquisition date, ended 31 December 2017. The Group's share of net assets of NCIP was approximately HK$163,515,000 at 31 December 2017.

Based on a business valuation on NCIP as at 31 December 2017 performed by an independent professional valuer, DTZ, on the basis of the fair value less cost of disposal, the recoverable amounts of NCIP, as a cash generating unit to which above relevant assets are allocated, and the Group's 30% interest in NCIP exceed their respective carrying amounts as at 31 December 2017. Accordingly, no impairment was considered necessary on the assets of NCIP and the Group's interest in NCIP at the acquisition date and 31 December 2017.

15. 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 a purchase of assets and liabilities through acquisition of subsidiaries.

	Fair value
	HK$'000
Loans receivable	21,291
Less: Loan receivable novated to vendor *(note (d)(i))*	(14,400)
Cash and bank balances	21,021
Other payables	(12)
Net assets acquired, as adjusted	27,900
Satisfied by:	
Cash consideration paid on acquisition date	7,050
Cash consideration payable *(note (d)(ii) below)*	35,250
Less: Loan receivable novated to vendor *(note (d)(i))*	(14,400)
Total consideration, as adjusted	27,900
Net cash inflow on acquisition of assets through acquisition of a subsidiary:	
Cash consideration paid on acquisition date	(7,050)
Cash paid after acquisition date	(7,050)
Less: Cash and cash equivalents acquired	21,021
	6,921

* *For identification purpose only*

15. 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 ("FIIEL") at a cash consideration of HK$27,500,001. FIIEL is principally engaged in investment holding. FIIEL 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*).

The acquisition of FIIEL and TXXRR did not constitute a business combination. The acquisition has been accounted for as a purchase of assets and liabilities through acquisition of subsidiaries.

	Fair value
	HK$'000
Property, plant and equipment	6,212
Land use rights	19,436
Other receivables	1,076
Cash and bank balances	2,376
Other payables	(1,600)
Net assets acquired	27,500
Satisfied by:	
Cash consideration paid	4,583
Cash consideration payable *(note (d)(ii))*	22,917
Total consideration	27,500
Net cash outflow on acquisition of assets through acquisition of a subsidiary:	
Cash consideration paid on completion date	(4,583)
Cash paid after acquisition date	(4,583)
Less: Cash and cash equivalents acquired	2,376
	(6,790)

* *For identification purpose only*

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

(d) Considerations payable for acquisition of subsidiaries

At the end of the reporting period, the cash considerations payable for the acquisition of subsidiaries were payable as follows:

	2017
	HK$'000
Considerations payable for:	
– Acquisition of 100% ECCL and 30% NCIP	**52,666**
– Acquisition of 100% FIWRL and 100% JXYE *(note (i))*	**13,800**
– Acquisition of 100% FIIEL and 100% TXXRR	**18,334**
	84,800
Analysed for reporting purpose as:	
Current liabilities	
Within 1 year	**35,200**
Non-current liabilities	
Between 1 year and 2 years	**49,600**
Between 2 years and 5 years	**–**
Over 5 years	**–**
	49,600
	84,800

Notes:

(i) The wholly-owned subsidiary of FIWRL, JXYE has outstanding loans receivable from a third party with a total carrying amount of approximately HK$14,400,000 as at 31 December 2017, which has been novated to the vendor and deducted against the third instalment of the respective consideration payable to the Vendor in accordance with its undertaking stipulated in the SPA.

(ii) The considerations payable for the acquisition of subsidiaries are payable by 4 semi-annual installments and bear interest at the prevailing prime rate offered by the Hongkong and Shanghai Banking Corporation Limited minus 1% per annum, which was 4% per annum as at the acquisition date and at 31 December 2017.

This interest rate bearing on the above considerations payable approximated to the Group's incremental similar borrowing rate at acquisition date and 31 December 2017. The above considerations payable approximated to their fair value at the acquisition date and 31 December 2017.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Computers and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 January 2016	355,618	81,722	189,492	6,125	817	8,206	641,980
Exchange adjustments	(24,107)	(4,878)	(12,647)	(374)	(55)	(443)	(42,504)
Additions	1,177	69,982	1,034	629	97	774	73,693
Disposals	(329)	–	(9,456)	(104)	(10)	(210)	(10,109)
Reclassification	40,751	(61,259)	20,188	258	62	–	–
At 31 December 2016 and 1 January 2017	373,110	85,567	188,611	6,534	911	8,327	663,060
Exchange adjustments	30,845	5,127	19,402	459	96	520	56,449
Additions	2,208	208,605	2,739	853	1,031	833	216,269
Acquisition of subsidiaries *(note 15(c))*	6,144	–	67	–	1	–	6,212
Disposals	(2,283)	–	(11,032)	(117)	(18)	(373)	(13,823)
Reclassification	71,718	(222,978)	150,982	266	12	–	–
At 31 December 2017	**481,742**	**76,321**	**350,769**	**7,995**	**2,033**	**9,307**	**928,167**
Depreciation and impairment							
At 1 January 2016	52,838	–	53,756	3,106	280	4,116	114,096
Exchange adjustments	(4,079)	–	(3,933)	(202)	(20)	(313)	(8,547)
Charge for the year	15,466	–	16,857	980	155	1,174	34,632
Eliminated on disposals	(226)	–	(7,994)	(73)	(8)	(199)	(8,500)
At 31 December 2016 and 1 January 2017	63,999	–	58,686	3,811	407	4,778	131,681
Exchange adjustments	5,566	–	5,069	269	29	371	11,304
Charge for the year	18,170	–	22,797	1,005	215	1,212	43,399
Eliminated on disposals	(1,724)	–	(10,947)	(108)	(4)	(331)	(13,114)
At 31 December 2017	**86,011**	**–**	**75,605**	**4,977**	**647**	**6,030**	**173,270**
Carrying amount							
At 31 December 2017	**395,731**	**76,321**	**275,164**	**3,018**	**1,386**	**3,277**	**754,897**
At 31 December 2016	309,111	85,567	129,925	2,723	504	3,549	531,379

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The buildings are situated in the PRC with leases held within 50 years.

As at 31 December 2017, certain property, plant and equipment with an aggregate carrying amount of approximately HK$51,762,000 (2016: HK$51,232,000) had been pledged to secure banking facilities granted to the Group (note 36).

At 31 December 2017, included in the Group's property, plant and equipment were certain buildings and equipment facilities ancillary to industrial sewage treatment erected on the leasehold land in the eco-plating specialised zone with an aggregate carrying amount of approximately HK$159,677,000 (2016: HK$148,232,000) that were leased to customers for use in accordance with the contractual arrangement of the master agreements made between the Group and the customers in the eco-plating specialised zone which is owned, operated and managed by the Group. As the industrial sewage services provided by the Group to the customers are significant to the arrangement as a whole inside the eco-plating specialised zone, these relevant buildings and equipment facilities are accounted for and classified under property, plant and equipment in the consolidated financial statements.

At the both reporting period ends, no impairment was recognised on the property, plant and equipment at 31 December 2017 and 2016.

17. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS

	HK$'000
Cost	
At 1 January 2016	106,244
Exchange adjustments	(3,438)
Additions	24,702
Transfer from deposit for acquisition of land use rights	9,580
At 31 December 2016 and at 1 January 2017	137,088
Exchange adjustments	6,146
Additions	279
Acquisition of subsidiaries *(note 15(c))*	19,436
At 31 December 2017	**162,949**
Amortisation	
At 1 January 2016	13,241
Exchange adjustments	(327)
Charge for the year	2,643
At 31 December 2016 and at 1 January 2017	15,557
Exchange adjustments	497
Charge for the year	3,414
At 31 December 2017	**19,468**
Carrying amount	
At 31 December 2017	**143,481**
At 31 December 2016	121,531

17. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS (continued)

Analysed for reporting purpose as:

	2017 HK$'000	2016 HK$'000
Current assets	3,811	3,084
Non-current assets	139,670	118,447
	143,481	121,531

At the end of both reporting periods, the Group's interests in land use rights held in the Jiangsu Province, PRC, and their carrying amount are analysed as follows:

	2017 HK$'000	2016 HK$'000
Remaining lease periods of over 50 years	–	–
Remaining lease periods between 10 to 50 years	143,481	121,531
	143,481	121,531

As at 31 December 2017, certain land use rights with an aggregate carrying amount of approximately HK$15,839,000 (2016: HK$15,435,000) had been pledged to secure banking facilities granted to the Group (note 36).

At the end of both reporting periods, there were no impairment recognised on the Group's prepaid lease payments.

18. GOODWILL

	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January	33,000	33,000
Impairment loss recognised in consolidated statement of profit or loss	–	–
Carrying amount at 31 December	33,000	33,000

Goodwill is attributable to the business segment of environmental integrated waste treatment services that arose from the acquisition of 82% equity interest of NUET(JS) in 2007. NUET(JS), through its subsidiaries, is engaged in the provision of environmental waste integrated treatment services in the Jiangsu Province, PRC.

18. GOODWILL (continued)

Impairment test assessment

The goodwill, together with related property, plant and equipment with carrying amount of HK$89,368,000 (2016: HK$88,868,000), and prepaid lease payments for land use rights with carrying amount of HK$11,585,000 (2016: HK$11,823,000), are allocated to an CGU under the operating segment of environmental waste treatment services.

As at 31 December 2017, the assessment on the recoverable amount of this CGU was determined by DTZ (2016: DTZ), an independent firm of professional valuers, on the basis of value-in-use calculations which use cash flow projections based on financial budgets approved by management covering a five-year period, that are discounted to their present values at a pre-tax discount rate of 18.48% (2016: 19.60%). Cash flows beyond the five-year period are extrapolated using an annual growth rate of 2% (2016: 2%) which does not exceed the long-term growth rate for the waste treatment industries. Other key assumptions for the value-in-use calculation relates to the estimated cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based the CGU's past performance, future business plan and management's expectations for the future market development.

The key assumptions used for value-in-use calculations are as follows:

	2017	2016
Gross profit margin	**55.36%**	52.02%
Compound annual growth rate in the initial five-year period	**2%**	4.0%
Growth rate used to extrapolate cash flows beyond the budget period	**2%**	2.0%
Pre-tax discount rate applied to the cash flow projections	**18.48%**	19.60%

Since the recoverable amount of the CGU, to which goodwill and related property, plant and equipment are allocated, exceeded the aggregate carrying amount of these assets of the CGU, no impairment loss on these assets was considered necessary at 31 December 2017 and 2016.

Sensitivity analysis of unforeseen downsize effect to the recoverable amount of the CGU had been performed on each of the following scenarios with the assumptions of (i) gross profit margin down by 5%, (ii) compound annual growth rate in the initial five-year period down by 2%, or (iii) pre-tax discount rate applied to the cash flow projections up by 2%, respectively. There was no impairment loss on the relevant assets of the CGU was considered necessary at 31 December 2017 in each of these scenarios.

19. INTERESTS IN SUBSIDIARIES

(a) The following list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group as at 31 December 2017:

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Ever Champ (China) Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
Fair International Investment Enterprise Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
Fair Industry Waste Recyclables Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
Fair Time International Limited ("Fair Time")	Hong Kong	Limited liability company	99,327,000 ordinary shares	100%	–	100%	Investment holding
Jiangsu New Universe Environmental Engineering Management Limited* 江蘇宇新環保工程管理有限公司 ("Jiangsu New Universe Engineering")	PRC	Wholly owned domestic enterprise	Registered RMB12,000,000 and paid-up RMB4,600,000	100%	–	100%	Environmental technical consultancy and engineering services
Jiangsu Xin Yu Environmental Technologies Limited* 江蘇新宇環保科技有限公司	PRC	Wholly foreign owned enterprise	Registered and paid-up HK$48,500,000	100%	–	100%	Environmental technical consultancy
New Sinotech Investments Limited ("NSIL")	British Virgin Islands/ Hong Kong	Limited liability company	5,000,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe (China) Investment Limited	British Virgin Islands/ Hong Kong	Limited liability company	1,800,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe (China) Limited	Hong Kong	Limited liability company	1,000,000 ordinary shares	100%	–	100%	Investment holding
New Universe Environmental Protection Investment Limited	British Virgin Islands/ Hong Kong	Limited liability company	4,000,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)")	Hong Kong	Limited liability company	21,640,000 ordinary shares	82%	–	82%	Investment holding

19. INTERESTS IN SUBSIDIARIES (continued)

(a) The following list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group as at 31 December 2017: (continued)

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
New Universe International Ecology Limited	British Virgin Islands/ Hong Kong	Limited liability company	10,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe International Group Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
New Universe International Holdings Limited	British Virgin Islands/ Hong Kong	Limited liability company	10,000 ordinary shares of US$1 each	100%	100%	–	Investment holding
New Universe Recyclable Investments Limited	British Virgin Islands/ Hong Kong	Limited liability company	10,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Universe Recyclables Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	–	100%	Investment holding
Smartech International Group Limited	British Virgin Islands/ Hong Kong	Limited liability company	1,000,000 ordinary shares of US$1 each	100%	100%	–	Investment holding
Smartech Manufacturing Limited	Hong Kong	Limited liability company	70,380,000 ordinary shares	100%	–	100%	Investment holding
Smartech Plastic Moulding Limited	Hong Kong	Limited liability company	100 ordinary shares	100%	–	100%	Dormant
Smartech Services Limited ("Smartech Services")	Hong Kong	Limited liability company	2 ordinary shares	100%	–	100%	Provision of management services
Suqian New Universe Environmental Solid Waste Disposal Limited* 宿遷宇新固體廢物處置有限公司	PRC	Wholly foreign owned enterprise	Registered and paid-up HK$97,000,000	100%	–	100%	Environmental hazardous waste treatment services

19. INTERESTS IN SUBSIDIARIES (continued)

(a) The following list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group as at 31 December 2017: (continued)

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Taixing Xin Xin Resources Recycling Company Limited* 泰興新新資源再生利用有限公司	PRC	Wholly foreign owned enterprise	Registered and paid-up HK$30,000,000	100%	–	100%	Holding land and buildings
Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe")	PRC	Wholly foreign owned enterprise	Registered and paid-up US$700,000	82%	–	100%	Environmental hazardous waste treatment services
Xiangshui New Universe Environmental Technology Limited ("Xiangshui New Universe")	PRC	Sino foreign joint equity enterprise	Registered and paid-up HK$50,750,000	65%	–	65%	Environmental hazardous waste treatment services
Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe")	PRC	Wholly foreign owned enterprise	Registered and paid-up US$700,000	82%	–	100%	Environmental hazardous waste treatment services
Yancheng NUHF Environmental Technology Limited* 鹽城新宇輝豐環保科技有限公司 ("Yancheng NUHF")	PRC	Sino foreign joint equity enterprise	Registered and paid-up HK$83,000,000	65%	–	65%	Environmental hazardous waste treatment services
Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe")	PRC	Wholly foreign owned enterprise	Registered and paid-up US$10,850,000	82%	–	100%	Environmental hazardous waste treatment services
Zhenjiang Sinotech Eco-Electroplating Development Limited ("Zhenjiang Sinotech")	PRC	Wholly foreign owned enterprise	Registered and paid-up US$32,900,000	100%	–	100%	Environmental industrial sewage and sludge treatment and facility provision services in an eco-plating zone

* *For identification purpose only*

19. INTERESTS IN SUBSIDIARIES (continued)

(b) The following tables summarised the financial information relating to each of the Group's subsidiaries that has material non-controlling interests ("NCI") at the end of the reporting period. The summarised financial information presented below represents the amounts before any inter-company elimination.

For the year ended 31 December 2017

	NUET(JS) Group (note) HK$'000	Xiangshui NU HK$'000	Yancheng NUHF HK$'000
NCI percentage	18%	35%	35%
Current assets	125,691	54,234	51,875
Non-current assets	120,958	39,955	239,557
Current liabilities	(65,931)	(49,196)	(111,454)
Non-current liabilities	(6,337)	–	–
Net assets	174,381	44,993	179,978
Carrying amount of NCI	31,389	15,748	62,992
Revenue	154,822	20,518	107,011
Profit for the year	74,943	4,534	39,657
Total comprehensive income	81,837	7,484	50,354
Profit allocated to NCI	13,490	1,587	13,880
Dividend paid to NCI	8,259	–	–
Cash flows generated from/(used in) operating activities	56,559	(1,103)	52,884
Cash flows (used in)/generated from investing activities	(2,244)	(32,191)	(52,925)
Cash flows (used in)/generated from financing activities	(46,526)	35,967	24,000

19. INTERESTS IN SUBSIDIARIES (continued)

(b) The following tables summarised the financial information relating to each of the Group's subsidiaries that has material non-controlling interests ("NCI") at the end of the reporting period. The summarised financial information presented below represents the amounts before any inter-company elimination. (continued)

For the year ended 31 December 2016

	NUET(JS) Group (note) HK$'000	Xiangshui NU HK$'000	Yancheng NUHF HK$'000
NCI percentage	18%	35%	35%
Current assets	82,873	4,370	38,760
Non-current assets	118,927	39,542	169,556
Current liabilities	(63,861)	(6,402)	(76,231)
Non-current liabilities	(5,587)	–	(2,793)
Net assets	132,352	37,510	129,292
Carrying amount of NCI	23,823	13,129	45,252
Revenue	128,380	9,807	80,739
Profit for the year	58,505	828	37,458
Total comprehensive income	47,848	(1,697)	29,894
Profit allocated to NCI	10,244	290	13,637
Dividend paid to NCI	5,843	–	–
Cash flows generated from operating activities	63,809	3,417	9,550
Cash flows used in investing activities	(6,292)	(2,603)	(44,506)
Cash flows (used in)/generated from financing activities	(39,654)	(749)	22,486

Note:

NUET(JS) Group comprises NUET(JS) as the holding company and its subsidiaries, Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe, and the associate, Zhenjiang New District Solid Waste Disposal Limited*.

(c) During the year ended 31 December 2017, Yancheng NUHF increased its paid-up capital to HK$83,000,000 by way of capitalisation of HK$17,000,000 out of its retained earnings, of which, the retained earnings attributable to the Group and the non-controlling interest of this subsidiary amounted to HK$11,050,000 and HK$5,950,000 were capitalised respectively.

* *For identification purpose only*

20. INTERESTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Share of net assets		
At 1 January	**18,236**	15,360
Business combination *(note 15(a))*	**144,200**	–
Share of profits	**11,716**	3,985
Share of other comprehensive income	**13,122**	(1,109)
Dividends received	**(3,754)**	–
At 31 December	**183,520**	18,236

The following list contains the particulars of the associates at 31 December 2017:

Name of associate	Place of incorporation and business	Form of business structure	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zhenjiang New District Solid Waste Disposal Limited* 鎮江新區固廢處置股份有限公司 ("Zhenjiang New District")	PRC	Joint equity enterprise	Registered and paid-up RMB36,000,000	24.60%	–	30%	Environmental hazardous waste landfill treatment services
Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Co., Ltd. 南京化學工業園天宇固體廢物處置有限公司 ("NCIP")	PRC	Sino foreign joint equity enterprise	Registered and paid-up HK$93,600,000	30%	–	30%	Environmental hazardous waste treatment services

The above associates are accounted for using the equity method in the consolidated financial statements.

(a) The shares of Zhenjiang New District are traded on the platform of New Over-The-Counter Market ("New OTC Market") in Mainland China, which is considered as a closed market by the Directors of Company and the quoted price of Zhenjiang New District on the New OTC Market does not reflect the open market price of its shares.

(b) NCIP is an unlisted/unquoted entity without quoted market price.

* *For identification purpose only*

20. INTERESTS IN ASSOCIATES (continued)

The following tables summarised the financial information relating to each of the Group's associates, at the end of the reporting period, as adjusted for the differences in accounting policies and financial reporting standards, if any, and as reconciled to the carrying amounts in the consolidated financial statements.

For the year ended 31 December 2017

	Zhenjiang New District HK$'000	NCIP HK$'000
Gross amounts of the associate's		
Current assets	44,107	41,439
Non-current assets	46,015	646,902
Current liabilities	(6,399)	(45,803)
Non-current liabilities	(17,039)	(97,488)
Total equity	66,684	545,050
Revenue	28,219	91,876
Profit for the year	13,847	25,206
Other comprehensive income		
– Exchange difference on translation of financial statements	4,565	39,176
Total comprehensive income	18,412	64,382
Dividend received from the associate	3,754	–
Reconciliation to the Group's interest in the associate		
Gross amount of net assets of the associate	66,684	545,050
Group's share of net assets of the associate	20,005	163,515
Carrying amount in the consolidated financial statements	20,005	163,515
Aggregate amounts of the Group's share of the associate's		
Profit for the year	4,154	7,562
Other comprehensive income		
– Exchange difference on translation of financial statements	1,369	11,753
Total comprehensive income	5,523	19,315

20. INTERESTS IN ASSOCIATES (continued)

For the year ended 31 December 2016

	Zhenjiang New District HK$'000
Gross amounts of the associate's	
Current assets	35,332
Non-current assets	48,395
Current liabilities	(6,852)
Non-current liabilities	(16,090)
Total equity	60,785
Revenue	28,440
Profit for the year	13,284
Other comprehensive income	
– Exchange difference on translation of financial statements	(3,699)
Total comprehensive income	9,585
Dividend received from the associate	–
Reconciliation to the Group's interest in the associate	
Gross amount of net assets of the associate	60,785
Group's share of net assets of the associate	18,236
Carrying amount in the consolidated financial statements	18,236
Aggregate amounts of the Group's share of the associate's	
Profit for the year	3,985
Other comprehensive income	
– Exchange difference on translation of financial statements	(1,109)
Total comprehensive income	2,876

21. LONG-TERM EQUITY INVESTMENTS

	Note	2017 HK$'000	2016 HK$'000
Unlisted equity investments at fair value	(a)	**80,000**	63,600

	2017 HK$'000	2016 HK$'000
At 1 January	**63,600**	76,700
Net fair value change transfer to equity through statement of other comprehensive income	**16,400**	(13,100)
At 31 December	**80,000**	63,600

As at 31 December 2017, the Group has interests in the following long-term equity investments:

Name of investee	Place of incorporation and operations	Form of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Suzhou New Huamei Plastics Co., Limited ("Suzhou New Huamei") (note (a))	PRC	Sino foreign joint equity enterprise	Registered US$16,000,000 and paid-up US$5,000,000	18.62%	–	18.62%	Plastic materials dyeing
Danyang New Huamei Plastics Co., Limited ("Danyang New Huamei") (notes (a), (b))	PRC	Sino foreign joint equity enterprise	Registered and paid-up US$1,600,000	24.50%	–	24.50%	Plastic materials dyeing
Qingdao Zhongxin Huamei Plastics Co., Limited ("Qingdao Huamei") (notes (a), (b))	PRC	Sino foreign joint equity enterprise	Registered and paid-up US$1,650,000	28.67%	–	28.67%	Plastic materials dyeing

21. LONG-TERM EQUITY INVESTMENTS (continued)

Notes:

(a) The unlisted long-term equity investments carried at fair value represent investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei, which are principally engaged in plastic materials dyeing manufacturing business in Mainland China. As at 31 December 2017, the fair value of these unlisted equity investments was determined by reference to the valuation carried out by DTZ (2016: DTZ), an independent firm of professional valuers, using a market approach model based on the EBIT multiple of enterprise value to earnings before interest and tax ("EV/EBIT") of comparable listed companies in the same industry, after having taken into account of the discount for lack of marketability of 16% (2016: 19%) for these unlisted investments. Details of fair value hierarchy for these investments are disclosed in Note 40 below.

	EBIT		**Dividend yield** (note (i))		**Fair value** (note (ii))	
	2017 HK$'000	2016 HK$'000	**2017**	2016	**2017 HK$'000**	2016 HK$'000
Suzhou New Huamei (note (iii))	**11,539**	3,763	**5.0%**	15.6%	**29,900**	12,300
Danyang New Huamei	**6,749**	8,071	**4.3%**	3.0%	**11,540**	16,700
Qingdao Huamei	**11,800**	10,116	**3.2%**	3.6%	**38,560**	34,600

Notes:

(i) Dividend yield represents the net dividend received (net of PRC dividend tax paid) from the unquoted equity investment during the reporting period in a ratio to the fair value of the unquoted equity investment of the Company at the end of that reporting period.

(ii) The fair value of each of the equity investments at the end of the reporting period was based on the independent and professional valuation performed by DTZ (2016: DTZ).

(iii) Suzhou New Huamei temporarily scaled down its operations for enhancement of its environmental protection facilities on production during the last year ended 31 December 2016, and has resumed its operations since November 2016.

(iv) In the opinion of the Directors of the Company, there was no impairment on each of the above unquoted investments at both reporting period ends and there was no impairment charge to the consolidated statement of profit or loss for both years.

(b) Qingdao Huamei and Danyang New Huamei were not regarded as associates of the Group, because the Group could not exercise significant influence over their financial and operating policies and accordingly, the investments in Qingdao Huamei and Danyang New Huamei are accounted for as long-term equity investments.

22. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**2,460**	1,476

The analysis of the amount of inventories recognised as an expense and included in profit or loss is presented as follows:

	2017 HK$'000	2016 HK$'000
Carrying amount of inventories consumed	**44,795**	34,944

23. TRADE AND BILLS RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**54,253**	35,673
Less: allowance for impairment of trade receivables	**–**	–
	54,253	35,673
Bills receivable	**14,922**	22,834
	69,175	58,507

(a) Ageing 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:

	2017 HK$'000	2016 HK$'000
0 to 30 days	**47,461**	33,301
31 days to 60 days	**11,562**	12,847
61 days to 90 days	**4,281**	5,872
91 days to 180 days	**5,191**	5,790
181 days to 360 days	**680**	697
Over 360 days	**–**	–
	69,175	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 the environmental industrial waste, sewage and sludge treatment services, and an extended average credit period of 180 days to the customers of regulated medical waste treatment which are hospitals and medical clinics.

(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. The movement in the allowance for doubtful debts during the year is as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**–**	–
Impairment loss recognised	**–**	–
Uncollectible amounts written off	**–**	–
At 31 December	**–**	–

23. 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 are neither individually nor collectively considered to be impaired is presented as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**59,023**	46,148
Less than 30 days past due	**4,281**	5,872
More than 30 days but less than 120 days past due	**5,191**	5,790
More than 120 days but less than 360 days past due	**680**	697
	69,175	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 related to a number of independent customers that have a good track record of settlement 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.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	**6,522**	9,047
Deposits paid for acquisition of property, plant and equipment	**3,715**	2,755
Refundable deposit paid for proposed acquisition *(note (a))*	**–**	5,000
Refundable deposit paid for proposed establishment of a joint venture *(note 35)*	**1,200**	–
Loan to an associate *(note (b))*	**3,800**	–
Other receivables	**19,263**	9,980
	34,500	26,782

Notes:

(a) On 30 November 2016, the Group entered into a non-binding memorandum of understanding with an independent third party with a payment of deposit amounted to HK$5,000,000 for the intention to acquire the entire interests in ECCL, which in turn holds 30% equity interests in NCIP (南京化學工業園天宇固體廢物處置有限公司), a company incorporated in the PRC and principally engaged in the collection, storage and disposal of industrial hazardous wastes in Jiangsu Province, the PRC. The details of the acquisition of the entire interests in ECCL, which holds 30% equity interests in NCIP, were set out in note 15(a) to the financial statements.

(b) On 7 April 2017, ECCL has made an unsecured temporary short-term loan of HK$3,800,000 to NCIP which bears interest at a rate of 5.335% per annum and is repayable on demand. The loan has been fully repaid by NCIP on 22 March 2018.

25. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**130,520**	134,292
Time deposits	**107,364**	46,903
	237,884	181,195
Less: Pledged bank deposits for short term banking borrowings	**–**	9,606
Cash and cash equivalents in the consolidated statement of cash flow	**237,884**	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 year ended 31 December 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 time deposits are placed with creditworthy banks with no recent history of default.

(b) Reconciliation of changes in financing activities:

	Pledged bank deposits for bank borrowings (note 26) HK$'000	Bank borrowings (note 26) HK$'000
At 1 January 2017	(9,606)	78,342
Changes from financing cash flows:		
Proceeds of new bank borrowings	–	190,994
Repayment of bank borrowings	–	(89,099)
Placement bank deposits for bank borrowings	(4,677)	–
Release of bank deposit for bank borrowings	14,283	–
Total changes from financing cash flows	9,606	101,895
Exchange adjustments	–	2,440
At 31 December 2017	**–**	**182,677**

26. BANK BORROWINGS

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

	2017 HK$'000	2016 HK$'000
Current liabilities		
Current portion of bank borrowings due for repayment within one year	**77,709**	54,711
Non-current portion of bank borrowings subject to immediate demand repayment clause	**59,968**	20,838
	137,677	75,549
Non-current liabilities		
Between 1 year and 2 years	**5,000**	2,793
Between 2 years and 5 years	**40,000**	–
Over 5 years	**–**	–
	45,000	2,793
Total interest-bearing bank borrowings	**182,677**	78,342

26. BANK BORROWINGS (continued)

	2017 HK$'000	2016 HK$'000
– Unsecured	**154,237**	45,502
– Secured	**28,440**	32,840
	182,677	78,342

At the end of the reporting period, the maturity dates of the bank borrowings of the Group were as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**77,709**	54,711
After one but within two years	**32,969**	19,457
After two but within five years	**71,999**	4,174
Over five years	**–**	–
	182,677	78,342

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollar	**116,263**	45,502
Renminbi	**66,414**	32,840
	182,677	78,342

Notes:

(a) Certain banking facilities are subject to the fulfillment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's banking facility agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 41 to the financial statements.

As at 31 December 2017, none of covenants relating to the drawn down facilities had been breached (2016: Nil). All of the bank borrowings, including amounts repayable on demand, are carried at amortised cost. None of the portion of bank borrowings due for repayment after one year which contains a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

26. BANK BORROWINGS (continued)

Notes: (continued)

(b) As at 31 December 2017, unsecured bank loan of HK$50,000,000 payable by the Company under a banking facility letter granted by a bank on 12 December 2017 which had specific performance covenants, pursuant to which, if Mr. XI Yu as the controlling shareholder of Company (i) ceases to be directly or indirectly the single largest shareholder of the Company; (ii) ceases to own directly or indirectly at least 30% of the issued shares with voting rights of the Company; or (iii) ceases to have the management control over the Company, the Bank may cancel all or any part of the facility and declare all or any part of the outstanding facility, together with accrued interest, and all other amounts accrued under the banking facility letter immediately due and payable, whereupon all or part of the facility shall be immediately cancelled and all such outstanding amounts shall become immediately due and payable.

As at 31 December 2017, Mr. XI Yu, through his direct beneficial interests in 83.66% of the issued share capital of New Universe Enterprises Limited, indirectly owns approximately 35.31% of the total issued share capital of the Company.

(c) As at 31 December 2017, total unsecured bank loans of approximately HK$116,263,000 (2016: HK$45,502,000) payable by the Company bore interest at variable rates ranging from 2.60% to 4.01% per annum in current year (2016: 2.02% to 3.60% per annum).

(d) As at 31 December 2017, total unsecured bank loans of approximately HK$37,974,000 (2016: Nil) owed by the subsidiaries, Yancheng NUHF and Xiangshui New Universe, bore interest at the fixed rate of 5% per annum in current year.

(e) As at 31 December 2017, total secured bank loans of approximately HK$28,440,000 (2016: HK$32,840,000) owed by the subsidiary, Yancheng NUHF were secured by pledge of land use rights and certain property, plant and equipment with an aggregate carrying amount of approximately HK$6,351,000 (2016: HK$5,749,000) and HK$26,310,000 (2016: HK$26,041,000) respectively. The bank loans bore interest at various fixed rates ranging from 4.8% to 6.9% per annum in current year (2016: 4.8% to 6.9% per annum).

27. TRADE AND BILLS PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**6,226**	4,080
Bills payable	**–**	9,606
	6,226	13,686

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

	2017 HK$'000	2016 HK$'000
0 to 30 days	**5,223**	3,754
31 days to 60 days	**213**	67
61 days to 90 days	**372**	9
Over 91 days	**418**	250
	6,226	4,080

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

28. ACCRUED LIABILITIES AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Salaries and bonuses payable	**21,540**	15,426
Accounts payable for acquisition of property, plant and equipment	**97,743**	35,260
Other payables and accruals	**77,684**	57,001
	196,967	107,687

29. DEFERRED GOVERNMENT GRANTS

Government grants were obtained by the subsidiaries, Zhenjiang New Universe and Zhenjiang Sinotech to subsidise the construction of their respective environmental energy saving facility and controlling facility of sewage discharge in the eco-plating specialised zone. The grants are recognised as other revenue over the estimated useful lives of the plant facilities.

	HK$'000
Receipt of grants	
At 1 January 2016	8,815
Exchange adjustments	(608)
Receipt for the year	404
At 31 December 2016 and at 1 January 2017	8,611
Exchange adjustments	655
Receipt for the year	436
At 31 December 2017	**9,702**
Release of grants	
At 1 January 2016	4,578
Exchange adjustments	(340)
Release for the year	467
At 31 December 2016 and at 1 January 2017	4,705
Exchange adjustments	367
Release for the year	489
At 31 December 2017	**5,561**
Carrying amount	
At 31 December 2017	**4,141**
At 31 December 2016	3,906

29. DEFERRED GOVERNMENT GRANTS (continued)

Analysed for reporting purpose as:

	2017 HK$'000	2016 HK$'000
Current liabilities	**504**	452
Non-current liabilities	**3,637**	3,454
	4,141	3,906

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position:

	2017 HK$'000	2016 HK$'000
Provision of PRC Enterprise Income Tax for current year	**14,776**	8,814
Provision of PRC Enterprise Income Tax for prior years	**2,201**	1,965
Exchange adjustments	**303**	(383)
Net income tax paid	**(11,206)**	(7,933)
	6,074	2,463

(b) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustment on long-term equity investments HK$'000	**Fair value adjustment of assets on business combination** HK$'000	**Undistributed profits of PRC subsidiaries** HK$'000	**Total** HK$'000
At 1 January 2016	1,370	19,888	3,899	25,157
Charge to other comprehensive income	(1,310)	–	–	(1,310)
(Credit)/charge to profit or loss	–	(513)	2,739	2,226
At 31 December 2016 and 1 January 2017	60	19,375	6,638	26,073
Charge to other comprehensive income	1,640	–	–	1,640
Charge to profit or loss	–	270	2,365	2,635
At 31 December 2017	**1,700**	**19,645**	**9,003**	**30,348**

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax assets not recognised:

At the end of the reporting period, certain entities of the Group have unused tax losses amounted to approximately HK$54,875,000 (2016: HK$50,036,000) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams of the relevant group entities. The unused tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised:

At 31 December 2017 and 2016 there was no significant unrecognised deferred tax liability.

31. OTHER BORROWING

As at 31 December 2017, other borrowing of HK$25,000,000 (2016: HK$25,000,000) from an independent third party is unsecured, bearing interest at the fixed rate of 4.0% (2016: 4.0%) per annum and repayable on 31 December 2019 (2016: repayable on 31 December 2018).

32. SHARE CAPITAL

		Number of shares		Share capital	
		2017	2016	**2017**	2016
	Note	**'000**	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.01 each					
Authorised					
At 1 January and 31 December		**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid					
At 1 January		**2,955,697**	2,955,697	**29,557**	29,557
Issue of new shares as part of the consideration	(a)	**80,000**	–	**800**	–
At 31 December		**3,035,697**	2,955,697	**30,357**	29,557

Notes:

(a) Issue of consideration shares
On 21 April 2017, as disclosed in note 15(a), the Company allotted and issued 80,000,000 new ordinary shares of HK$0.01 each of the Company to the vendor, upon the completion of a business combination, as part of the total consideration payable by the Company pursuant to the SPA dated 31 March 2017. The aggregate nominal value of the 80,000,000 consideration shares at a par value of HK$0.01 per share was HK$800,000. The 80,000,000 consideration shares were stipulated in the SPA with the price at HK$0.80 per share and at an aggregate price of HK$64,000,000. The fair value of these 80,000,000 consideration shares issued by the Company was HK$56,800,000 at HK$0.71 per share which was the closing price of the Company's shares on 21 April 2017.

(b) As at 31 December 2017, the holders of ordinary shares are entitled to receive dividend to be declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

33. RESERVES

(a) The Group

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

(b) The Company

	Share premium HK$'000 (note (c)(i))	Retained profits HK$'000 (note (c)(vi))	Total HK$'000
At 1 January 2016	400,465	88,325	488,790
Profit for the year	–	21,477	21,477
Dividend relating to 2015	–	(14,778)	(14,778)
At 31 December 2016 and at 1 January 2017	400,465	95,024	495,489
Profit for the year	–	35,549	35,549
Issue of consideration shares	56,000	–	56,000
Dividend relating to 2016	–	(18,214)	(18,214)
At 31 December 2017	**456,465**	**112,359**	**568,824**

(c) Nature and purpose of reserves and their movements

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The balance of share premium is distributable and for such use as permissible under the laws of Cayman Islands and the articles of association of the Company.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations. The reserve is dealt with in accordance with the accounting policies of translation of foreign currencies. The balance of this general reserve is distributable and available for such use as permissible under the laws of Cayman Islands and the articles of association of the Company. The reserve is dealt with in accordance with the accounting policies set in note 2(w) to the financial statements.

33. RESERVES (continued)

(c) Nature and purpose of reserves and their movements (continued)

(iii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of long-term equity investments at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(h) and 2(l)(i) to the financial statements.

(iv) Capital reserve

On 17 February 2011, the Group's effective interest in NSIL was increased from 38% to 98%, and NSIL Group became 98% indirectly owned subsidiaries of the Company, and the excess of fair value of net assets acquired over cost of acquisition of 98% equity interests in NSIL Group of HK$4,185,000 (after deduction of acquisition related costs) was recognised as deemed contribution from the transferors, New Universe Enterprises Limited and another party, in their capacity as shareholders of the Company and fully credited as capital reserve in the equity of the Group.

On 7 October 2015, the Group's effective interest in NSIL was increased from 98% to 100%, and the excess of carrying value of net assets acquired over cost of acquisition of the remaining 2% equity interests in NSIL Group of HK$378,000 (after deduction of acquisition related costs) was recognised as deemed contribution from the transferor in his capacity as shareholder of the Company and fully credited as capital reserve in the equity of the Group.

(v) Statutory reserve

In accordance with the relevant regulations in the PRC, the Company's subsidiaries established in the PRC are required to transfer a certain percentage of its profits after tax to reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiary's articles of association, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

(vi) Distributability of reserves

At 31 December 2017, the Company had reserves available for distribution to its owners in the amount of HK$568,824,000 (2016: HK$495,489,000).

34. OPERATING LEASES COMMITMENTS

The Group as lessee

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

	2017 HK$'000	2016 HK$'000
Office premises	**632**	422
Plant premises	**–**	536
Landfill	**–**	–
	632	958

As at 31 December 2017, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within 1 year	**632**	958
After 1 year but within 5 years	**–**	–
After 5 years	**–**	–
	632	958

The Group as lessor

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

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

	2017 HK$'000	2016 HK$'000
Within 1 year	**42,701**	43,974
After 1 year but within 5 years	**155,831**	164,440
After 5 years	**110,080**	140,933
	308,612	349,347

35. CAPITAL COMMITMENTS

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

	2017 HK$'000	2016 HK$'000
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	**80,330**	79,707
– Capital contribution payable to a joint venture (note below)	**54,600**	–

On 17 November 2017, the Group and an independent third party entered into a framework agreement, pursuant to which, the Group paid a refundable deposit of HK$1,200,000 and a joint venture company was registered on 26 December 2017 with a registered capital of RMB70,000,000 of which the Group shall contribute RMB45,500,000 for its 65% share of the equity interest in this joint venture. Based on the terms of the joint venture agreement made between the Group and the other joint venture partner, the Group and the other joint venture partner of the joint venture company shall share jointly the control of the joint venture company and accordingly the Group's interest in the joint venture company which shall be accounted for using equity method. At 31 December 2017, the capital contribution to the joint venture company has not yet been made by the Group.

36. PLEDGE OF ASSETS AND AVAILABLE UNUSED CREDIT FACILITIES

(a) Pledge of assets

At 31 December 2017, the following assets were pledged as collaterals for banking facilities granted to the Group by certain banks.

	2017 HK$'000	2016 HK$'000
Pledged bank deposits	**–**	9,606
Property, plant and equipment	**51,762**	51,232
Prepaid lease payments for land use rights	**15,839**	15,435
	67,601	76,273

(b) Unused credit facilities

At 31 December 2017, the total banking facilities of the Group amounted to HK$265,403,000 (2016: HK$150,743,000), which were utilised to the extent of unsecured bank loans of HK$154,237,000 (2016: HK$45,502,000) and secured bank loans of HK$28,440,000 (2016: HK$32,840,000) and the available unutilised banking facilities amounted to HK$82,726,000 (2016: HK$72,401,000).

37. SHARE OPTION SCHEME AND EMPLOYEE RETIREMENT BENEFITS

(a) Share option scheme

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

As at 31 December 2017, no option was granted or was outstanding under the Share Option Scheme.

(b) Employee retirement benefits

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution benefit schemes (the "Schemes") organised by the relevant local government authorities in Jiangsu Province, whereby the Group is required to make contributions to the Schemes at certain percentage of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligation payable to the retired employees.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2016: HK$30,000). Contributions to the plan vest immediately. The Group has no other material obligation for the payment of pension benefits associated with the MPF Scheme beyond the annual contributions described above.

38. RELATED PARTY TRANSACTIONS

(a) List of related parties

For the years ended 31 December 2017 and 2016, the Directors are of the view that the following entities and persons are related parties to the Group:

Name of the related party	**Relationship**
New Universe Enterprises Limited ("NUEL")	A shareholder interested in 35.31% (2016: 36.26%) 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% (2016: 27.07%) of the issued share capital of the Company.
Sun Ngai International Investment Limited ("Sun Ngai")	100% owned subsidiary of New Universe Holdings Limited ("NUHL"), and the Company's Director, Mr. XI Yu and Ms. CHEUNG Siu Ling are the directors of Sun Ngai and NUHL.
Mr. XI Yu	A shareholder of NUEL who is interested in 83.66% of the issue share capital of NUEL. On 6 April 2016, Mr. XI Yu was appointed director of NUEL, NUHL and Sun Ngai.
Zhenjiang New District *(note 20)*	An associate of the Group, of which the Company holds 24.6% effective equity interest.

(b) Transactions with related parties

	Note	**2017 HK$'000**	2016 HK$'000
Recurring transactions			
Rental expenses			
– Sun Ngai	(i)	**750**	600
Consultancy fees			
– Mr. XI Yu	(ii)	**–**	36
Charges on hazardous waste landfill disposal			
– Zhenjiang New District	(iii)	**10,895**	9,000

38. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

Notes:

(i) Rental expenses were charged by Sun Ngai for leasing office premises of the Group in Hong Kong. The leases runs for a period of one year and the monthly rent was determined in commensurate with the market rate.

(ii) The Company has appointed Mr. XI Yu as a consultant to the Group during the period from 22 August 2014 to 31 March 2016.

(iii) The charges on hazardous waste landfill disposal paid by two subsidiaries in PRC of the Group to Zhenjiang New District was made according to the contracted prices and conditions and subject to the compliance with the relevant administrative requirements promulgated by the National Pricing Bureau in PRC.

The Directors of the Company are of the opinion that the above related parties transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business of the Group.

(c) 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 support new establishment and merger and acquisition of appropriate environmental project(s) of the Company. Within an availability of period till 30 December 2017, loan(s) to be drawn down under the standby facility shall bear interest at a rate not exceeding the stand and interest rate for 5-year-term-loan as promulgated 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. The standby loan facility was lapsed on 30 December 2017 without any drawdown nor any loan being made during the availability of period.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group and the Company, including amounts paid to the Directors of the Company as disclosed in note 10 and certain of the highest paid individual as disclosed in note 11 to the financial statements, is presented as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other benefits	**10,822**	9,936
Retirement scheme contributions	**100**	119
Discretionary bonuses	**5,969**	5,446
	16,891	15,501

39. FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments include loans and receivables, long-term equity investments, and liabilities measured at amortised cost. The carrying amount of each category of the Group's financial assets and liabilities recognised at 31 December 2017 and 2016 are as follows.

The carrying amounts of the financial assets and liabilities by category as at the end of the reporting period are as follows:

		2017 HK$'000	2016 HK$'000
(i)	Financial assets		
	Loans and receivables		
	Trade and bills receivables	**69,175**	58,507
	Temporary loan to an associate	**3,800**	–
	Refundable deposits and other receivables	**20,463**	14,980
	Pledged bank deposits	**–**	9,606
	Cash and cash equivalents	**237,884**	171,589
	Available-for-sale financial assets		
	Long-term equity investments	**80,000**	63,600
	Total financial assets	**411,322**	318,282
(ii)	Financial liabilities		
	Financial liabilities at amortised cost		
	Bank borrowings	**182,677**	78,342
	Other borrowings	**25,000**	25,000
	Trade and bills payables	**6,226**	13,686
	Financial liabilities included in accrued liabilities and other payables	**196,967**	107,687
	Deposits received from customers	**5,117**	9,060
	Consideration payable for acquisition of subsidiaries	**84,800**	–
	Total financial liabilities	**500,787**	233,775

Details of the financial instruments are disclosed in the respective notes to the financial statements.

40. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonable approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Long-term equity investments *(note 21)*	**80,000**	63,600	**80,000**	63,600

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in accrued liabilities and other payables, deposits received from customers, amounts due from/to subsidiaries approximately to their carrying amounts largely due to the short term maturity of these instruments. The Directors consider the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The carrying amount of financial assets and financial liabilities at amortised cost of the Group is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable markets transactions.

The fair values of non-current portion of interest-bearing bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for the instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings and other borrowings as at 31 December 2017 was assessed to be insignificant.

The fair values of unlisted long-term equity investment have been estimated based on assumption that are not supported by observable market prices or rates. The valuation requires the Directors to make estimates using the enterprise value to earnings before interest and tax ratio of comparable listed companies adjusted for lack of marketability discount. The Directors believe that the estimated fair value resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable and they were appropriate values at the end of the reporting period.

40. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

Apart from the zero fair value for the negative contingent consideration under the profit guarantee clause of the SPA (which is classified as Level 3 fair value measurement), as referred to note 15(a), the following table presents the fair value of the Group's financial instruments that are measured at fair value at the end of the reporting period on recurring basis, which categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market date are available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	2017				2016			
	Fair value at 31 December 2017 HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	Fair value at 31 December 2016 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Long-term equity investments *(note 21)*	**80,000**	**–**	**–**	**80,000**	63,600	–	–	63,600

During the year ended 31 December 2017, there were no transfers between level 1 and Level 2, or transfer into or out of Level 3 (2016: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements:

	Valuation techniques	**Significant unobservable inputs**	**Key data applied**	
			2017	2016
Unlisted long-term equity investments	Market comparable companies	Discount for lack of marketability	**16%**	19%
		EV/EBIT	**12.7%**	14.7%

The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2017, it was estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by HK$4,800,000 (2016: HK$4,000,000).

40. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

The movements during the year in the balance of Level 3 fair value measurements are follows:

	2017 HK$'000	2016 HK$'000
Unlisted long-term equity investments:		
At 1 January	**63,600**	76,700
Net unrealised decrease in fair value recognised in other comprehensive income	**16,400**	(13,100)
At 31 December	**80,000**	63,600

41. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise bank loans and other interest-bearing loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from the Group's operations.

The Group's activities expose it to risks associated with the financial instruments include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management of the Company and its subsidiaries coordinates with the board of Directors at its headquarter in Hong Kong that monitors and manages the risk exposures and provides written policies to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not actively engage in the trading of financial instruments for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are summarised below.

Foreign currency risk

The Group adopted Hong Kong dollars (HK$) as the currency for presentation purposes. The functional currencies of the Company and its PRC subsidiaries are HK$ and RMB respectively.

Some of the trading transactions of the Group were denominated in United States dollar (US$). The Group's exposure to currency risk arises from financial instruments that are monetary items or from financial instruments denominated not in the functional currencies of the respective entities within the Group, which are HK$ and RMB. For the years ended 31 December 2017 and 2016, no sales of the Group were denominated in foreign currencies other than the functional currencies of the Group.

41. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Foreign currency risk (continued)

At the end of the reporting period, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities translated into Hong Kong dollars at the closing rate are as follows:

	2017 US$'000	2016 US$'000
Monetary financial assets		
Other receivables	**10**	10
Cash and cash equivalents	**704**	454
	714	464
Monetary financial liabilities	**–**	–
Current net exposure	**714**	464

Sensitivity analysis of currency risk

The management considered that the currency risk to be low as the exchange rates of US$ relative to HK$ or RMB were not significant for both 2017 and 2016. Therefore, no hedging or similar measures have been implemented by the Group. At 31 December 2017 and 2016, the impact of the Group's exposure to currency risk was minimal. Accordingly, no sensitivity analysis was presented.

Interest rate risk

The Group is exposed to the risk of changes in market interest rate in relation to bank borrowings at fixed and variable interest rates (note 26 to the financial statements for details of these borrowings) and bank balances (note 25 to the financial statements for details of these deposits) and fair value interest rate risk in relation to the other borrowing at fixed rate (note 31 to the financial statements). It is the Group's policy to manage its interest costs using a mix of fixed and variable rate debts, and to minimise fair value interest rate risk in relation to borrowings. At 31 December 2017, approximately 44.0% (2016: 56.0%) of the Group's bank borrowings and other borrowing, bore interest at fixed rates. The Group has no significant interest-bearing assets apart from bank balances with their interest rate profile disclosed in note 25 to the financial statements. The interest rate profiles of the bank borrowings and other borrowings are disclosed in notes 26 and 31 to the financial statements respectively.

Sensitivity analysis of interest rate risk

The following table details the Group's sensitivity to a reasonably possible change of interest rates, with all other variables held constant, for 100 basis points ("bp", whereas 1 bp is equivalent to 0.01%) increase and decrease in interest rate as the sensitivity rate, assuming that the financial instruments outstanding at the end of the reporting period had been outstanding for the whole year. A positive number below indicates an increase in post-tax profit and total equity where interest rates generally decreased by 100 bp. For an increase in 100 bp, there would be an equal and opposite impact on the profit and total equity and the balances below would be negative.

41. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Sensitivity analysis of interest rate risk (continued)

	+ 100 bp impact		– 100 bp impact	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
(Decrease)/increase in profit after tax	**(1,827)**	(783)	**1,827**	783
(Decrease)/increase in total equity	**(1,827)**	(783)	**1,827**	783

The sensitivity to interest rates of the Group has increased during the current year mainly due to the increase in variable rate borrowings. The analysis has been presented on the same basis for both years.

Other price risk

The Group is exposed to equity price risk on its equity investments which being classified as long-term equity investments as set out in note 21 to the financial statements.

The Group's long-term equity investments are unlisted equity investments held for long-term strategic purpose, which are confined to equity investments with key operations in plastic materials dyeing industry section in the Mainland China, and have risk and return profiles different from the core operations of the Group. Their performance has been monitored by delegates of the Directors of the board of the Company, and is assessed by independent professional valuer at least semi-annually by referring to the performance of other listed entities with similar business operations, comparing with the financial data of those investments available to the Group, and adjusted for the marketability of the Group's investments relative to the benchmark data available in the market.

Sensitivity analysis of other price risk

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date. The following table illustrates the sensitivity if the prices of the respective equity investments had been 5% (2016: 5%) higher/lower, as a result of the changes in the multiple of enterprise value to earnings before interest and tax of comparable listed companies in the same industry, at the reporting date. A positive number below indicates an increase in post-tax profit and/or total equity, if any, where price of the equity investments increased by 5%. For a decrease in 5%, there would be an opposite impact on the profit and/or total equity and the balances below would be negative.

	+ 5% impact		– 5% impact	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Increase/(decrease) in profit after tax	**–**	–	**–**	–
Increase/(decrease) in total equity	**3,600**	2,862	**(3,600)**	(2,862)

The Group's sensitivity to long-term equity investments has applied the same basis for both years.

41. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. As at 31 December 2017, the Group's exposure to credit risk which will cause financial loss to the Group if failure to discharge an obligation by the counterparties is arising from the carrying amount the respective financial assets included in the consolidated statement of financial position as summarised below by key geographical locations:

	By geographical locations					
	Mainland China		Other countries (including Hong Kong)		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Classes of financial assets						
Trade and bills receivables	**69,175**	58,507	**–**	–	**69,175**	58,507
Temporary loan to an associate	**–**	–	**3,800**	–	**3,800**	–
Refundable deposits and other receivables	**20,463**	9,980	**–**	5,000	**20,463**	14,980
Pledged bank deposits	**–**	9,606	**–**	–	**–**	9,606
Cash and cash equivalents	**175,450**	132,405	**62,434**	39,184	**237,884**	171,589
	265,088	210,498	**66,234**	44,184	**331,322**	254,682

All receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The management of the Company and all its subsidiaries continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used.

The Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Group's financial assets is secured by collateral or other credit enhancements.

The credit risk on cash and cash equivalents is limited because the counter parties are reputable banks with high quality external credit ratings.

The Group's concentration of credit risk by geographical locations is mainly in the Mainland China, which accounted for 95.9% (2016: 93.2%) of the total receivables (being the total classified under "Trade and bills receivables", "Temporary loan to an associate" and "Refundable deposits and other receivables") as at 31 December 2017.

As at 31 December 2017, the Group had certain concentration of credit risk as 10.5% (2016: 13.6%) and 20.4% (2016: 33.8%) of the Group's trade receivables classified under "Trade and bills receivables" were due from the Group's largest customer and the five largest customers, respectively.

41. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk

The Group manages its liquidity through maintaining a balance between continuity of funding and flexibility through the use of bank borrowings, banking facilities, and other interest-bearing borrowings. In management of the liquidity risk, the Group maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group regularly monitors its liquidity requirements and its compliance of financial covenants, and ensures sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms. As at 31 December 2017, the Group did not have any available secured banking facilities not yet drawn down (2016: available HK$48,701,000) and the unsecured banking facilities not yet drawn down by the Group were approximately HK$82,726,000 (2016: HK$23,700,000).

Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly. Funding for long-term liquidity needs will be considered when there is any potential investment identified. For term loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the following table shows the cash outflow based on the contractual repayment schedule and, separately, the impact of the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The following table details the remaining contractual maturities at the end of the reporting period for the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	As at 31 December 2017						
	Carrying amount HK$'000	Total undiscounted cash flows HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000
Financial liabilities							
Bank borrowings							
– at variable rates	116,263	122,113	5,141	7,800	58,322	50,850	–
– at fixed rates	66,414	66,414	–	4,157	62,257	–	–
Other borrowing							
– at fixed rate	25,000	27,000	–	–	–	27,000	–
Consideration payable for acquisition of subsidiaries	84,800	86,288	–	–	35,200	51,088	–
Trade and bills payables	6,226	6,226	418	585	5,223	–	–
Accrued liabilities and other payables	196,967	196,967	83,669	2,512	110,786	–	–
Deposits received from customers	5,117	5,117	5,117	–	–	–	–
	500,787	510,125	94,345	15,054	271,788	128,938	–

41. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

	As at 31 December 2016						
	Carrying amount HK$'000	Total undiscounted cash flows HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000
Financial liabilities							
Bank borrowings							
– at variable rates	45,502	45,502	4,166	–	41,336	–	–
– at fixed rates	32,840	33,066	–	2,234	27,813	3,019	–
Other borrowing							
– at fixed rate	25,000	27,000	–	–	–	27,000	–
Trade and bills payables	13,686	13,686	250	9,682	3,754	–	–
Accrued liabilities and other payables	107,687	107,687	67,839	1,753	38,095	–	–
Deposits received from customers	9,060	9,060	9,060	–	–	–	–
	233,775	236,001	81,315	13,669	110,998	30,019	–

The undiscounted cash flows of the other borrowings and the current portions of bank borrowings, trade payables, accruals, other payables, and deposits received are approximate to their carrying amount, as the impact of discounting is not significant.

Capital management

The Group's capital management objectives are:

(i) to safeguard the Group's ability to continue as a going concern;

(ii) to provide returns for shareholders and benefits for other stakeholders;

(iii) to maintain an optimal capital structure to reduce the cost of capital;

(iv) to support the Group's sustainable growth; and

(v) to provide capital for the purpose of potential mergers and acquisitions.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain and adjust the capital structure, the Group will adjust the dividend payment to shareholders, issue new shares, buy back its shares, issue new debts or redeem existing debts.

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Capital management (continued)

There was no change in the objectives, policies or process for managing the capital during the years ended 31 December 2017 and 2016.

The Group monitors its capital using gearing ratio. The Group expects to maintain its gearing ratio at less than 50%. The gearing ratios as at 31 December 2017 and 2016 were as follows:

	2017 **HK$'000**	2016 HK$'000
Current liabilities		
Bank borrowings	**137,677**	75,549
Trade and bills payables	**6,226**	13,686
Accrued liabilities and other payables	**196,967**	107,687
Deposits received from customers	**5,117**	9,060
Consideration payable for acquisition of subsidiaries	**35,200**	–
	381,187	205,982
Non-current liabilities		
Bank borrowings	**45,000**	2,793
Other borrowing	**25,000**	25,000
Consideration payable for acquisition of subsidiaries	**49,600**	–
	119,600	27,793
Total liabilities (excluding government grants and taxes)	**500,787**	233,775
Less: Cash and cash equivalents	**237,884**	171,589
Net debt	**262,903**	62,186
Total equity	**997,567**	769,489
Total equity and net debt	**1,260,470**	831,675
Gearing ratio	**20.9%**	7.5%

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Interests in subsidiaries		**635,005**	526,196
Current assets			
Amount due from subsidiaries		**47,800**	35,845
Prepayments		**437**	811
Pledged bank deposits		**–**	–
Cash and cash equivalents		**58,016**	33,322
		106,253	69,978
Current liabilities			
Bank borrowings		**71,263**	45,502
Accrued liabilities and other payables		**814**	626
		72,077	46,128
Net current assets		**34,176**	23,850
Total assets		**741,258**	576,174
Total assets less current liabilities		**669,181**	550,046
Non-current liabilities			
Bank borrowing		**45,000**	–
Other borrowing		**25,000**	25,000
		70,000	25,000
Net assets		**599,181**	525,046
Capital and reserves			
Share capital	32	**30,357**	29,557
Reserves	33	**568,824**	495,489
Total equity		**599,181**	525,046

XI Yu
Chairman

SONG Yu Qing
Chief Executive Officer

43. ENVIRONMENTAL CONTINGENCIES

For the year ended 31 December 2017, the Group's subsidiaries have provided regulated medical waste treatment and disposal services to hospitals and medical clinics, and provided hazardous industrial waste treatment services and industrial sewage treatment and disposal services in Jiangsu Province. The related operations require valid operating permission licences for specific categories of hazardous waste and/or regulated medical waste and industrial sewage treatment services issued by the Environmental Protection Bureau or Department of the Jiangsu Province, PRC. To the best knowledge of the Company's Directors, each of the Group's subsidiaries which carries out treatment operations for hazardous industrial waste treatment and/or regulated medical waste and industrial sewage treatment services has complied with the relevant regulations to ensure continuous renewal of the licences concerned with best efforts, or otherwise, the subsidiary would cease its operations temporarily until the relevant licence(s) is being issued.

For the year ended 31 December 2017 and up to the date of this report, the Group's subsidiaries in the PRC have not incurred significant expenditures for environmental remediation and have not currently involved in any significant environmental remediation. In addition, the Company and the Group's subsidiaries in the PRC have not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, the management believes that there are no probable liabilities that will have a material adverse effect to the financial position or operating results of the Group.

44. EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors of the Company proposed a final dividend. Further details are disclosed in note 13 to financial statements.

45. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2017, and which have not been adopted in these financial statements. The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments [1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments [1]
HKFRS 16	Leases [2]
HKFRS 17	Insurance Contracts [4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration [1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments [2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle [1]
Amendments to HKAS 28	Long term Interests in Associates and Joint Venture [2]
Amendments to HKAS 40	Transfers of Investment Property [1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle* [2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs and Interpretations mentioned below which may be relevant to the Group, the Directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

45. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other financial assets are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as long-term equity investments will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. At 31 December 2017, the cumulative investment revaluation reserve of the long-term equity investments (note 21) amounted to approximately HK$16,300,000, which could be recycled to profit or loss when derecognised under HKAS 39 for accounting periods prior to 1 January 2018, can no longer be recycled to profit or loss under HKFRS 9, upon de-recognition of these long-term investments, for accounting periods commencing from 1 January 2018.

Impairment

In general, the Directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that are subject to the impairment provision upon application of HKFRS 9 by the Group. However, the Directors of the Company do not anticipate that the application of the expected credit loss model of HKFRS 9 will have material impact on the operating retained profits balance at 1 January 2018.

45. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarification to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

45. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 16 Leases

As disclosed in note 2(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the leasee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, leasees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease. As disclosed in note 34, at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$632,000 (2016: HK$958,000), the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors of the Company on 23 March 2018.