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New Universe Environmental Group Limited

新宇環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 436)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS	2021	2020
	HK\$'000	HK\$'000
Total revenue	727,167	789,341
Total EBITDA	151,348	209,958
Profit attributable to shareholders	40,419	74,576
Basic earnings per share (<i>in HK cents</i>)	1.33	2.46
Final dividend per share (<i>in HK cents</i>)	0.39	0.72
Equity attributable to shareholders at 31 December	1,052,779	1,034,427
Cash and cash equivalents at 31 December	302,074	257,523

ANNUAL RESULTS 2021

The board (the “**Board**”) of directors (the “**Directors**”) of New Universe Environmental Group Limited (the “**Company**”) hereby announces the audited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Note</i>	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Revenue	3(a)	727,167	789,341
Cost of sales	7	<u>(535,502)</u>	<u>(569,558)</u>
Gross profit		191,665	219,783
Other revenue	4	4,637	4,107
Other net income	5	7,407	13,443
Distribution costs		(23,916)	(6,971)
Administrative expenses		(59,718)	(56,433)
Impairment loss on trade receivables – net	11(b)	(28,685)	(9,526)
Impairment loss on assets classified as held for sale		–	(12,636)
Other operating expenses	7	<u>(17,826)</u>	<u>(24,525)</u>
Operating profit		73,564	127,242
Finance income	6	4,140	402
Finance costs	6	<u>(6,521)</u>	<u>(9,564)</u>
Finance costs – net	6	(2,381)	(9,162)
Share of results of associates		(6,389)	10,302
Share of results of a joint venture		<u>(4,440)</u>	<u>(1,835)</u>
Profit before taxation	7	60,354	126,547
Income tax	8	<u>(7,436)</u>	<u>(24,501)</u>
Profit for the year		<u>52,918</u>	<u>102,046</u>
Attributable to:			
Owners of the Company		40,419	74,576
Non-controlling interests		<u>12,499</u>	<u>27,470</u>
		<u>52,918</u>	<u>102,046</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic		<u>1.33</u>	<u>2.46</u>
Diluted		<u>1.33</u>	<u>2.46</u>

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

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	<u>52,918</u>	<u>102,046</u>
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences		
– on translation of financial statements of overseas subsidiaries	30,186	46,765
– on translation of financial statements of overseas associates	5,938	9,423
– on translation of financial statements of an overseas joint venture	1,759	2,592
– release of translation reserve upon disposal of an overseas subsidiary	–	(982)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value changes on equity investments at fair value through other comprehensive income (non-recycling)	(37,300)	20,800
Deferred tax effect relating to changes in fair value of equity investments	3,410	(2,860)
Other comprehensive income for the year, net of income tax	<u>3,993</u>	<u>75,738</u>
Total comprehensive income for the year	<u>56,911</u>	<u>177,784</u>
Attributable to:		
Owners of the Company	39,904	143,548
Non-controlling interests	17,007	34,236
	<u>56,911</u>	<u>177,784</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		755,547	789,633
Right-of-use assets		111,053	129,640
Goodwill		33,000	33,000
Interests in associates		175,835	180,175
Interest in a joint venture		51,990	47,400
Equity investments at fair value through other comprehensive income		80,800	118,100
Deferred tax assets		10,154	–
		1,218,379	1,297,948
Current assets			
Inventories		6,718	6,062
Trade and bills receivables	11	150,022	129,438
Prepayments, deposits and other receivables		36,456	25,176
Contract assets		22,591	1,534
Pledged bank deposits		8,191	12,511
Cash and cash equivalents		302,074	257,523
		526,052	432,244
Assets of a disposal group classified as held for sale and assets classified as held for sale		39,580	15,411
		565,632	447,655
Current liabilities			
Bank borrowings	12	198,970	178,905
Other borrowing		–	25,000
Trade and bills payables	13	78,607	66,315
Accrued liabilities and other payables		228,986	226,539
Lease liabilities		750	117
Contract liabilities		38,507	25,011
Deferred government grants		2,057	1,106
Income tax payable		6,094	6,251
		553,971	529,244
Net current assets/(liabilities)		11,661	(81,589)
Total assets		1,784,011	1,745,603
Total assets less current liabilities		1,230,040	1,216,359

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Bank borrowings	12	–	10,130
Lease liabilities		720	30
Deferred government grants		13,431	5,327
Deferred tax liabilities		33,079	37,535
		<u>47,230</u>	<u>53,022</u>
Total liabilities		<u>601,201</u>	<u>582,266</u>
Net assets		<u>1,182,810</u>	<u>1,163,337</u>
Capital and reserves			
Share capital	14	30,357	30,357
Reserves		1,022,422	1,004,070
Equity attributable to owners of the Company		1,052,779	1,034,427
Non-controlling interests		130,031	128,910
Total equity		<u>1,182,810</u>	<u>1,163,337</u>

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

- (a) New Universe Environmental Group Limited was incorporated on 12 November 1999 as an exempt company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Rooms 2110-2112, 21/F, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.
- (b) The Company's issued shares have been initially listed on the 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 was transferred from the GEM to the Main Board of the Stock Exchange.
- (c) These 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 consider that it is more appropriate to present the consolidated financial statements in HK\$.
- (d) These consolidated financial statements of the Company for the year ended 31 December 2021 were approved for issuance by the Board on 31 March 2022.

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 disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) 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 accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company, its subsidiaries and the Group's interests in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following:

- Equity investments – measured at fair value
- Assets classified as held for sale – measured at the lower of carrying amount and fair value less costs to sell

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 may have significant effect on the financial statements and major sources of estimation uncertainty.

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs for the first time to these financial statements for the current accounting year:

- Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform – Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16
- Amendment to HKFRS 16 Covid-19-Related Rent Concessions
beyond 30 June 2021

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or the disclosures set out in these consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

Disaggregation of revenue

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Disaggregation by services lines		
– Revenue from hazardous waste incineration and landfill services	456,400	601,211
– Revenue from environmental equipment construction and installation services	124,496	59,419
– Revenue from industrial sewage treatment services and providing related utilities and management services	<u>114,257</u>	<u>101,095</u>
	695,153	761,725
Revenue from other sources		
– Leasing income from providing factory facilities	<u>32,014</u>	<u>27,616</u>
	<u>727,167</u>	<u>789,341</u>
Timing of revenue recognition in respect of contracts with customers		
– At a point in time	456,400	601,211
– Over time	<u>238,753</u>	<u>160,514</u>
	<u>695,153</u>	<u>761,725</u>

(b) Segment reporting

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

- (i) provision of environmental treatment and disposal services for industrial and medical wastes;
- (ii) provision of environmental equipment construction and installation services;
- (iii) provision of environmental plating sewage treatment, management services and provision of related facilities and utilities in an eco-plating specialised zone; and
- (iv) investments in plastic materials dyeing business.

(c) Segment results, assets and liabilities

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

- (i) Segment assets include all tangible assets, goodwill, interests in associates and a joint venture, and current assets with the exception of intercompany receivables and other unallocated head office and corporate assets. Segment liabilities include current taxation, deferred tax liabilities, trade creditors, lease liabilities, other payables and accrued expenses attributable to the activities of the individual segments and borrowings managed directly by the segments, with the exception of intercompany payables and other unallocated head office and corporate liabilities.
- (ii) Revenue and expenses are allocated to the reportable segments with reference to revenue 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.
- (iii) 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.
- (iv) 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.

For the year ended 31 December 2021

	Operating segments						Total HK\$'000
	Environmental waste treatment and disposal HK\$'000	Environmental equipment construction and installation HK\$'000	Environmental sewage treatment, management services, utilities and facilities HK\$'000	Plastic dyeing investments HK\$'000	Segment sub-total HK\$'000	Unallocated head office and corporate HK\$'000	
Revenue from external customers	456,400	124,496	146,271	-	727,167	-	727,167
Other revenue	-	-	-	4,637	4,637	-	4,637
Reportable segment revenue	456,400	124,496	146,271	4,637	731,804	-	731,804
Reportable segment results	46,386	3,158	24,148	4,266	77,958	-	77,958
Other net income	4,745	406	2,256	-	7,407	-	7,407
Finance income	3,716	358	94	93	4,261	(121)	4,140
Finance costs	(3,292)	(29)	(1,017)	-	(4,338)	(2,183)	(6,521)
Depreciation and amortisation	(60,631)	(523)	(23,045)	-	(84,199)	(274)	(84,473)
Impairment loss on trade receivables, net	(28,906)	(22)	243	-	(28,685)	-	(28,685)
Reportable segment assets	1,152,027	115,301	385,865	81,952	1,735,145	48,866	1,784,011
Additions to non-current segment assets	24,824	1,235	1,684	-	27,743	1,730	29,473
Reportable segment liabilities	366,606	90,431	102,447	3,571	563,055	38,146	601,201

For the year ended 31 December 2020

	Operating segments						Total HK\$'000
	Environmental waste treatment and disposal HK\$'000	Environmental equipment construction and installation HK\$'000	Environmental sewage treatment, management services, utilities and facilities HK\$'000	Plastic dyeing investments HK\$'000	Segment sub-total HK\$'000	Unallocated head office and corporate HK\$'000	
Revenue from external customers	601,211	59,419	128,711	-	789,341	-	789,341
Other revenue	-	-	-	4,107	4,107	-	4,107
Reportable segment revenue	601,211	59,419	128,711	4,107	793,448	-	793,448
Reportable segment results	127,778	(3,107)	17,209	3,889	145,769	-	145,769
Other net income	12,082	59	712	-	12,853	590	13,443
Finance income	354	34	(282)	210	316	86	402
Finance costs	(4,098)	(11)	(1,125)	-	(5,234)	(4,330)	(9,564)
Depreciation and amortisation	(55,497)	(560)	(17,626)	-	(73,683)	(164)	(73,847)
Impairment loss on assets classified as held for sale	(12,636)	-	-	-	(12,636)	-	(12,636)
Impairment loss on trade receivables, net	(10,330)	-	804	-	(9,526)	-	(9,526)
Reportable segment assets	1,220,941	43,221	320,688	118,757	1,703,607	41,996	1,745,603
Additions to non-current segment assets	44,731	-	27,172	-	71,903	6	71,909
Reportable segment liabilities	430,780	38,895	88,142	6,981	564,798	17,468	582,266

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue		
Consolidated revenue	727,167	789,341
Elimination of inter-segment revenue	–	–
Other revenue	4,637	4,107
	<u>731,804</u>	<u>793,448</u>
Reportable segment revenue	<u><u>731,804</u></u>	<u><u>793,448</u></u>
Profit or loss		
Reportable segment profit	77,958	145,769
Unallocated head office and corporate expenses, net	(17,604)	(19,222)
	<u>60,354</u>	<u>126,547</u>
Consolidated profit before taxation	<u><u>60,354</u></u>	<u><u>126,547</u></u>
Assets		
Reportable segment assets	1,735,145	1,703,607
Unallocated head office and corporate assets	48,866	41,996
	<u>1,784,011</u>	<u>1,745,603</u>
Consolidated total assets	<u><u>1,784,011</u></u>	<u><u>1,745,603</u></u>
Liabilities		
Reportable segment liabilities	563,055	564,798
Unallocated head office and corporate liabilities	38,146	17,468
	<u>601,201</u>	<u>582,266</u>
Consolidated total liabilities	<u><u>601,201</u></u>	<u><u>582,266</u></u>

(e) **Geographic information**

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

(f) **Major customers**

Revenue of approximately HK\$42,136,000 (2020: HK\$91,689,000) representing 5.8% (2020: 11.6%) was derived from a single external customer for the year ended 31 December 2021, which was attributed to the segment of environmental equipment construction and installation (2020: the segment of environmental waste treatment and disposal services).

Save as disclosed herein, there was no other major customer accounted for more than 10% of the total revenue of the Group for the years ended 31 December 2021 and 2020.

4. OTHER REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividend income from equity investments at fair value through other comprehensive income	<u>4,637</u>	<u>4,107</u>

5. OTHER NET INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Refunds of Value-added tax (<i>note (i)</i>)	2,846	5,013
Government grants (<i>note (ii)</i>)	1,331	1,641
Release of deferred government grants	1,808	1,077
Gain on disposal of a subsidiary	–	3,755
Sundry income	<u>1,422</u>	<u>1,957</u>
	<u>7,407</u>	<u>13,443</u>

Notes:

- (i) Pursuant to the tax rules and regulations in the PRC, subsidiaries of the Group that engage in the environmental operations, comply with the requirements in the PRC and pay Value-added Tax (“VAT”) at 6% (2020: 6%) on invoiced income are entitled to a refund up to 70% of the net VAT paid. There were no unfulfilled conditions and other contingencies attached to such tax refunds. There is no assurance that the Group will continue to receive such tax refunds in the future.
- (ii) There were no unfulfilled conditions and other contingencies attached to the receipts of those grants.

6. FINANCE INCOME AND COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance income from:		
Interest income on short-term bank deposits	3,867	3,177
Net foreign exchange gain/(loss)	273	(2,775)
	<hr/>	<hr/>
Total finance income	4,140	402
	<hr/>	<hr/>
Interest expenses on:		
Bank borrowings	5,627	7,841
Other borrowing	839	1,957
Lease liabilities	55	21
Less: interest expense capitalised into construction in progress (<i>note</i>)	–	(255)
	<hr/>	<hr/>
Total finance costs	6,521	9,564
	<hr/>	<hr/>
Net finance costs	2,381	9,162
	<hr/> <hr/>	<hr/> <hr/>

Note:

There was no borrowing costs being capitalised in the current year, and the borrowings costs being capitalised in previous year at a rate of 5.225% per annum were for bank borrowings specifically financing the construction of the hazardous waste landfill in the PRC.

7. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration:		
– audit service	1,350	1,230
– non-audit services	180	170
	<u>1,530</u>	<u>1,400</u>
Depreciation of property, plant and equipment	<u>80,332</u>	<u>69,915</u>
Depreciation of right-of-use assets	<u>4,141</u>	<u>3,932</u>
Operating lease charges: minimum lease payments		
– land and buildings in Hong Kong	1,080	1,080
– landfill in PRC	120	115
	<u>1,200</u>	<u>1,195</u>
Other operating expenses:		
Net loss on disposal of property, plant and equipment	606	4,789
Costs on litigation settlements and non-compliance incidents	1,348	2,727
Legal and professional expenses	4,290	5,132
Research and development expenses	7,775	7,389
Other miscellaneous expenses	3,807	4,488
	<u>17,826</u>	<u>24,525</u>
Staff costs:		
– Directors' emoluments	4,091	4,114
– salaries, wages and other benefits of employees other than directors	91,852	84,110
– contributions to retirement benefits schemes	12,738	4,690
– equity-settled share-based payment expenses	305	601
Total staff costs	<u>108,986</u>	<u>93,515</u>
Cost of sales (<i>note</i>)	<u>535,502</u>	<u>569,558</u>

Note:

Included in cost of sales were raw materials in the amount of HK\$74,963,000 (2020: HK\$72,609,000), water and electricity in the amount of HK\$41,708,000 (2020: HK\$39,771,000), staff costs of HK\$49,289,000 (2020: HK\$41,711,000), and depreciation of HK\$78,289,000 (2020: HK\$67,687,000), and of which staff costs and depreciation have already been included in the respective total amounts disclosed above.

8. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	–	–
PRC Corporate Income Tax	17,479	19,756
Over-provision in respect of prior years	(4,355)	(126)
PRC Dividend Withholding Tax	5,345	3,828
	<u>18,469</u>	<u>23,458</u>
Deferred tax		
PRC Dividend Withholding Tax	(5,345)	(3,828)
Origination and reversal of other temporary differences	(5,688)	4,871
	<u>7,436</u>	<u>24,501</u>

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% (2020: 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 2021 and 2020.
- (iii) The Company's subsidiaries in PRC are subject to a statutory Corporate Income Tax ("CIT") at the rate of 25% (2020: 25%), except for the subsidiaries which are qualified as the High and New Technology Enterprise in PRC that would be entitled to enjoy a preferential CIT at the rate of 15% (2020: 15%). Dividend distribution from subsidiaries in PRC to the holding companies in Hong Kong is subject to a reduced withholding tax rate of 5% (2020: 5%),

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$40,419,000 (2020: HK\$74,576,000) and the weighted average number of 3,035,697,018 (2020: 3,035,697,018) ordinary shares of the Company in issue during the year as follows:

Weighted average number of ordinary shares

	2021	2020
Ordinary shares in issue at 1 January and 31 December	<u>3,035,697,018</u>	<u>3,035,697,018</u>
Weighted average number of ordinary shares at 31 December	<u><u>3,035,697,018</u></u>	<u><u>3,035,697,018</u></u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of HK\$40,419,000 and the weighted average number of 3,037,681,364 ordinary shares of the Company for the year ended 31 December 2021 is calculated as follows:

Weighted average number of ordinary shares (diluted)

	2021	2020
Weighted average number of ordinary shares at 31 December	<u>3,035,697,018</u>	3,035,697,018
Effect of deemed issue of shares under the Company's share option scheme	<u>1,984,346</u>	—
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>3,037,681,364</u></u>	<u><u>3,035,697,018</u></u>

For the year ended 31 December 2020, no assumption was made for the exercise of share options because the exercise price of share options exceeded the average market prices of the Company's shares. Accordingly, diluted earnings per share was the same as basic earnings per share for 2020.

10. DIVIDENDS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend proposed after the end of the reporting period of HK\$0.0039 (2020: HK\$0.0072) per share	<u>11,839</u>	<u>21,857</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.0072 (2020: HK\$0.0070) per share	<u>21,857</u>	<u>21,250</u>

11. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	167,443	127,302
Lease receivables	3,277	2,201
Bills receivables	<u>20,468</u>	<u>14,364</u>
	191,188	143,867
Less: allowance for lifetime ECLs (<i>note 11(b)</i>)	<u>(41,166)</u>	<u>(14,429)</u>
	<u>150,022</u>	<u>129,438</u>

(a) **Ageing analysis**

The ageing analysis of trade receivables (which comprised of customer account receivables and lease receivables) and bills receivables as of the end of the reporting period, based on the invoice date, is presented as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	62,029	60,502
31 days to 60 days	33,272	13,407
61 days to 90 days	10,276	11,092
91 days to 180 days	9,611	12,775
181 days to 360 days	23,742	31,662
Over 1 year	<u>11,092</u>	<u>–</u>
	<u>150,022</u>	<u>129,438</u>

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 its lessees, 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 customer account and lease receivables**

Most of the debtors are local hospitals and reputable companies in the PRC. Based on past payment history, economic conditions and other forward looking information available, the management determined the lifetime expected credit loss (“ECL”) as at 31 December 2021.

Impairment losses in respect of customer account and lease 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 lifetime ECL during the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	14,429	4,469
Impairment loss recognised	30,563	10,752
Reversal	(1,878)	(1,226)
	28,685	9,526
Written off	(2,867)	(21)
Exchange adjustments	919	455
	<hr/>	<hr/>
At 31 December	41,166	14,429
	<hr/> <hr/>	<hr/> <hr/>

Receivables that were neither past due nor impaired relate to a wide range of independent customers and lessees for whom there was no recent history of default. Receivables that were past due but not impaired are related to a number of independent customers that have a good track record with the Group. The Group does not hold any collateral over these balances.

The Group uses a provision matrix to calculate lifetime ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of the customers. The provision matrix is initially based on the Group’s historical observed bad debt rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical bad debt rates are adjusted. At each reporting date, the historical observed bad debt rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed bad debt rates, forecast economic conditions and lifetime ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual credit loss in the future.

12. BANK BORROWINGS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current liabilities		
Current portion of bank borrowings due for repayment within one year	189,970	121,205
Non-current portion of bank borrowings subject to standard clause to demand for immediate repayment	<u>9,000</u>	<u>57,700</u>
	<u>198,970</u>	<u>178,905</u>
Non-current liabilities		
Between 1 year and 2 years	–	10,130
Between 2 years and 5 years	<u>–</u>	<u>–</u>
	<u>–</u>	<u>10,130</u>
Total interest-bearing bank borrowings	<u>198,970</u>	<u>189,035</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
– Unsecured	125,770	124,725
– Secured	<u>73,200</u>	<u>64,310</u>
	<u>198,970</u>	<u>189,035</u>

At the end of the reporting period, the maturity dates of the bank borrowings of the Group were as follows:

	2021	2020
	HK\$'000	HK\$'000
Within one year	189,970	121,205
After one but within two years	9,000	58,830
After two but within five years	–	9,000
	<u>198,970</u>	<u>189,035</u>

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

	2021	2020
	HK\$'000	HK\$'000
Hong Kong Dollar	91,610	118,825
Renminbi	107,360	70,210
	<u>198,970</u>	<u>189,035</u>

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, and 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.

As at 31 December 2021, none of covenants relating to the drawn down facilities had been breached (2020: Nil). All 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.

- (b) As at 31 December 2021, total unsecured bank loans of approximately HK\$91,610,000 (2020: HK\$118,825,000) owed by the Company in Hong Kong bore interest at variable rates ranging from 1.56% to 3.01% per annum in the current year (2020: 1.62% to 5.41% per annum).

- (c) As at 31 December 2021, total unsecured bank loans of approximately HK\$34,160,000 (2020: HK\$5,900,000) owed by the subsidiaries in the PRC bore interests at different fixed rates ranging from 3.8% to 4.6% per annum in the current year (2020: 3.8% to 5.9% per annum).
- (d) As at 31 December 2021, total secured bank loans of approximately HK\$73,200,000 (2020: HK\$64,310,000) owed by certain subsidiaries in the PRC were secured by pledge of land use rights and certain property, plant and equipment with an aggregate carrying amount of approximately HK\$28,830,000 (2020: HK\$28,523,000) and HK\$108,107,000 (2020: HK\$114,782,000) respectively. These bank loans bore interest at different fixed rates ranging from 4.0% to 4.4% per annum in the current year (2020: 4.4% to 5.2% per annum).
- (e) As at 31 December 2021, unsecured bank loans of HK\$51,000,000 (2020: HK\$71,000,000) owed by the Company under banking facility letters granted by different banks in Hong Kong contained specific performance covenants. Pursuant to which, if Mr. XI Yu (“Mr. XI”) 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.
- (f) As at 31 December 2021, Mr. XI, through his direct beneficial interests in 83.66% of the issued share capital of New Universe Enterprises Limited (“NUEL”), indirectly owns approximately 36.54% (2020: 36.54%) of the total issued share capital of the Company.

Mr. XI confirmed that he owns the direct beneficial interests in 83.66% of the issued share capital of NUEL, as such, he is deemed indirectly interested in the 1,109,303,201 shares (2020: 1,109,303,201 shares) of the Company beneficially held by NUEL, representing approximately 36.54% (2020: 36.54%) of the total issued share capital of the Company as at 31 December 2021 which remains unchanged up to the date of this announcement.

13. TRADE AND BILLS PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	72,521	66,303
Bills payables	6,086	12
	<u>78,607</u>	<u>66,315</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	27,160	26,408
31 days to 60 days	5,754	18,510
61 days to 90 days	7,047	9,117
Over 91 days	32,560	12,268
	<u>72,521</u>	<u>66,303</u>

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

14. SHARE CAPITAL

	Number of shares		Share capital	
	2021	2020	2021	2020
	<i>'000</i>	<i>'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 and 31 December	3,035,697	3,035,697	30,357	30,357

As at 31 December 2021 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.

15. RELATED PARTY TRANSACTIONS

(a) List of related parties

For the years ended 31 December 2021 and 2020, the Directors are of the view that the following entities and persons are related parties to the Group:

Name of the related party	Relationship
NUEL	A shareholder beneficially interested in 36.54% (2020: 36.54%) of the issued share capital of the Company. The Company's Directors, Mr. XI and Ms. CHEUNG Siu Ling are also directors of NUEL.
Sun Ngai International Investment Limited ("Sun Ngai")	A company being 100% owned by New Universe Holdings Limited ("NUHL"). The Company's Director, Mr. XI and Ms. CHEUNG Siu Ling are also directors of Sun Ngai and NUHL.
Mr. XI Yu	A shareholder of NUEL beneficially interested in 83.66% of the issued share capital of NUEL. Mr. XI is also the director of NUEL, NUHL and Sun Ngai.
Ms. CHEUNG Siu Ling	A shareholder of NUEL beneficially interested in 6.07% of the issued share capital of NUEL. Ms. CHEUNG Siu Ling is also the director of NUEL, NUHL and Sun Ngai.
Zhenjiang Xin Qu Solid Waste Disposal Limited* ("Zhenjiang Xin Qu")	An associate of the Group, of which the Company holds an effective equity interest of 24.6%, and the subsidiary, Zhenjiang New Universe Solid Waste Disposal Company Limited directly holds an equity interest of 30%.
Nanjing Chemical Industry Park Tianyu Solid Waste Disposal Company Limited ("NCIP")	An associate of the Group, of which the Company holds an indirectly owned equity interest of 30%.
Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited* ("Xinyu Rongkai")	A joint venture of the Group, of which the Company, being one of the two joint venturers, holds an indirectly owned equity interest of 65% and shares joint control of the joint venture.

(b) **Transactions with related parties**

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from environmental equipment construction and installation services			
– Xinyu Rongkai	(i)	6,957	37,342
Interest income			
– NCIP	(ii)	13	–
– Xinyu Rongkai	(iii)	–	34
Rental expenses (included in the administrative expenses of the Group)			
– Sun Ngai	(iv)	960	960
Charges on hazardous waste landfill disposal (included in the cost of sales of the Group)			
– Zhenjiang Xin Qu	(v)	17,075	19,042

Notes:

- i. Under the joint venture agreement in relation to the establishment of Xinyu Rongkai for the purpose of setting up an integrated hazardous waste treatment centre, which includes an integrated hazardous waste treatment plant and a hazardous waste landfill site located at Liuzhou in Guangxi, PRC, the Group is entitled to designate contractor to be selected at prevailing market price for constructing the facilities of the joint venture and a wholly owned subsidiary of the Group was selected under a general contract bidding to become the contractor at the total contract sum of RMB48,980,000 (approximately HK\$57,796,000) for the construction of the entire phase I incineration facilities. The total contract sum for construction of the phase I incinerator of the joint venture was determined and transacted on arm's length basis. The construction contract does not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.
- ii. Interest income was arisen on a temporary advance of RMB810,000 (approximately HK\$988,000) from a subsidiary of the Group to NCIP bearing interest rate at 4.0% p.a. for 6 months and repaid on 16 February 2022.
- iii. Interest income was arisen on a temporary advance of RMB3,000,000 (approximately HK\$3,447,000) from a subsidiary of the Group to Xinyu Rongkai bearing interest rate at 4.35% p.a. for the period from 10 September 2020 to 30 November 2020.
- iv. Rental expenses were charged by Sun Ngai for leasing office premises of the Group in Hong Kong. The leases run for a period of one year and the monthly rent was determined in commensurate with the market rate. The tenancy agreements in respect of the rental expenses entered into between the wholly owned subsidiary of the Group, Smartech Services Limited (“**Smartech Services**”) and Sun Ngai were de minimus transactions exempted under rule 14A.76(1)(a) of the Listing Rules.

- v. For the year ended 31 December 2021, the charges on hazardous waste landfill disposal paid by 5 (2020: 5) subsidiaries in PRC of the Group to Zhenjiang Xin Qu were made according to the contracted prices and conditions and subject to the compliance with the relevant administrative requirements promulgated by the National Pricing Bureau in PRC. These transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

The Directors 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.

16. EVENT AFTER THE REPORTING PERIOD

- (a) On 2 March 2022, the Group entered into an agreement with an independent third party to dispose of the entire equity interest in the wholly owned subsidiary, Taixing Xin Xin Resources Recycling Company Limited at a consideration of RMB42,100,000 (approximately HK\$51,362,000).
- (b) After the end of the reporting period, the Directors recommended a final dividend as disclosed in note 10(a).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, all member companies of the Group have worked on a concerted effort to ensure all operations running stably amongst the continuous impact of COVID-19, and the stricter national control on emissions and pollutants, and the changing local market demand of handling hazardous waste discharged by clients in different industries. The overall performance of the Group in 2021 were down-turning as compared to that in 2020.

For the year ended 31 December 2021, the Group's revenue decreased by 7.9% to HK\$727,167,000 and the net profit decreased by 48.1% to HK\$52,918,000 as compared to the previous year. Total earnings before gross interest and other finance costs, taxation depreciation and amortisation (“**EBITDA**”) in 2021 decreased by 27.9% as compared to 2020.

For the year ended 31 December 2021, the profit attributable to owners of the Company was HK\$40,419,000 (2020: HK\$74,576,000), a decrease of 45.8% from 2020.

Equity attributable to owners of the Company as at 31 December 2021 was HK\$1,052,779,000 (2020: HK\$1,034,427,000). Total bank borrowings of the Group as at 31 December 2021 was HK\$198,970,000 (2020: HK\$189,035,000). Cash and cash equivalents of the Group as at 31 December 2021 was HK\$302,074,000 (2020: HK\$257,523,000).

Environmental Treatment and Disposal Services for Industrial and Medical Wastes

For the year ended 31 December 2021, the Company's subsidiaries had collected from external customers for treatment and disposal in aggregate of approximately 113,346 metric tonnes (2020: 110,042 metric tonnes) of different hazardous and non-hazardous waste from various cities in Jiangsu Province, and the total segment revenue from the provision of environmental treatment and disposal services for industrial and medical wastes was approximately HK\$456,400,000 (2020: HK\$601,211,000).

	2021		2020	
	Waste collected and disposed metric tonnes	Segment revenue HK\$'000	Waste collected and disposed metric tonnes	Segment revenue HK\$'000
Hazardous industrial waste	102,914	408,252	100,335	555,701
Regulated medical waste	7,616	45,406	6,264	42,170
General industrial solid waste and others	2,816	2,742	3,443	3,340
Total	113,346	456,400	110,042	601,211

The Group holds interests in two associates, with 30% equity interest in Zhenjiang Xin Qu that principally engaged in landfill of hazardous industrial waste, and 30% equity interest in NCIP that principally engaged in the treatment, incineration and disposal of hazardous industrial waste services in the PRC. The attributable results of Zhenjiang Xin Qu and NCIP are accounted for on equity method and classified under the operating segment of environmental treatment and disposal services for industrial and medical wastes of the Group. For the year ended 31 December 2021, the Group shared a net profit of HK\$6,164,000 from Zhenjiang Xin Qu (2020: net profit of HK\$10,924,000) and shared a net loss of HK\$12,553,000 (2020: net loss of HK\$622,000) from NCIP respectively.

The Group also holds 65% equity interest in a sino-foreign joint venture, Xinyu Rongkai, which has been granted its first operating license to handle hazardous waste of 20,000 metric tonnes per annum in November 2021 and under trial run to provide environmental treatment and disposal of hazardous industrial waste services in Liuzhou, Guangxi Province, the PRC. The attributable results of Xinyu Rongkai is accounted for on equity method and classified under the operating segment of environmental treatment and disposal services for industrial and medical wastes of the Group. For the year ended 31 December 2021, the Group shared a net loss of HK\$4,440,000 (2020: net loss of HK\$1,835,000).

For the year ended 31 December 2021, the profit margin (pre-tax) of the Group's operating segment of environmental treatment and disposal services for industrial and medical wastes was approximately 10.2% (2020: 21.3%).

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

		2021	2020
	<i>Note</i>	Annual capacity metric tonnes	Annual capacity metric tonnes
Subsidiaries in the PRC:			
Licensed hazardous waste incineration facilities		135,400	138,400
Licensed epidemic medical waste incineration facilities		6,080	6,080
Licensed epidemic medical waste detoxification treatment facilities		3,300	3,300
Associated companies in the PRC:			
Licensed hazardous waste incineration facilities		38,000	38,000
Licensed hazardous waste landfill facilities		20,000	20,000
Joint venture in the PRC:			
Licensed hazardous waste incineration facilities		20,000	—
Combined licensed treatment and disposal facilities	(i)	<u>222,780</u>	<u>205,780</u>

Notes:

- (i) The total capacity of the licensed waste treatment and disposal facilities represents the total effective treatment and disposal quantity of hazardous waste allowable to handle under the valid operating permission licences owned by the Group as at the end of the reporting period calculated on annualised basis.
- (ii) The total licensed treatment and disposal facilities above does not include the hazardous waste landfill facilities with an annual capacity of 18,000 metric tonnes owned and constructed by a subsidiary situated at Yancheng, Jiangsu Province, the PRC, which is still subject to further governmental approval.

Environmental Equipment Construction and Installation Services

In 2021, the wholly-owned engineering subsidiary that principally engaged in environmental equipment construction and installation services has confined its effort to 11 (2020: 7) key contract works in the PRC. For the year ended 31 December 2021, total revenue recognised from the existing contract works provided to external customers and to a joint venture was approximately HK\$124,496,000 (2020: HK\$59,419,000) and the segment profit margin (pre-tax) was approximately 2.5% (2020: pre-tax loss).

Environmental Plating Sewage Treatment Services in Eco-plating Specialised Zone

For the year ended 31 December 2021, total revenue from the operating segment of provision of environmental plating sewage treatment services and provision of leasing facilities and related utilities in the eco-plating specialised zone owned by the Group situated at Zhenjiang, Jiangsu Province, the PRC (the “**Eco-plating Specialised Zone**”) was approximately HK\$146,271,000 (2020: HK\$128,711,000) and the segment profit margin (pre-tax) was approximately 16.5% (2020: 13.4%).

	2021	2020
Average gross floor area of factory buildings and facilities leased out (square metres)	103,921	106,807
Average utilisation rate of buildings and facilities	93.8%	89.3%
Plating sewage handled by the centralised sewage treatment plant (metric tonnes billed per annum)	428,314	450,295
Average utilisation rate of sewage treatment capacity	26.0%	27.3%

The Eco-plating Specialised Zone has a total land area of 181,757 square metres, on which, office building, factory buildings, and centralised filtering plants were built. The office building and centralised sewage filtering and sludge treatment plants were built with a total gross floor area of 19,560 square metres, and factory buildings and facilities with a total gross area of 106,807 square metres and available for leasing to manufacturing clients which undertake their plating-related operations inside the Eco-plating Specialised Zone. The Group owns 22 factory buildings (with one of which under renovation during the year of 2021) in the Eco-plating Specialised Zone which are occupied by 41 (2020: 42) manufacturing clients as at 31 December 2021. The Group operates a centralised plating sewage treatment plant, a centralised industrial sludge treatment plant and customised facilities equipped for all clients in the Eco-plating Specialised Zone .

Investments in Plastic Materials Dyeing Business

The Group holds the equity interests in three manufacturing entities, which principally engaged in plastic materials dyeing in the PRC, as equity investments. For the year ended 31 December 2021, the profit margins (pre-tax) of Suzhou New Huamei Plastics Company Limited (“**Suzhou New Huamei**”), Danyang New Huamei Plastics Company Limited (“**Danyang New Huamei**”) and Qingdao Zhongxin Huamei Plastics Company Limited (“**Qingdao Huamei**”) were 3.9%, 1.7% and 3.2% (2020: 4.1%, 1.5% and 5.8%) respectively.

For the year ended 31 December 2021, total dividend received by the Group (before PRC dividend withholding tax) in relation to the results of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei in previous year was approximately HK\$4,637,000 (2020: HK\$4,107,000).

BUSINESS OUTLOOK

For the year ended 31 December 2021, the operations of the Group kept staying resilient to the continuous impact of the COVID-19 pandemic and the Group have encountered costs driven up and revenue down-turned to compromise with the market adjustment. The Group has met challenge on logistics of hazardous waste collection and transportation across different districts under control to contain any possible spread of the COVID-19 pandemic. Owing to the market changes, the Group has to account prudently for the under-performing accounts receivable from certain distressed clients in 2021. Nevertheless, the Group commits to uphold the national directions toward environmental protection and keep up the waste processing facilities and standards. Entering 2022, the Group has well-prepared for ensuring licence renewal for its subsidiaries that would be granted on time with minimal downtime for necessary fine-tuning of the incineration facilities and hazardous waste management system required under the stricter compliance standards in recent years.

As at 31 December 2021, the existing incineration capacity owned by the four subsidiaries of the Company for handling hazardous waste in the PRC was 135,400 metric tonnes per annum. The centralised sewage filtering system in the Eco-plating Specialised Industrial Zone has been enhanced and worked well with the phase II sewage filtering plant completed in 2020, it is expected that the improved filtering facilities would benefit the existing clients in the zone and also motivate increase in utilisation with new clients entering the zone in the foreseeable future.

The Group continues to uphold corporate governance practice and environmental governance, and would ensure smooth and stable operation of the whole Group and adapt to all changes that might be caused by the impact of COVID-19 pandemic. The Group will continue to confine on environmental related business and explore for opportunities prudently in a timely manner for business restructuring and industrial upgrade to improve sustainable performance of its environmental operations. Barring any unforeseeable risks from the global and local economies and uncertainties arising from COVID-19 pandemic, the Group would work harder to deliver a reasonable results in the forthcoming year.

FINANCIAL REVIEW

The summary of annual results for the year ended 31 December 2021 together with corresponding figures for 2020 is presented as follows:

Summary of annual results

(Expressed in HK\$'000 unless indicated otherwise)

		Year ended 31 December		
		2021	2020	Change
	Note	HK\$'000	HK\$'000	%
Revenue from environmental treatment and disposal services for industrial and medical wastes		456,400	601,211	-24.1
Revenue from environmental equipment construction and installation services		124,496	59,419	+109.5
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities		146,271	128,711	+13.6
Total Revenue	1	727,167	789,341	-7.9
Average gross profit margin (in percentage)	2	26.4	27.8	-5.0
Other revenue	3	4,637	4,107	+12.9
Other net income	4	7,407	13,443	-44.9
Distribution costs	5	23,916	6,971	+243.1
Administrative expenses	6	59,718	56,433	+5.8
Other operating expenses	7	17,826	24,525	-27.3
Impairment loss on trade receivables, net	8	28,685	9,526	+201.1
Impairment loss on assets classified as held for sale	9	–	12,636	-100.0
Finance income	10	4,140	402	+929.9
Finance costs	11	6,521	9,564	-31.8
Share of results of associates	12	(6,389)	10,302	-162.0
Share of results of a joint venture	13	(4,440)	(1,835)	+142.0
Income tax	14	7,436	24,501	-69.7
Net profit for the year	15	52,918	102,046	-48.1
Profit attributable to owners of the Company	15	40,419	74,576	-45.8
Basic EPS (in HK cents)	16	1.33	2.46	-45.9
Diluted EPS (in HK cents)	16	1.33	2.46	-45.9
EBITDA	17	151,348	209,958	-27.9

Summary of annual results by semi-annual cycle

(Expressed in HK\$'000 unless indicated otherwise)

	Note	1H 2021 HK\$'000	2H 2021 HK\$'000	Total 2021 HK\$'000
Revenue from environmental treatment and disposal services for industrial and medical wastes		235,819	220,581	456,400
Revenue from environmental equipment construction and installation services		–	124,496	124,496
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities		71,804	74,467	146,271
Total Revenue	1	307,623	419,544	727,167
Average gross profit margin (in percentage)	2	30.7	23.2	26.4
Other revenue	3	4,637	–	4,637
Other net income	4	3,414	3,993	7,407
Distribution costs	5	8,823	15,093	23,916
Administrative expenses	6	30,517	29,201	59,718
Other operating expenses	7	7,241	10,585	17,826
Impairment loss on trade receivables, net	8	–	28,685	28,685
Finance income	10	3,270	870	4,140
Finance costs	11	3,164	3,357	6,521
Share of results of associates	12	(4,138)	(2,251)	(6,389)
Share of results of a joint venture	13	(1,713)	(2,727)	(4,440)
Income tax	14	11,042	(3,606)	7,436
Net profit for the period	15	38,984	13,934	52,918
Profit attributable to owners of the Company	15	28,746	11,673	40,419
Basic EPS (in HK cents)	16	0.95	0.38	1.33
Diluted EPS (in HK cents)	16	0.95	0.38	1.33
EBITDA	17	95,133	56,215	151,348

	<i>Note</i>	1H 2020 <i>HK\$'000</i>	2H 2020 <i>HK\$'000</i>	Total 2020 <i>HK\$'000</i>
Revenue from environmental treatment and disposal services for industrial and medical wastes		305,862	295,349	601,211
Revenue from environmental equipment construction and installation services		–	59,419	59,419
Revenue from environmental industrial sewage treatment, utilities, management services, and factory facilities		<u>57,527</u>	<u>71,184</u>	<u>128,711</u>
Total Revenue	1	<u>363,389</u>	<u>425,952</u>	<u>789,341</u>
Average gross profit margin (in percentage)	2	29.6	26.4	27.8
Other revenue	3	1,882	2,225	4,107
Other net income	4	5,835	7,608	13,443
Distribution costs	5	6,167	804	6,971
Administrative expenses	6	24,158	32,275	56,433
Other operating expenses	7	8,249	16,276	24,525
Impairment loss on trade receivables, net	8	1,826	7,700	9,526
Impairment loss on assets classified as held for sale	9	12,242	394	12,636
Finance income	10	1,047	(645)	402
Finance costs	11	5,363	4,201	9,564
Share of results of associates	12	5,973	4,329	10,302
Share of results of a joint venture	13	(653)	(1,182)	(1,835)
Income tax	14	8,813	15,688	24,501
Net profit for the period	15	54,762	47,284	102,046
Profit attributable to owners of the Company	15	38,360	36,216	74,576
Basic EPS (in HK cents)	16	1.26	1.20	2.46
Diluted EPS (in HK cents)	16	1.26	1.20	2.46
EBITDA	17	<u>104,382</u>	<u>105,576</u>	<u>209,958</u>

Notes:

1. Net decrease in total revenue for the year ended 31 December 2021 was mainly attributable to the reduction in unit prices offered to collecting industrial hazardous waste to cope with the change in supply of industrial waste discharged by all clients from different industries in the current year.
2. Decrease in gross profit margin of the Group for the year ended 31 December 2021 was mainly attributable to increases in transportation cost on waste collection and landfill cost for disposal of post-incinerated residues and ashes produced from incineration and waste decomposing process.
3. Net increase in other revenue for the year ended 31 December 2021 was mainly attributable to increase in net dividend received/receivable from the equity investments in the current year.
4. Net decrease in other net income for the year ended 31 December 2021 was mainly attributable to decrease in refunds on net VAT paid on environmental-related operations under the preferential tax policy in the PRC in the current year.
5. Net increase in distribution costs for the year ended 31 December 2021 was mainly attributable to increase in marketing agency expenses to enhance client portfolios in the changing market demand on hazardous waste disposal in the current year.
6. Net increase in administrative expenses for the year ended 31 December 2021 was mainly attributable to increase in staff costs in the current year.
7. Net decrease in other operating expenses for the year ended 31 December 2021 was mainly attributable to:
 - (a) decrease in legal and professional expenses incurred on non-compliance incidents in the current year; and
 - (b) decrease in loss on obsolete assets scrapped in the current year.
8. Increase in impairment loss on trade receivables for the year ended 31 December 2021 was mainly attributable to the increase in probability of default expected for those under-performing and non-performing accounts receivable due from the clients encountered difficulties under change in market situation and pressure under regulatory compliance in different industries pursuant to the appraisals of the lifetime expected credit losses therefor in the current year.
9. The one-off impairment loss on assets classified as held for sale recognised in previous year did not recur in the current year.
10. Net increase in finance income for the year ended 31 December 2021 was mainly attributable to increase in exchange gain on fund movement activities of the Group in the current year.
11. Net decrease in finance costs for the year ended 31 December 2021 was mainly attributable to decrease in interest-bearing borrowings in the current year.

12. Net loss shared from the associates for the year ended 31 December 2021 was mainly attributable to loss shared from NCIP which has encountered temporary down-time for fixation of incineration facilities before its hazardous operating permit license being renewed in the current year.
13. Net results of loss shared from the joint venture was attributable to the share of preliminary expenses before the joint venture is being put into operations after its integrated hazardous waste treatment centre located at Liuzhou, Guangxi Province, the PRC, has been put under trial-run in the current year.
14. Net decrease in income tax for the year ended 31 December 2021 was mainly attributable to decrease in taxable profits generated from key operations of the Group in the PRC in the current year.
15. For the year ended 31 December 2021, net decrease in net profit and decrease in profit attributable to owners of the Company were mainly attributable to:
 - (a) decrease in revenue from treatment and disposal of hazardous industrial waste services of the Group in the current year;
 - (b) increase in marketing agency incentive expenses in the current year; and
 - (c) increase in lifetime expected credit losses recognised on under-performing and non-performing accounts receivable from clients encountered difficulties under transitional change in market and environmental compliance requirement in the current year.
16. Decrease in earnings per shares (“EPS”) was directly attributable to the decrease in net profit in 2021.
17. Decrease in EBITDA for the year ended 31 December 2021 was mainly attributable to the decrease in overall operating profit of the Group in the current year.

Seasonality of operations

For the year ended 31 December 2021, the operation of providing environmental treatment and disposal services for industrial and medical wastes was the key driver of revenue of the Group which encountered a relatively higher demand in the first half of the year.

For the year ended 31 December 2021, the environmental treatment and disposal services for industrial and medical wastes though still being affected by the impact of COVID-19 which recorded a revenue of HK\$456,400,000 (2020: HK\$601,211,000) and pre-tax profit of HK\$46,386,000 (2020: HK\$127,778,000) with revenue of approximately 51.7% (2020: 50.9%) being accumulated in the first half of the year and approximately 48.3% (2020: 49.1%) being accumulated in the second half of the year.

Capital expenditure

For the year ended 31 December 2021, the Group incurred capital expenditure to increase property, plant and equipment and to acquire land use rights for the operating segment of (i) environmental treatment and disposal services for industrial and medical wastes amounted to approximately HK\$24,824,000 (2020: HK\$44,731,000), (ii) environmental equipment construction and installation services amounted to HK\$1,235,000 (2020: Nil); (iii) industrial sewage and sludge treatment and facility provision services in the Eco-plating Specialised Zone amounted to approximately HK\$1,684,000 (2020: HK\$27,172,000), and (iv) head office for corporate use in Hong Kong being HK\$1,730,000 (2020: HK\$6,000).

Commitments

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted but not provided for:		
– Capital expenditure in respect of property, plant and equipment	20,624	15,359
– Capital contribution to an equity investment	15,976	15,771
	<u>36,600</u>	<u>31,130</u>

Liquidity, financial resources and gearing

- (a) For the year ended 31 December 2021, the Group financed its operations and made payment of debts and liabilities due timely with internally generated cash flows, banking facilities and other borrowings.
- (b) The Group remained stable in its financial position with equity attributable to owners of the Company amounted to approximately HK\$1,052,779,000 as at 31 December 2021 (2020: HK\$1,034,427,000) and consolidated total assets amounted to approximately HK\$1,784,011,000 as at 31 December 2021 (2020: HK\$1,745,603,000).
- (c) The Company did not have any equity fund raising activity within the past twelve months immediately prior to the date of this announcement (2020: Nil).
- (d) At the end of the reporting period, the Group had:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(i) Cash and bank balances	302,074	257,523
(ii) Available unused unsecured banking facilities	14,640	55,960
	<u>316,714</u>	<u>313,483</u>

Key Performance indicators

- (a) The Group monitors its financial and earnings performance through EBITDA. EBITDA of the Group was HK\$151,348,000 for the year ended 31 December 2021 (2020: HK\$209,958,000).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	52,918	102,046
Add:		
Depreciation on property, plant and equipment	80,332	69,915
Depreciation on right-of-use assets	4,141	3,932
Gross interest expenses	6,521	9,564
Income tax	7,436	24,501
	<hr/>	<hr/>
EBITDA for the year	151,348	209,958
	<hr/> <hr/>	<hr/> <hr/>

- (b) The Company monitors its financial and earnings performance of the associates through EBITDA by cancelling the effects of the associates' capital, financing and tax entity structure. Set out below is the EBITDA of the associates of the Company for the two years ended 31 December 2021:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EBITDA of associates:		
Zhenjiang Xin Qu	29,486	45,702
NCIP	(16,428)	21,433
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

- (c) The Group monitors its liquidity through current ratio. The current ratio of the Group representing the ratio of the consolidated current assets to the consolidated current liabilities was 1.02 times as at 31 December 2021 (2020: 0.85 times).

- (d) The Group monitors its capital by reference to the gearing ratio. This ratio is calculated as total interest-bearing borrowings (including lease liabilities) divided by total equity. The gearing ratio at the end of the reporting period was as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank borrowings	198,970	189,035
Other borrowing	–	25,000
Lease liabilities	1,470	147
	<hr/>	<hr/>
Total interest-bearing borrowings	200,440	214,182
	<hr/> <hr/>	<hr/> <hr/>
Total equity (inclusive of non-controlling interests)	1,182,810	1,163,337
	<hr/> <hr/>	<hr/> <hr/>
Gearing ratio	16.9%	18.4%
	<hr/> <hr/>	<hr/> <hr/>

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

Capital structure

There was no significant change to the capital structure of the Company as at 31 December 2021 comparing to that as at 31 December 2020.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 23 July 2021, the Board decided to pay up the increase in registered capital of HK\$31,500,000 to the wholly-owned subsidiary in PRC, Jiangsu Xin Yu Environmental Technologies Limited* (江蘇新宇環保科技有限公司) to increase cash available for exploring opportunities prudently for business restructuring and industrial upgrade of the Group's environmental operations in the PRC.

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 2021.

Significant subsequent event

Subsequent to the end of the reporting period, on 2 March 2022 the Group entered into an agreement as vendor to dispose of the entire equity interests in a wholly-owned subsidiary, Taixing Xin Xin Resources Recycling Company Limited* (“**Taixing Xin Xin**”), to an independent third party at a consideration of RMB42,100,000 (approximately HK\$51,362,000). The major assets held by Taixing Xin Xin were land of 33,323 sq.m. and industrial buildings of gross floor area 3,360 sq.m. with a total carrying amount of approximately HK\$23,646,000 as at 31 December 2021. The transaction is expected to be completed within four months after entering into the agreement.

Significant investments held and their performance

According to the valuation report issued by an independent professional valuer, Colliers International (HK) Limited (“**Colliers International**”) (2020: CBRE Limited (“**CBRE**”)), the total fair value attributable to the Group’s interests in the equity investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei as at 31 December 2021 was HK\$80,800,000 (31 December 2020: HK\$118,100,000).

	Group’s interest	Fair value attributable to the Group	
		2021 <i>HK’000</i>	2020 <i>HK\$’000</i>
Suzhou New Huamei	18.62%	33,300	33,700
Danyang New Huamei	24.50%	8,100	10,900
Qingdao Huamei	28.67%	39,400	73,500
		80,800	118,100

The change in fair value of the equity investments for the year end 31 December 2021 were recognised as other comprehensive income and accounted for in the investment revaluation reserve of the Group.

Impairment testing on goodwill

Goodwill was recognised in 2007 upon the completion of a business combination composed of Zhenjiang New Universe Solid Waste Disposal Company Limited and Yancheng New Universe Solid Waste Disposal Company Limited that principally engaged in environmental waste treatment and disposal services in Zhenjiang, Jiangsu Province, the PRC which since then being identified as a cash-generating unit. As at 31 December 2021, the assessment on the recoverable amount of this cash-generating unit was conducted with reference to the valuation report issued by Colliers International (2020: CBRE), based on reasonable assumptions, including but not limited to the cash flows projection with a growth rate at 2% (2020: 2%) of that cash-generating unit operating with the licensed incineration capacity of hazardous waste 26,400 metric tonnes per annum and licensed detoxification capacity of regulated medical waste 3,000 metric tonnes per annum, and at the pre-tax discount rate of 19.50% (2020: 17.85%) having accounted for the risks encountered in the industries. No impairment loss to the goodwill was considered necessary for the two years ended 31 December 2021.

Impairment testing on interest in an associate, NCIP

As at 31 December 2021, the assessment on the recoverable amount of the Group's interest in NCIP, that principally engaged in environmental waste treatment and disposal services in Nanjing, Jiangsu Province, the PRC, was conducted with reference to the valuation report issued by Colliers International (2020: CBRE), based on reasonable assumptions, including but not limited to the cash flows projection of NCIP with a growth rate at 2% (2020: 2%) of NCIP as cash-generating unit with the licensed incineration capacity of hazardous waste 38,000 metric tonnes per annum, and at the pre-tax discount rate of 18.03% (2020: 16.04%) having accounted for the risks encountered by NCIP in the industries. No impairment loss to the Group's interest in NCIP was considered necessary for the two years ended 31 December 2021.

Charges on assets

As at 31 December 2021, the following assets of the Group were pledged as collaterals for banking facilities granted and other ordinary business of the Group:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount of collaterals:		
Property, plant and equipment	108,107	114,782
Land use rights	28,830	28,523
Pledged bank deposits	8,191	12,511
	<u>145,128</u>	<u>155,816</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured liabilities and guarantee issued:		
Secured bank borrowings	73,200	64,310
Bills payable	6,086	12
Bank guarantees issued in favour of external customers for undertaking contract works	2,105	12,499
	<u>81,391</u>	<u>76,821</u>

Contingent liabilities

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

Employee information

As at 31 December 2021, the Group had 651 (2020: 632) full-time employees, of which 17 (2020: 17) were based in Hong Kong, and 634 (2020: 615) in Mainland China. For the year ended 31 December 2021, staff costs, including Directors' remuneration and amount capitalised as inventories was HK\$108,986,000 (2020: HK\$93,515,000). 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 continuous development and training.

Exposure to fluctuations in exchange rates

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

The results of the Company's subsidiaries in Mainland 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 Company's subsidiaries in Mainland China are translated from RMB into HK\$ at the closing rate ruling at the end of the reporting period. For the year ended 31 December 2021, RMB appreciated on average relatively to the HK\$ resulted in an overall upside exchange difference on translation from RMB to HK\$ for the financial statements of the subsidiaries in Mainland China amounted approximately to HK\$30,186,000 (2020: HK\$46,765,000) that were recognised as other comprehensive income and accumulated separately in equity in the translation reserve of the Company in the current year, and there was a downside exchange difference of HK\$982,000 arisen on disposal of a PRC subsidiary that was recognised to the profit or loss of the Company in 2020. The accumulated exchange differences in the translation reserve will be reclassified to profit or loss as when the interests in the relevant subsidiaries in Mainland 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 outbreak of COVID-19 pandemic has started from early 2020 that has continuously led to series of precautionary and control measures implemented across Mainland China, and the operations of the Group located mainly in Jiangsu Province resumed gradually and have not been significantly impacted. As of the date of approval of this consolidated financial statements, the Directors consider that there is no material uncertainty as result of COVID-19 pandemic that casts a doubt on the Group's ability to carry on its business as a going concern in the next twelve months.
2. The Group is dependent of the continuous renewal of hazardous waste operating permission licences to be granted by the PRC Government. The environmental business of the Group involving in collection, storage, incineration, landfill, treatment and final disposal of hazardous waste in Mainland 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. 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 delayed and subject to the compliance with the PRC Governmental directions for renovation and reconstruction.

The Group commits to ensure the continuous renewal of all necessary licences for its operations and to ensure all subsidiary entities engaging in environmental operations 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 PRC Government from time to time.

3. 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 continuous staff development, and to strengthen its waste management standard and financial stability in order to compete with the increasing number of competitors in treatment of hazardous waste sector with more financial resources to develop larger scaled waste disposal and recycling facilities, better standards to the compliance with all national and international environmental regulations, and better technical know-how than we have.

4. Owing to the increasing number of hazardous waste disposal companies being granted license to operate currently in the market, and the quantity of hazardous waste produced from upstream manufacturers has not increased relatively, it resulted in keen competition of hazardous waste among disposal companies. The competition has become fierce, and it has also increased the bargaining power of the intermediary agency in hazardous waste distribution market. Intermediary agency fee will be determined on the quantity of hazardous waste discharged by a cooperative hazardous waste disposal unit. Intermediary agency fee would constitute one of the major costs to an entity running hazardous waste disposal operations and affect the Group's profitability performance.

The Group will strengthen its own marketing function and the contractual relationship with all existing clients as well as the operative relationship with the intermediary agencies emerging in the market in order to ensure the Group operate in a stable manner under the transitional change.

5. The Group engages in hazardous waste incineration to reduce quantity of hazardous waste and to decompose hazardous waste through high temperature incineration process, to landfill the hazardous waste and post incineration residue, 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, contamination to land, and incidental adverse waste discharging conditions caused by clients, and which could have negative 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 has to continuously upgrade the efficiency of the existing plant and equipment and to enhance the project management standards from time to time. The Group has its own project management team and will appoint independent professionals to report on environmental emissions periodically and to monitor all possible environmental impact to the society.

6. The scale of the Group's operations has increased 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 risk management and internal control systems, or ineffectiveness of the internal control due to any defective critical point subsisted in the risk management and internal control systems or any improper internal control measure.

The Group has continuously monitored the effectiveness of 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 has assigned designated staffs to monitor each key operation of the Group who would strengthen the liaison among the Group's headquarter in Hong Kong, head office in Zhenjiang and all project companies, and from time to time, keep informed of the status of the projects and ensure the top management's policies are being implemented in a timely and effective manner.

7. The impact of economic conditions on local industries in Mainland 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 has to continue its business strategy to strengthen penetration of different geographical markets and thereby to reduce its dependency on the specific markets.

8. Loss of key personnel and lack of appropriately experienced human resources would result in a delay in achieving the Group's strategic goals and development of new projects.

The Company has to review the organisational structure of the Group and responsibilities and duties of all key staff members regularly and to mitigate any possible loss on human capital by regular reviews of recruitment and retention practices, remuneration packages and succession planning within the management team and to motivate the staff by implementation of the share option scheme of the Company.

CHANGE IN DIRECTORS' INFORMATION

For the year ended 31 December 2021 and up to the date of this announcement, there were changes in Directors' information as follows:

- (a) Ms. ZHANG Shuo retired as executive Director and a member of the executive committee with effect from 18 June 2021; and
- (b) Mr. ZHENG Zhen was appointed as executive Director and a member of the executive committee of the Company with effect from 20 August 2021.

Save as disclosed therein, there is no significant change in details of the Directors' information since the date of last annual report of the Company for the year ended 31 December 2020.

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

CHANGE IN INFORMATION OF MANAGEMENT

For the year ended 31 December 2021 and up to the date of this announcement, there was no significant change in information of the key management team members of the Company since the date of last annual report of the Company for the year ended 31 December 2020.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

As at 31 December 2021 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:

- (a) Mr. XI and Ms. CHEUNG Siu Ling, the executive Directors, are also the directors of the landlord, Sun Ngai to the tenancy agreement dated 20 July 2020 entered into by Smartech Services (an indirectly 100% owned subsidiary of the Company) as tenant to lease three office units at Rooms 2109 to 2111, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong (the “**Office Premises**”) for the period from 1 August 2020 to 31 July 2021 at a monthly rental of HK\$80,000.
- (b) A renewed tenancy agreement dated 20 July 2021 was entered into between Sun Ngai as landlord and Smartech Services as tenant for leasing the Office Premises for the period from 1 August 2021 to 31 July 2022 at a monthly rental of HK\$80,000.
- (c) For the year ended 31 December 2021, total rentals paid by Smartech Services to Sun Ngai were HK\$960,000 (2020: HK\$960,000).

The above transactions were conducted on terms no less favourable than terms available from independent third parties which were in the ordinary course of business of the Group. The afore-mentioned tenancy agreements entered into between the wholly owned subsidiary of the Group, Smartech Services and Sun Ngai were de minimus transactions exempted under rule 14A.76(1)(a) of the Listing Rules.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Ms. LIU Yu Jie was appointed executive Director with effect from 9 June 2015, who has investments in four companies engaging in the operation of hazardous waste projects in four cities in Mainland 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 announcement, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the 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.

CONNECTED TRANSACTIONS

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

PROVISION OF GUARANTEES TO A AFFILIATED COMPANY

On 25 September 2020, the Company and the joint venturer, as the joint guarantors, entered into the guarantee agreement with a bank in the PRC to jointly guarantee the repayment obligations of Xinyu Rongkai (a 65% indirectly owned joint venture of the Company) in relation to the bank loan facilities in a total amount of RMB120,000,000 (approximately HK\$141,600,000) and the guarantee will be effective until 31 December 2027, for the purpose of financing the construction of the integrated hazardous waste treatment project undertook by Xinyu Rongkai at Liuzhou, Guangxi Province, the PRC.

As at 31 December 2021, the outstanding bank loans under the facilities guaranteed by the Company were in aggregate of approximately RMB107,393,000 (approximately HK\$131,019,000) (2020: RMB35,040,000 or approximately HK\$41,347,000) which is repayable on 31 December 2025 and bearing interest at 4.75% per annum.

The following table summarised the financial information relating to the Group's joint venture at the end of the reporting period, 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	
	2021	2020
	HK\$'000	HK\$'000
Gross amounts of the joint venture's		
Non-current assets	180,744	110,156
Current assets	36,677	10,046
Current liabilities	(30,955)	(2,987)
Non-current liabilities	(102,690)	(41,347)
	<u>83,776</u>	<u>75,868</u>
Equity	<u>83,776</u>	<u>75,868</u>
The Group's attributable interest in the joint venture		
Gross amount of net assets of the joint venture	<u>83,776</u>	<u>75,868</u>
The Group's share of net assets of the joint venture	54,454	49,314
Unrealised gain eliminated on consolidation	<u>(2,464)</u>	<u>(1,914)</u>
Carrying amount of net assets of the joint venture	<u>51,990</u>	<u>47,400</u>

LOAN AGREEMENTS WITH SPECIFIC PERFORMANCE COVENANT

On 17 August 2018, the Company accepted a banking facility letter dated 28 June 2018 (the "**Facility Letter A**") issued by a bank ("**Bank A**") in Hong Kong. Pursuant to the Facility Letter A, Bank A granted an unsecured term loan facility of up to HK\$30,000,000 (the "**Facility A**") to the Company. The final maturity date of the Facility A will be in July 2023. In accordance with the purpose of the loan, the Facility A has been used directly for the payment of capital contribution in respect of the Group's interest in Xinyu Rongkai. As at 31 December 2021, the outstanding unsecured bank loan under the Facility A was HK\$15,000,000 (2020: HK\$21,000,000).

On 17 August 2018, the Company accepted a banking facility letter dated 8 August 2018 (the "**Facility Letter B**") issued by a bank ("**Bank B**") in Hong Kong. Pursuant to the Facility Letter B, Bank B granted an unsecured term loan facility of up to HK\$15,000,000 (the "**Facility B**") to the Company. In accordance with the purpose of the loan, the Facility B has been used to finance the capital expenditure in relation to the environmental operations of the Group. As at 31 December 2021, the outstanding unsecured bank loan under Facility B was HK\$6,000,000 (2020: HK\$15,000,000), and the loan was fully repaid on 10 January 2022 subsequent to the end of reporting period.

On 12 December 2017, the Company accepted a banking facility letter (the “**Facility Letter C**”) issued by a bank (“**Bank C**”) in Hong Kong. Pursuant to the Facility Letter C, Bank C granted an unsecured term loan facility of up to HK\$50,000,000 (the “**Facility C**”) to the Company. The final maturity date of the Facility C will be in December 2022. In accordance with the purpose of the loan, the Facility C has been used to finance the capital expenditure of the Group in relation to environmental industrial treatment, medical waste treatment and/or environmental sewage treatment project. As at 31 December 2021, the outstanding unsecured bank loan under Facility C was HK\$30,000,000 (2020: HK\$35,000,000).

Pursuant to each of the facility letters A, B, and C, if Mr. XI (being defined as the “controlling shareholder” in the facility letters) (i) ceases to be directly or indirectly the single largest Shareholder; (ii) ceases to own directly or indirectly at least 30% of the issued shares with voting rights of the Company; or (iii) ceases to have the management control over the Company, the banks reserve their respective overriding rights at any time with immediate effect to cancel or vary the terms of the facility letters, demand immediate repayment of all outstanding amounts and require provision of immediate cash cover (in the amount notified by the banks) for any future or contingent liabilities upon the occurrence of any events of default.

As at 31 December 2021, Mr. XI, through his beneficial interest in 83.66% of the issued share capital of NUEL, is deemed interested in 1,109,303,201 shares (2020: 1,109,303,201 shares) of the Company, representing 36.54% (2020: 36.54%) of the total issued share capital of the Company beneficially owned by NUEL.

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

PUBLIC FLOAT

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

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 2021.

CORPORATE GOVERNANCE CODE

- (a) During the year ended 31 December 2021, the Company complied with all code provisions set out in the Corporate Governance Code in Appendix 14 (“**CG Code**”) to the Listing Rules, and save for the code provision C.2.1, the Directors confirmed that they were not aware of any other deviation from the CG Code for the year then ended.
- (b) Code provision C.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. With effect from 16 October 2018, Mr. XI, chairman of the Board (“**Chairman**”) has assumed the role of both Chairman and has to discharge the executive functions of chief executive officer of the Company (“**CEO**”), and the assumption of the dual role of both Chairman and CEO by Mr. XI constitutes a deviation from code provision C.2.1 of the CG Code.

After evaluation of the ongoing status of the Group and taking into account of the experience and performance of Mr. XI, the Board is of the opinion that it is appropriate and in the best interest of the Company at the present stage to vest the roles of the Chairman and the CEO of the Company on the same person as it helps to facilitate the execution of the Group’s business strategies and maximises the effectiveness of its operation.

In addition, the Board also considers that: (i) the Company has sufficient internal controls to provide checks and balances on the functions of the Chairman and CEO; (ii) Mr. XI as the Chairman and CEO is fully accountable to the Shareholders of the Company and contributes to the Board and the Group on all top level and strategic decisions and is responsible for ensuring that all Directors act in the best interests of the Shareholders; and (iii) this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board believes that vesting of the roles of Chairman and CEO on the same person has the benefit of ensuring consistent leadership within the Group and will enable the Company to make and implement decisions in a timely and efficient manner. However, the Board will continue to review and consider splitting the role of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate.

DIRECTORS’ SECURITIES TRANSACTIONS

- (a) 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 Listing Rules.

- (b) 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 2021.

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 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 B.2.3 set out in the Appendix 14, Part 2 to the Listing Rules, further appointment of each of them should be subject to a separate resolution to be approved by the shareholders. The Board believes that each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred remains independent, notwithstanding the length of their tenure. Each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred has confirmed to meet the criteria set out in the independence guideline of Rule 3.13 under the Listing Rules. The Board is of the opinion that the skills, expertise, background and qualifications each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred will continue to bring benefits to the Group.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, 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 2021.

INDEPENDENT REVIEW

This preliminary announcement of the Company's consolidated results for the year ended 31 December 2021 has been reviewed by and agreed with the Company's independent auditor, Crowe (HK) CPA Limited.

PROPOSED FINAL DIVIDEND

On 31 March 2022, the Board recommended the payment of a final dividend of HK\$0.0039 per share at a payout ratio of approximately 29.3% of the profit attributable to the owners of the Company for the year ended 31 December 2021, which is subject to the approval of the shareholders at the forthcoming annual general meeting (the "**Annual General Meeting**"). Upon shareholders' approval at the Annual General Meeting, the final dividend is expected to be payable on 29 July 2022 to shareholders whose names appear on the register of members on 10 June 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will not be closed for the purpose of ascertaining the right of shareholders to attend and vote at the forthcoming Annual General Meeting to be held on Friday, 27 May 2022. However, in order to qualify for attending and voting at the forthcoming Annual General Meeting, all transfers documents accompanied by the relevant share certificates must be deposited with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 May 2022.

The register of members of the Company will be closed for the purpose of ascertaining the entitlement of shareholders to the proposed final dividend at the Annual General Meeting from Tuesday, 7 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend (subject to the approval of shareholders at the Annual General Meeting), all transfers documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 June 2022.

PUBLICATION OF DETAILED FINANCIAL AND RELATED INFORMATION ON THE WEBSITE OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the website of the Company (www.nuigl.com) and the Stock Exchange (www.hkexnews.hk). The Company's annual report 2021, containing all the information required by Appendix 16 to the Listing Rules, will be dispatched to shareholders and made available on the above websites in due course.

By Order of the Board
New Universe Environmental Group Limited
XI Yu
Chairman

Hong Kong, 31 March 2022

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

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

* *For identification purpose only*