



**NEW UNIVERSE
INTERNATIONAL
GROUP LIMITED**

新宇國際實業（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code:8068



INTERIM REPORT 2007

The background of the cover features a large, stylized 'NU' logo in white and gold, set against a golden globe with a grid pattern. The globe is partially obscured by a diagonal gold band that runs from the top right to the bottom left. The overall color scheme is warm, with various shades of gold and orange.

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of NEW UNIVERSE INTERNATIONAL GROUP LIMITED, collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to NEW UNIVERSE INTERNATIONAL GROUP LIMITED. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- 1) the information contained in this report is accurate and complete in all material respects and not misleading;*
- 2) there are no other matters the omission of which would make any statement in this report misleading; and*
- 3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

CORPORATE INFORMATION**BOARD OF DIRECTORS***Executive Directors*

XI Yu (Chairman)
CHEUNG Siu Ling
HON Wa Fai

Non-Executive Director

SUEN Ki

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

XI Yu
HON Wa Fai

COMPLIANCE OFFICER

XI Yu

QUALIFIED ACCOUNTANT

HON Wa Fai

COMPANY SECRETARY

HON Wa Fai

REGISTERED OFFICE

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

**HEAD OFFICE AND
PRINCIPAL PLACE OF BUSINESS**

Rooms 2110 – 2112, Telford House
16 Wang Hoi Road
Kowloon Bay
Kowloon, Hong Kong

AUDITORS

CCIF CPA Limited
Certified Public Accountants

**SHARE REGISTRAR AND
TRANSFER OFFICE***Principal*

Bank of Bermuda (Cayman) Limited
P.O. Box 513 G.T.
3rd Floor
British American Tower
Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China
Jiangsu Jingkou Sub-branch
Jiangsu Province
The People's Republic of China

Industrial and Commercial Bank of China
Suzhou Wuzhong Sub-branch
Jiangsu Province
The People's Republic of China

The Hongkong and Shanghai Banking
Corporation Limited
Kwun Tong Branch
Hong Kong

STOCK CODE

8068

WEBSITE

www.nuigl.com

FINANCIAL HIGHLIGHTS

- The Group's turnover was HK\$22,524,000 for 2Q 2007 (2Q 2006: HK\$33,328,000).
- The Group's gross profit and gross profit margin were HK\$3,227,000 and 14.3% for 2Q 2007 respectively (2Q 2006: HK\$6,519,000 and 19.6%).
- Loss attributable to the equity holders of the Company was HK\$6,242,000 for 2Q 2007 (2Q 2006: HK\$3,815,000).
- Basic loss per share for loss attributable to the equity holders of the Company was HK cents 0.57 for 2Q 2007 (2Q 2006 as restated: HK cents 2.11).
- Total equity was HK\$127,160,000 as at 30 June 2007 (31 December 2006: HK\$24,487,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The business environment for the manufacturing and sale of molds and plastic products has been competitive in the past few years. During the period ended 30 June 2007, both turnover and gross profit of the Group declined as compared to the corresponding period in 2006. Turnover and gross profit decreased by 32.4% and 50.5% to HK\$22,524,000 and HK\$3,227,000 respectively for the six months ended 30 June 2007.

Performance of Smartech

During the period, the Board has been reviewing the operations of both Dongguan Smartech Tooling and Plastics Limited (“Dongguan Smartech”) and Smartech Manufacturing Limited (“HK Smartech”) (collectively referred to as “Smartech”) whose performance was affected by increasing production costs in Guangdong Province in the recent years. During the period ended 30 June 2007, turnover of Smartech has been decreasing as compared to that for the corresponding period in 2006, and overall performance of Smartech slowed down. Smartech’s turnover represented 52.8% of the Group’s turnover in current period as compared to 68.8% in the corresponding period in 2006. Molds sales of Smartech represented 57.0% of its total turnover in current period, of which 99.4% was sales to Hong Kong and overseas customers, and 0.6% was sales in Mainland China. Plastics sales of Smartech represented 43.0% of its turnover in current period, of which 62.0% was sales to Hong Kong and overseas customers and 38.0% was sales in Mainland China.

Performance of Suzhou New Universe

During the period ended 30 June 2007, turnover of Suzhou New Universe Smartech Tooling and Plastics Limited (“Suzhou New Universe”) increased as compared to that for the corresponding period in 2006. Profit margin of Suzhou New Universe was approximately 4.1% in current period. Suzhou New Universe’s turnover represented 47.2% of the Group’s turnover in current period as compared to 31.2% in the corresponding period in 2006. Molds sales of Suzhou New Universe represented 65.0% of its total turnover in current period, of which 19.1% was sales to overseas customers and 80.9% was sales in Mainland China. Plastics sales of Suzhou New Universe represented 35.0% of its total turnover in current period, of which 73.0% was sales to overseas customers and 27.0% was sales in Mainland China. With effort on betterment of the process management and quality control of the factory’s production lines, Suzhou New Universe has obtained the ISO/TS16949 certification during the period.

Development of Zhenjiang Docks Project

After the Company's shareholders approved the co-operative agreement dated 18 July 2006 ("Co-operative Agreement") entered into between the Company and the China parties ("China Parties", comprising The District Government of Jingkou, Zhenjiang and State Owned Gongqingtuan Farm of Jiangsu Province) in relation to the investment ("Investment") for the construction of dock infrastructure and development of warehouses and depot facilities at a site area in Xinminzhou, Jingkou District, Zhenjiang City, Jiangsu Province, Mainland China ("Zhenjiang Docks Project"), the Group established two wholly foreign owned enterprises with total registered capital of USD25,000,000 (approximately HK\$194,000,000) in Zhenjiang, the Mainland China ("Zhenjiang WFOEs"), namely, New Universe International (Zhenjiang) Port Company Limited (新宇國際(鎮江)港務有限公司) ("Zhenjiang Port Co.") and New Universe International (Zhenjiang) Warehouses Company Limited (新宇國際(鎮江)倉儲有限公司) ("Zhenjiang Warehouses Co."). As at 30 June 2007, the Company has contributed capital of USD8,500,000 (approximately HK\$65,960,000) to Zhenjiang Port Co. and USD1,500,000 (approximately HK\$11,640,000) to Zhenjiang Warehouses Co. respectively.

The management team of both Zhenjiang Port Co. and Zhenjiang Warehouses Co. has been properly appointed to manage the initial phase of the Zhenjiang Docks Project. However, up to the date of this report, the Zhenjiang WFOEs are still awaiting the final approval of granting the necessary land use rights for the Zhenjiang Docks Project. The Board expects the schedule for kicking off the development of Zhenjiang Docks Project will be deferred, though all parties to the Co-operative Agreement intend to go ahead for the Zhenjiang Docks Project. Barring any unforeseeable circumstances and with the continuous effort of all parties to the Co-operative Agreement, the Company does not expect any difficulties in making the relevant applications for the required approvals for Zhenjiang Docks Project from the relevant authorities in the Mainland China.

Investments and finance

Immediately following the completion of the capital re-organisation on 18 December 2006, the Company proceeded with a rights issue of 1,042,720,000 rights shares at a subscription price of HK\$0.10 per rights share on the basis of seven rights shares for every share held by the Company's shareholders on 28 December 2006 ("Rights Issue"). The Rights Issue became unconditional on 17 January 2007.

The net proceeds of the Rights Issue (after deduction of expenses amounted to approximately HK\$1,204,000) was approximately HK\$103,068,000, of which approximately HK\$56,944,000 was received in cash and approximately HK\$46,124,000 was used to repay the unsecured interest free loans granted by the Company's controlling shareholder, New Universe Enterprises Limited ("NUEL"), directly by setting off on a dollar-to-dollar basis against its pro-rata entitlements to the Rights Issue (HK\$41,904,000 of the shareholder's loans was used for initial capital contribution to the Zhenjiang WFOEs upon their incorporation in the Mainland China before the completion of the Rights Issue).

NUEL and a related company, China (HK) Chemical and Plastics Co. Limited ("China (HK) Chemical"), have agreed to support the Group for the development of the Zhenjiang Docks Project, though the Company, with its feasible internal resources, would also seek bank financing or other means of finance for the purposes of the Zhenjiang Docks Project.

Prospects

Entering the year of 2007, the Group sees the importance of continuous betterment of productivity and technical know-how of both Smartech and Suzhou New Universe to improve the overall performance of the Group. On the other hand, the Group is also exploring the feasibility of consolidating its internal resources for future diversification and business transformation. The Board remains confident of the continuous growth of the Group and that our performance will be improved in the coming future.

FINANCIAL REVIEW

Turnover and gross profit

The Group's turnover was HK\$22,524,000 for the six months ended 30 June 2007, reflecting a decrease of 32.4% from HK\$33,328,000 for the corresponding period in 2006. Smartech and Suzhou New Universe have contributed 52.8% and 47.2% respectively of the Group's turnover for the six months ended 30 June 2007 as compared to 68.8% and 31.2% respectively for the corresponding period in 2006. Gross profit of the Group for the six months ended 30 June 2007 decreased by 50.5% to HK\$3,227,000 as compared to HK\$6,519,000 for the corresponding period in 2006. Gross profit margin was 14.3% for the six months ended 30 June 2007 as compared to 19.6% for the correspondence period in 2006. The overall performance of the Group slowed down for the six months ended 30 June 2007.

Other income

The Group's other income was HK\$1,502,000 for the six months ended 30 June 2007, representing an increase of income from non-core business as compared to HK\$390,000 for the corresponding period in 2006.

Selling and distribution costs

The Group's selling and distribution costs decreased by 22.2% to HK\$1,645,000 in current period representing 7.3% to the Group's turnover for the six months ended 30 June 2007; as compared to HK\$2,115,000 in last corresponding period that representing 6.3% to the turnover for the corresponding period in 2006. The current decrease in selling and distribution costs was mainly attributable to decreases in commission paid to agencies and expenses for after sales services.

Administrative expenses

The administrative expenses decreased by 5.4% to HK\$6,428,000 in current period, representing 28.5% to the Group's turnover for the six months ended 30 June 2007; as compared to HK\$6,794,000 in last corresponding period that representing 20.4% to the turnover for the corresponding period in 2006. The current decrease in administrative expenses was mainly attributable to decrease in administrative staff costs in the Mainland China during the period.

Other operating expenses

The other operating expenses increased by 84.4% to HK\$2,465,000 in current period, representing 10.9% to the Group's turnover for the six months ended 30 June 2007; as compared to HK\$1,337,000 in last corresponding period that representing 4.0% to the turnover for the corresponding period in 2006. The current increase in other operating expenses was mainly attributable to increase in losses on exchange during the period.

Finance costs

The total finance costs of the Group was HK\$433,000 for the six months ended 30 June 2007 as compared to HK\$478,000 for the corresponding period in 2006. The current decrease in finance costs was mainly attributable to the decrease in interest-bearing bank borrowings in current period.

Loss from ordinary activities attributable to equity holders of the Company

The Group made a loss from ordinary activities attributable to equity holders of HK\$6,242,000 for the six months ended 30 June 2007, whereas the loss for the last corresponding period was HK\$3,815,000.

Liquidity and financial resources

The Group operates with conservative treasury policies to avoid risky investments and to minimize interest-bearing borrowings. In current period, the Group financed its operation activities with the Rights Issue, internally generated cash flows, banking facilities, and loans from NUEL.

As at 30 June 2007, the Group had total cash and bank balances of HK\$62,507,000 (31 December 2006: HK\$29,155,000) and had available unused general banking facilities amounted to HK\$12,269,000 (31 December 2006: HK\$6,350,000).

As at 30 June 2007, the Group had total outstanding borrowings of approximately HK\$20,525,000 (31 December 2006: HK\$78,578,000) as follows:

- (i) secured interest bearing bank borrowings of approximately HK\$9,184,000 (31 December 2006: HK\$8,695,000);
- (ii) unsecured interest bearing bank borrowings of approximately HK\$1,812,000 (31 December 2006: HK\$7,515,000);
- (iii) finance lease payables of approximately HK\$11,000 (31 December 2006: HK\$601,000); and
- (iv) unsecured non-interest bearing borrowings from the Company's controlling shareholder, NUEL, with fair value of approximately HK\$9,518,000 (31 December 2006: HK\$59,767,000).

As at 30 June 2007, there was no outstanding balance due to the related company, China (HK) Chemical (31 December 2006: HK\$2,000,000).

Out of the total outstanding borrowings as at 30 June 2007, approximately HK\$20,519,000 (31 December 2006: HK\$21,064,000) was repayable within one year.

Gearing ratio

As at 30 June 2007, the Group's gearing ratio was 27.9% (31 December 2006: 80.7%), representing total liabilities of HK\$49,133,000 (31 December 2006: HK\$102,621,000) divided by total assets of HK\$176,293,000 (31 December 2006: HK\$127,108,000).

Capital structure

On 19 January 2007, the Company completed a Rights Issue of 1,042,720,000 rights shares at a subscription price of HK\$0.10 each on the basis of seven rights shares for every share then held on 28 December 2006. The net proceeds of the Rights Issue (after deduction of expenses) were approximately HK\$103,068,000, but the amount of cash received by the Company from the Rights Issue was approximately HK\$56,944,000; as the amount of HK\$46,124,000 payable by the Company's controlling shareholder, NUEL, was being capitalised and set-off on a dollar-to-dollar basis against unsecured interest free shareholder's loans previously granted to the Company.

Material acquisition and disposals of subsidiaries

There were no significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the six months ended 30 June 2007.

Employee information

As at 30 June 2007, the Group had 560 (30 June 2006: 625) full-time employees in Hong Kong and the Mainland China. Staff costs, excluding directors' remuneration but including amount capitalised as inventory, was HK\$4,988,000 for the six months ended 30 June 2007 (30 June 2006: HK\$8,484,000). Employees were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, share options and necessary training.

Charges on Group assets

As at 30 June 2007, the Group pledged the land use rights with carrying value of HK\$2,216,000 (31 December 2006: HK\$2,122,000), together with property, plant and equipment with carrying value of HK\$8,325,000 (31 December 2006: HK\$8,092,000) to a bank in Mainland China to secure banking facilities to the extent of RMB9,000,000 or equivalent to HK\$9,184,000 (31 December 2006: HK\$8,695,000) granted to the Group. As at 30 June 2007, the Group's property, plant and equipment with carrying value of HK\$17,000 (31 December 2006: HK\$2,532,000) were held under finance leases amounted to HK\$11,000 (31 December 2006: HK\$601,000).

Exposure to exchange rate fluctuations

During the period ended 30 June 2007, the Group experienced only immaterial exchange rates fluctuations as most of the Group's monetary assets and liabilities were denominated and most of the business were conducted in Hong Kong Dollars, US Dollars and Renminbi, and all of which were relatively stable during the period under review. The Group considered that as the exchange rate risks of the Group is moderately low; though the Group did not employ any financial instruments for hedging purposes.

Contingent liabilities

There was no significant contingent liabilities of the Group as at 30 June 2007 (31 December 2006: Nil).

Commitments

As at 30 June 2007, except for commitments of operating leases payable within 5 years for its office premises in Hong Kong and an industrial plant in Mainland China of total HK\$8,601,000 (31 December 2006: HK\$10,127,000), there were also capital commitments of the Group authorised but not contracted for amounted to HK\$60,372,000 (31 December 2006: HK\$60,385,000) and capital commitments contracted for but not provided for amounted to HK\$126,097,000 (31 December 2006: HK\$173,473,000) mainly in respect of the development of Zhenjiang Docks Project.

Interim dividend

The Board did not recommend the payment of dividend for the six months ended 30 June 2007 (2006: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 30 June 2007, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance ("SFO")) as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors under the GEM Listing Rules, were as follows:

(1) Long positions in shares of the Company

Name of director	Number of ordinary shares of HK\$0.01 each			Total number of shares held	% of total shares in issue
	Beneficial owner	Family interest	Interest of controlled corporation		
XI Yu	–	–	816,384,800	816,384,800	68.51

Note:

XI Yu is the shareholder interested in 16,732 shares of USD1.00 each of NUEL, representing approximately 83.66% of the issued share capital of NUEL, which in turn holds 816,384,800 shares of the Company representing approximately 68.51% of the issued share capital of the Company.

(2) Long positions in shares of an associated corporation

Name of director	Number of ordinary shares of USD1.00 each in the capital of NUEL			Total number of shares held	% of total shares in issue
	Beneficial owner	Family interest	Interest of controlled corporation		
XI Yu	16,732	–	–	16,732	83.66
CHEUNG Siu Ling	1,214	1,214	–	2,428	12.14
SUEN Ki	840	–	–	840	4.2

Note:

NUEL is an associated corporation (within the meaning of the SFO) of the Company.

Save as disclosed above, as at 30 June 2007, none of the directors and chief executive of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to required standards of dealings by directors under the GEM Listing Rules.

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

As at 30 June 2007, persons or corporations who have interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name of director	Number of ordinary shares of HK\$0.01 each			Total number of shares held	% of total shares in issue
	Beneficial owner	Family interest	Interest of controlled corporation		
NUEL	816,384,800	–	–	816,384,800	68.51
XI Yu	–	–	816,384,800	816,384,800	68.51

Note:

The interest disclosed by XI Yu is the same as the 816,384,800 shares disclosed as held by NUEL.

Save as disclosed above, as at 30 June 2007, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted by the Company's shareholders in general meeting on 10 December 2003 ("Share Option Scheme"), whereby the Directors of the Company are authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme shall be valid and effective for a period of 10 years ending on 9 December 2013, after which no further options will be granted.

The maximum number of securities available for issue under the Share Option Scheme as at 30 June 2007 was 119,168,000 shares which represented the current scheme mandate limit given to the directors to issue 10 per cent. of the Company's shares as refreshed by the Company's members on 27 April 2007.

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

Neither of the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2007.

DIRECTOR'S INTERESTS IN CONTRACTS

Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki, being directors of the Company, were interested in the following contracts or arrangements which subsisted during the six months ended 30 June 2007 and were deemed significant to the business of the Group:

- (a) On 21 August 2006, NUEL granted an unsecured interest-free loan of EUR205,000 (equivalent to HK\$1,927,000) to the Company, which was repayable on demand or before 22 August 2007, but was extended to 31 March 2008. The loan was used to finance additional capital contribution in kind of machinery to Suzhou New Universe. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.
- (b) On 29 December 2006, NUEL granted an unsecured interest-free loan of HK\$5,300,000 to the Company, which was repayable on demand or before 31 December 2007, but was extended to 31 March 2008. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.
- (c) On 20 June 2007, NUEL granted an unsecured interest-free loan of USD348,000 (equivalent to HK\$2,714,400) to the Company, which was repayable on demand or before 21 June 2008. The loan was used to finance additional capital contribution to Suzhou New Universe. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

Save as disclosed, as at 30 June 2007, none of the directors of the Company is materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Save as disclosed herein, as at 30 June 2007, the Directors were not aware of any business or interest of the Directors or any management shareholder (as defined under the GEM Listing Rules) of the Company and their respective associates that had completed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code of Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions by the Directors of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry of all Directors, the Directors of the Company have complied with the required standard of dealings set out in the GEM Listing Rules throughout the six months ended 30 June 2007.

AUDIT COMMITTEE

The Company's audit committee has been established since May 2000 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules, which is chaired by an independent non-executive director, currently comprising three independent non-executive directors of the Company, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred. During the six months ended 30 June 2007, the audit committee has held two meetings and has performed the following duties:

- (1) reviewed and commented on the Company's annual report for the year ended 31 December 2006;
- (2) reviewed and commented on the unaudited consolidated first quarterly results of the Group for the three months ended 31 March 2007; and
- (3) reviewed and commented on the internal control and financial reporting procedures of the Group, and other matters in compliance with the GEM Listing Rules.

The Company's audit committee has reviewed and commented on the unaudited consolidated interim results of the Group for the six months ended 30 June 2007.

NOMINATION COMMITTEE

The Company's nomination committee was established in 2005 with written terms of reference to ensure fair and transparent procedures for the appointment of directors to the Board. The nomination committee comprises at least three members, the majority of whom shall be independent non-executive directors of the Company. The current members of the nomination committee are Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred.

REMUNERATION COMMITTEE

The Company's remuneration committee was established in 2005 with written terms of reference to determine policy for the remuneration of directors and senior management of the Company, assessing their performance and approving the terms of their service contracts. The remuneration committee comprises at least three members the majority of whom shall be independent non-executive directors of the Company. The current members of the remuneration committee are Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred.

By order of the Board

New Universe International Group Limited

XI Yu

Chairman

Hong Kong, 9 August 2007

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

Mr. XI Yu	<i>(Executive Director)</i>
Ms. CHEUNG Siu Ling	<i>(Executive Director)</i>
Mr. HON Wa Fai	<i>(Executive Director)</i>
Mr. SUEN Ki	<i>(Non-executive Director)</i>
Dr. CHAN Yan Cheong	<i>(Independent Non-executive Director)</i>
Mr. YUEN Kim Hung, Michael	<i>(Independent Non-executive Director)</i>
Mr. HO Yau Hong, Alfred	<i>(Independent Non-executive Director)</i>

INDEPENDENT ACCOUNTANTS' REVIEW REPORT



CCIF

CCIF CPA LIMITED

20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

To the board of directors of

New Universe International Group Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial statements set out on pages 17 to 32 which comprise the condensed consolidated balance sheet of New Universe International Group Limited as of 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of this interim financial statements in accordance with Hong Kong Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements does not give a true and fair view of the financial position of the Group as at 30 June 2007, and of its financial performance and its cash flows for the six months then ended in accordance with Hong Kong Financial Reporting Standards.

CCIF CPA Limited

Certified Public Accountants

Hong Kong, 9 August 2007

Leung Chun Wa

Practising Certificate Number P04963

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 30 June		Six months ended 30 June	
		2007	2006	2007	2006
		Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Turnover	4	15,331	17,909	22,524	33,328
Cost of sales		(12,577)	(13,717)	(19,297)	(26,809)
Gross profit		2,754	4,192	3,227	6,519
Other income	4	840	299	1,502	390
Selling and distribution costs		(850)	(1,052)	(1,645)	(2,115)
Administrative expenses		(3,304)	(3,468)	(6,428)	(6,794)
Other operating expenses		(1,101)	(634)	(2,465)	(1,337)
Loss from operations	5	(1,661)	(663)	(5,809)	(3,337)
Finance costs		(233)	(245)	(433)	(478)
Loss before taxation		(1,894)	(908)	(6,242)	(3,815)
Income tax expense	6	-	-	-	-
Loss for the period		(1,894)	(908)	(6,242)	(3,815)
Attributable to:					
Equity holders of the Company		(1,894)	(908)	(6,242)	(3,815)
Minority interests		-	-	-	-
		(1,894)	(908)	(6,242)	(3,815)
Dividend	7	-	-	-	-
Loss per share					
for loss attributable to the equity holders of the Company (expressed in HK cents per share)					
Basic	8	(0.17)	(0.50)	(0.57)	(2.11)
Diluted	8	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	9	44,082	42,450
Land lease prepayments	10	2,167	2,076
Deposits paid for docks development		20,408	19,324
Docks development costs		7,531	3,617
		74,188	67,467
Current assets			
Inventories		25,427	17,925
Trade and bills receivables	11	10,185	9,439
Prepayments, deposits and other receivables		3,937	3,076
Land lease prepayments	10	49	46
Cash and cash equivalents		62,507	29,155
		102,105	59,641
Total assets		176,293	127,108
LIABILITIES			
Current liabilities			
Interest-bearing bank borrowings	12	10,996	16,210
Trade and bills payables	13	7,812	5,796
Deposits received		17,553	13,754
Accrued liabilities and other payables		3,243	4,493
Obligations under finance leases	14	5	592
Amount due to a related company		–	2,000
Shareholder's loans	15	9,518	2,262
		49,127	45,107
Net current assets		52,978	14,534
Total assets less current liabilities		127,166	82,001

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		30 June	31 December
		2007	2006
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Non-current liabilities			
Obligations under finance leases	14	6	9
Shareholder's loans	15	–	57,505
		6	57,514
Total liabilities		49,133	102,621
Net assets		127,160	24,487
CAPITAL AND RESERVES			
Share capital	16	11,917	1,490
Reserves		114,943	22,697
Equity attributable to equity holders of the Company			
		126,860	24,187
Minority interest		300	300
Total equity		127,160	24,487

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

The unaudited condensed consolidated statement of changes in equity showing movement of reserves of the Group is as follows:

	Attributable to equity holders of the Company							Minority interest	Total equity
	Share capital	Share premium account	Exchange fluctuation reserve	Contributed surplus	Distributable reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	74,480	27,847	1,866	31,929	-	(100,216)	35,906	926	36,832
Translation differences arising on consolidation of overseas subsidiaries	-	-	332	-	-	-	332	-	332
Net loss for the period	-	-	-	-	-	(3,815)	(3,815)	-	(3,815)
At 30 June 2006	74,480	27,847	2,198	31,929	-	(104,031)	32,423	926	33,349

	Attributable to equity holders of the Company							Minority interest	Total equity
	Share capital	Share premium account	Exchange fluctuation reserve	Contributed surplus	Distributable reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	1,490	-	1,357	-	31,929	(10,589)	24,187	300	24,487
Rights issue	10,427	93,845	-	-	-	-	104,272	-	104,272
Share issue expenses	-	(1,204)	-	-	-	-	(1,204)	-	(1,204)
Translation differences arising on consolidation of overseas subsidiaries	-	-	5,847	-	-	-	5,847	-	5,847
Net loss for the period	-	-	-	-	-	(6,242)	(6,242)	-	(6,242)
At 30 June 2007	11,917	92,641	7,204	-	31,929	(16,831)	126,860	300	127,160

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	6,614	(959)
Net cash used in investing activities	(8,347)	(1,055)
Net cash generated from/(used in) financing activities	50,294	(457)
Net increase/(decrease) in cash and cash equivalents	48,561	(2,471)
Cash and cash equivalents at beginning of period	10,589	12,953
Exchange gains on cash and cash equivalents	3,357	107
Cash and cash equivalents at end of period	62,507	10,589
Analysis of balances of cash and cash equivalents		
Cash and bank balances	62,507	10,589

NOTES TO INTERIM FINANCIAL STATEMENTS

(1) Basis of preparation and accounting policies

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of precision molds and plastic products.

In the opinion of the Directors, the ultimate holding company of the Company is New Universe Enterprises Limited, which is incorporated in British Virgin Islands.

This condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated financial statements should be read in conjunction with the 2006 annual financial statements of the Company.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2006. In the current interim period, the Group has applied, for the first time, new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

(2) The Independent Accountants' Review Report

The Independent Accountants have reviewed the unaudited interim financial statements for the six months ended 30 June 2007 which does not constitute an audit. On the basis of their review, the Independent Accountants are not aware of any material modifications that should be made to the interim financial statements for the six months ended 30 June 2007.

(3) Segment information

Segment information is presented in respect of the Group's primary business segment and secondary geographical segment. During the current and prior periods, there were no inter-segment transactions.

(a) Business segments

The following tables present revenue and profit/(loss) information for the Group's business segments.

	Six months ended 30 June					
	Mold products		Plastic products		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	13,690	27,526	8,834	5,802	22,524	33,328
Other income	612	212	123	120	735	332
Total	14,302	27,738	8,957	5,922	23,259	33,660
Segment expenses	(19,046)	(30,211)	(10,470)	(6,844)	(29,516)	(37,055)
Segment results	(4,744)	(2,473)	(1,513)	(922)	(6,257)	(3,395)
Unallocated other income					767	58
Unallocated expenses					(319)	-
Loss from operations					(5,809)	(3,337)
Finance costs					(433)	(478)
Loss before taxation					(6,242)	(3,815)
Income tax expense					-	-
Loss for the period					(6,242)	(3,815)

(b) *Geographical segments*

The following tables present revenue for the Group's geographical segments:

	Sales to external customers		Other income	
	Six months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
European countries*	10,671	8,357	–	–
Mainland China	8,579	12,042	799	324
Hong Kong	2,213	5,016	703	66
North and South America**	639	6,431	–	–
Others	422	1,482	–	–
	22,524	33,328	1,502	390

* *European countries principally relates to the United Kingdom, Germany, France and Latvia.*

** *North and South America principally relates to the United States and Brazil.*

(4) **Turnover and other income**

Turnover represents the net invoiced value of goods sold to customers, less sales returns and discounts. An analysis of turnover and other income is as follows:

	Three months		Six months	
	ended 30 June		ended 30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover – sale of goods	15,331	17,909	22,524	33,328
Other income				
Interest income	360	11	755	22
Sundry income	480	288	747	368
	840	299	1,502	390
Total	16,171	18,208	24,026	33,718

(5) Loss from operations

Operating loss is stated after charging the following:

	Three months ended 30 June		Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Charging				
Depreciation	1,954	1,958	3,645	3,896
Amortisation of land lease prepayments	12	12	24	23
Cost of inventory consumed	12,577	13,717	19,297	26,809

(6) Income tax expense

The provision for Hong Kong profits tax for the period ended 30 June 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the period. No provision for Hong Kong profits tax has been made as the Group had accumulated tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The China enterprise income tax rate applicable to Dongguan Smartech, a wholly owned subsidiary established in Mainland China, is 15%.

Pursuant to the income tax rules and regulations in the Mainland China, Suzhou New Universe, Zhenjiang Port Co. and Zhenjiang Warehouses Co. are eligible for a 100% relief from China enterprise income tax for the first two years from their first profit-making year of operation and thereafter, they will be entitled to a 50% relief from China enterprise income tax for the following three years.

The Group's provision for deferred tax represents timing differences arising from accelerated depreciation allowances.

Deferred tax assets not recognised:

At 30 June 2007, the Group has unused tax losses of HK\$21,876,000 (31 December 2006: HK\$18,051,000) available for offsetting against future taxable profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Deferred tax liabilities not recognised:

At 30 June 2007, there is no significant unrecognised deferred tax liability (31 December 2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the subsidiaries as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

Reconciliation between income tax expense and the Group's accounting profit/(loss) at applicable tax rates is as follows:

30 June 2007

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Loss before taxation	(1,669)		(4,573)		(6,242)	
Tax at the statutory/applicable tax rate	(292)	17.5	(686)	15.0	(978)	15.7*
Income not subject to tax	(110)		-		(110)	
Expenses not deductible for tax	402		686		1,088	
Tax charge at the Group's effective rate	-		-		-	

30 June 2006

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Loss before taxation	(2,639)		(1,176)		(3,815)	
Tax at the statutory/applicable tax rate	(461)	17.5	(176)	15.0	(637)	16.7*
Income not subject to tax	(12)		-		(12)	
Expenses not deductible for tax	473		176		649	
Tax charge at the Group's effective rate	-		-		-	

* *representing effective tax rate*

(7) Dividend

The Board did not recommend the payment of dividend for the six months ended 30 June 2007 (2006: Nil).

(8) Loss per share

The calculation of basic loss (2006: loss) per share is based on the loss from ordinary activities attributable to equity holders for the six months ended 30 June 2007 of HK\$6,242,000 (2006: loss of HK\$3,815,000) and for the three months ended 30 June 2007 of HK\$1,894,000 (2006: loss of HK\$908,000) and the weighted average of 1,096,713,000 (2006: 180,558,000 as restated due to a share consolidation of every ten shares of the Company into one share which was completed on 18 December 2006, and adjusted to reflect the Rights Issue became unconditional on 17 January 2007) ordinary shares in issue during the periods respectively.

Diluted loss per share for the six months ended 30 June 2007 and 2006 have not been presented as the effect of any dilution is anti-dilutive.

(9) Property, plant and equipment

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Net book value at beginning of the period	42,450	44,957
Additions	3,348	5,505
Disposals	(2,746)	(2,434)
Depreciation		
– charge for the period	(3,645)	(7,768)
– written back	2,303	1,974
Exchange adjustments	2,372	216
	<hr/>	<hr/>
Net book value at end of the period	44,082	42,450

The net book value of the property, plant and equipment of the Group held under finance leases as at 30 June 2007 amounted to HK\$17,000 (31 December 2006: HK\$2,532,000).

(10) Land lease prepayments

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Net book value at beginning of the period	2,122	2,158
Amortisation	(24)	(46)
Exchange adjustments	118	10
	<hr/>	<hr/>
Net book value at end of the period	2,216	2,122

The Group's land lease prepayments represented prepayments for land use rights in Suzhou, the Mainland China under medium term of lease of 50 years.

As at 30 June 2007, the Group's land lease prepayments for leasehold land with carrying value of HK\$2,216,000 (31 December 2006: HK\$2,122,000) were pledged to a bank to secure the banking facilities granted to the Group.

(11) Trade and bills receivables

The Group's trading terms with its customers are mainly on credit. For the mold products segment, the credit period is generally granted to customers for a period of one month. For the plastic products segment, the credit period is generally for a period of one month, extending up to three months for major customers.

An aged analysis of the trade and bills receivables net of provision for impairment at the balance sheet dates, based on invoice date is as follows:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Within 1 month	3,945	3,630
1 to 2 months	2,516	2,728
2 to 3 months	948	1,673
Over 3 months	2,776	1,408
	10,185	9,439

(12) Interest-bearing bank borrowings

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Bank loans – secured	9,184	8,695
Bank loans – unsecured	1,812	7,515
Amounts due within one year classified as current liabilities	10,996	16,210

At the balance sheet dates, all the above bank loans were payable on demand or not exceeding one year. The Group's banking facilities were secured by (i) a corporate guarantee from a related company, China (HK) Chemical, of which Mr. XI Yu and Ms. CHEUNG Siu Ling, executive directors of the Company, and Mr. SUEN Ki, non-executive director of the Company, are common directors; (ii) personal guarantee from Mr. XI Yu; and (iii) land use rights of Suzhou New Universe.

(13) Trade and bills payables

An aged analysis of the trade and bills payables at the balance sheet dates, based on invoice date, is as follows:

	30 June	31 December
	2007	2006
	HK\$'000	<i>HK\$'000</i>
Within 1 month	3,850	1,606
1 to 2 months	1,367	1,316
2 to 3 months	1,122	681
Over 3 months	1,473	2,193
	7,812	5,796

(14) Obligations under finance leases

The Group leases certain of its plant and machinery. These leases are classified as finance leases and have remaining lease terms ranging from less than one year to three years.

At the balance sheet dates, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease		Present value	
	payments		of minimum	
	30 June	31 December	30 June	31 December
	2007	2006	2007	2006
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Amounts payable:				
Within one year	6	604	5	592
In the second year	6	6	5	5
In the third to fifth years, inclusive	2	5	1	4
Total minimum finance lease payments	14	615	11	601
Future finance charges	(3)	(14)		
Total net finance lease payables	11	601		
Portion classified as current liabilities	(5)	(592)		
Non-current liabilities portion	6	9		

(15) Shareholder's loans

The shareholder's loans from NUEL are unsecured, interest-free and repayable on demand. These loans constitute as connected transactions and, in the opinion of the Directors, were exempted transactions under the GEM Listing Rules.

(16) Share capital

	<i>Note</i>	Number of Ordinary shares	Nominal Value <i>HK\$'000</i>
Authorised:			
As at 1 January 2006,			
ordinary shares of HK\$0.05 each		20,000,000,000	1,000,000
Share consolidation	<i>16(i)</i>	(18,000,000,000)	–
Share subdivision	<i>16(iii)</i>	98,000,000,000	–
<hr/>			
As at 31 December 2006 and 30 June 2007,			
ordinary shares of HK\$0.01 each		100,000,000,000	1,000,000
<hr/>			
	<i>Note</i>	Number of Ordinary shares	Nominal Value <i>HK\$'000</i>
Issued and fully paid:			
As at 1 January 2006,			
ordinary shares of HK\$0.05 each		1,489,600,000	74,480
Share consolidation	<i>16(i)</i>	(1,340,640,000)	–
Capital reduction	<i>16(ii)</i>	–	(72,990)
<hr/>			
As at 31 December 2006,			
ordinary shares of HK\$0.01 each		148,960,000	1,490
Rights issue	<i>16(viii)</i>	1,042,720,000	10,427
<hr/>			
As at 30 June 2007,			
ordinary shares of HK\$0.01 each		1,191,680,000	11,917
<hr/>			

The capital re-organisation of the Company was approved by its shareholders on 18 September 2006 and, thereafter, the following changes in share capital of the Company took place after the capital re-organisation became fully effective on 18 December 2006:

- (i) a share consolidation under which every ten of the authorised shares (both issued and unissued) of HK\$0.05 each was consolidated into one share of HK\$0.50 each;
- (ii) a reduction of HK\$72,990,400 on the Company's issued share capital was effected by reducing the nominal value of the 148,960,000 consolidated shares of HK\$0.50 each to HK\$0.01 each;
- (iii) a share subdivision under which each of the total 1,851,040,000 authorised but unissued consolidated shares of HK\$0.50 each was subdivided to make up total 99,851,040,000 shares of HK\$0.01 each;
- (iv) the amount of capital reduction mentioned in item (ii) totalling HK\$72,990,400 was transferred to distributable reserve account;
- (v) the share premium account of the Company carried forwarded as of 31 December 2005 of approximately HK\$27,847,000 was cancelled and transferred to distributable reserve account;
- (vi) the contributed surplus of the Company carried forwarded as of 31 December 2005 of approximately HK\$58,078,000 was cancelled and transferred to distributable reserve account; and
- (vii) the accumulated losses of the Company as of 31 December 2005 of approximately HK\$100,837,000 was set off against part of the distributable reserve account with credit effected by the transfers as mentioned in items (iv), (v) and (vi) above.
- (viii) On 19 January 2007, the Company completed a Rights Issue of 1,042,720,000 rights shares at a subscription price of HK\$0.10 each on the basis of seven rights shares for every share held on 28 December 2006. The net proceeds of the Rights Issue (after deduction of expenses) were approximately HK\$103,068,000, but the amount of cash received by the Company from the Rights Issue was approximately HK\$56,944,000; as the amount of HK\$46,124,000 payable by the Company's controlling shareholder, NUEL, was being capitalised and set-off on a dollar-to-dollar basis against interest free shareholder's loans granted to the Company.

(17) Commitments

At the balance sheet dates, the Group had the following commitments:

(a) Capital commitment

The Group had capital commitments not provided for in the financial statements as follows:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Authorised but not contract for		
– Docks project	60,372	60,372
– Plant and machinery	–	13
Contracted for but not provided for		
– Docks project	126,097	173,437
– Furniture and equipment	–	36
	186,469	233,858

(b) Operating leases payable

The Group has total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Within one year	3,570	3,602
In the second to fifth years, inclusive	5,031	6,525
After five years	–	–
	8,601	10,127

The Group leases its office premises in Hong Kong and an industrial plant in Mainland China under operating lease arrangements. Leases for the office premises are negotiated for terms ranging from one to three years. Leases for the industrial plant in Mainland China are negotiated for a term of 5 years commencing 1 December 2004.

(18) Related party transactions

- (a) During the six months ended 30 June 2007, the Group did not purchase any raw materials (period ended 30 June 2006: HK\$1,353,000) from China (HK) Chemical. Mr. XI Yu and Ms. CHEUNG Siu Ling being executive directors of the Company, Mr. SUEN Ki, being non-executive director of the Company, are also directors of China (HK) Chemical.
- (b) As at 30 June 2007, shareholders' loans due to NUEL amounted to HK\$9,518,000 (31 December 2006: HK\$59,767,000) are disclosed in note 15 to the interim financial statements.