ANNUAL REPORT 2007

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)

Stock Code : 8068

Corporate Information

BOARD OF DIRECTORS

Executive Directors
XI Yu *(Chairman)*
CHEUNG Siu Ling
HON Wa Fai

Non-Executive Directors
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

Remuneration 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

AUTHORISED REPRESENTATIVES

XI Yu
HON Wa Fai

COMPLIANCE OFFICER

XI Yu

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

HON Wa Fai

AUDITOR

CCIF CPA Limited
Certified Public Accountants

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR AND TRANSFER OFFICES

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

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Industrial and Commercial Bank of China
Suzhou Wuzhong Branch
398 East Baodai Road
Wuzhong Zone, Suzhou City
Jiangsu Province
The People's Republic of China

STOCK CODE

8068

WEBSITE

www.nuigl.com

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This annual report, for which the directors (the "Directors") of NEW UNIVERSE INTERNATIONAL GROUP LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

To Assure Quality

To Sustain Growth

To Exceed Expectation

Dear shareholders

On behalf of the board of directors (the "Board") of New Universe International Group Limited (the "Company"), I am pleased to present to the shareholders the annual report of the Company together with its subsidiaries (collectively as the "Group") for the year ended 31 December 2007.

For the year 2007, both turnover and gross profit of the Group declined. However, the Group recorded a profit attributable to the equity holders of the Company of HK$1,873,000 in 2007, as compared to loss attributable to the equity holders of the Company amounted to HK$11,210,000 in 2006. The Group has become profitable again mainly because the Group has restructured its businesses and repositioned its medium-term strategies during the year 2007. The Group's equity attributable to equity holders of the Company increased to HK$255,670,000 as at 31 December 2007 as compared to HK$24,187,000 as at 31 December 2006, and the debt gearing of the Group was significantly reduced to 14.9%.

With the effort of the management and accumulation of past experience, 2007 was registered as a year of remarkable change to the Group, and the following vision, missions and actions will continuously motivate the Group to improve and grow toward higher goals in the future:

Vision

To exceed expectations of the stakeholders and sustain as a profitable organisation

Missions

To ensure business with all customers and suppliers is conducted in an efficient and effective manner

To ensure working environment is maintained at a high quality and environmentally sound manner

To grow continuously

Actions

To strengthen the financial position of the Group

To consolidate resources for manufacturing operations with slim profitability

To re-invest resources for environmental operations with higher growth potential

To seek for feasible opportunities of diversification into growing markets

To explore for financing alternatives and co-operation partners

To build up responsible and professional human capital

To target for reasonable goals of return

Outlook

The Group disposed of its entire equity interest in Dongguan Smartech Tooling and Plastics Limited ("Dongguan Smartech") in the fourth quarter of 2007, but the Group will continuously engage in the manufacturing and trading of high precision molds and plastic products through running the operations of Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe"). The senior management team of Suzhou New Universe commits to the key missions of re-enforcement of quality control and betterment of cost control in order to sustain continuous growth, and also commits to the goals of profitability in the coming future.

After the completion of the acquisition of 100% equity interest in New Universe (China) Investment Limited ("NUCIL") in 2007, the Group became indirectly interested in 18.62%, 24.5% and 28.67% respectively 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") (referred to as the "Dyeing Acquisition"). The Board considers those interests acquired are strategic investments in the Mainland China that business networks would be capitalised in the Jiangsu Province surrounding the Changjiang River Delta.

After the completion of the acquisition of 100% equity interest in New Universe Environmental Protection Investment Limited ("NUEPIL") in 2007, the Group became indirectly interested in 82% equity interests respectively of Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe"), Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe"), and Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe") (referred to as the "Environmental Acquisitions"). The Board considers those interests acquired are the cornerstone of the Group for further diversification of its business to capture growth potential on the environmental operations in the coming years.

In the long run, the Group will consolidate its available resources for the development of environmental projects in the Jiangsu Province, and will explore co-operation with industrial experts for the development phase by phase.

Appreciation

I would like to thank our shareholders for their continued support and all our responsible and devoted employees for their contribution. We look forward to a prosperous year of 2008 and continuous improvement of the Group's performance.

XI Yu
Chairman

Hong Kong, 19 March 2008

GROW
WITH
FUTURE

BUSINESS REVIEW

Overview

During the year 2007, the Group's sales of plastic injection molds sales of plastic products have been scaled down after the Disposal of Dongguan Smartech was completed. Sales of mold products and sales of plastic products represented 59.7% and 28.8% respectively of the Group's turnover for the year ended 31 December 2007, as compared to 76.5% and 23.5% respectively in 2006. Post acquisition services income from the environmental operations also accounted for 11.5% of the Group's turnover in 2007. Comparing to a loss of HK$11,822,000 for the year 2006, the Group recorded a profit of HK$2,188,000 for the year 2007.

The Group has a turnaround to profit making since the fourth quarter of 2007 after the disposal of its interest in Dongguan Smartech and acquisition of environmental operations.

Manufacturing Operations

Suzhou New Universe is a 97% owned manufacturer of the Group situated at Changjiang River Delta, Mainland China. Suzhou New Universe manufactures and sells injection molds both locally and overseas, which has launched plastics injection production since third quarter of 2006. Turnover of Suzhou New Universe for the year ended 31 December 2007 was HK$26,847,000 representing an increase of 34.0% as compared to 2006. The core competence of Suzhou New Universe is the production of automobile parts and office equipment that maintained stable growth in 2007. The newly invested production lines of plastic injection have strengthened its customer base of Suzhou New Universe ordering for mold making and also strengthened its income base. Besides its emphasis on persistent quality control, Suzhou New Universe has been working toward the goals of continuous improvement of its productivity and efficiency with its engineering technology on mold making and plastic injection.

Dongguan Smartech had been a 100% owned subsidiary of the Group and was previously a key manufacturer of molds and plastic products of the Group. Dongguan Smartech was a wholly owned subsidiary of Smartech Manufacturing Limited ("HK Smartech", a wholly owned subsidiary of the Group in Hong Kong). Dongguan Smartech recorded losses for the past few years, whose performance was mainly affected by the increasing operational constraints in Guangdong Province, in the Mainland China. On 23 August 2007, the Board proposed to dispose of the Group's entire equity interest in Dongguan Smartech to a wholly owned subsidiary of the Company's controlling shareholder, New Universe Enterprises Limited ("NUEL"); and the disposal was completed in fourth quarter of 2007 at an adjusted consideration of approximately HK$21,745,000 (hereinafter referred to as the "Disposal of Dongguan Smartech") together with the novation of the current accounts between Dongguan Smartech and HK Smartech to the buyer. The Disposal of Dongguan Smartech was intended to discontinue loss-making operations of the Group and, upon the approval of minority shareholders of the Company, allowed the controlling shareholder, NUEL, to take up the operations for a more thorough restructuring.

Environmental Operations

The acquisition of 100% equity interest in NUEPIL was completed on 12 October 2007. NUEPIL owns 82% indirect equity interests in Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe. The three subsidiaries are principally engaged in environmental operations, and their performance were satisfactory during the fourth quarter of 2007 thereafter the completion of the acquisitions. Up to the end of 2007, the market shares and coverage in terms of major hospitals contracted for medical waste disposals for each of Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe in their respective cities have exceeded 95%. NUEPIL has contributed post-acquisition profits to the Group in 2007.

In January 2008, the boards of both Yancheng New Universe and Taizhou New Universe have considered to declare dividends to their investor, New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)"). At the same time, the board of NUET(JS) has also considered to increase the registered capital of Zhenjiang New Universe by US$500,000 (approximately HK$3,900,000) for investing on the liquid waste treatment system to enhance capability of the overall liquid waste treatment.

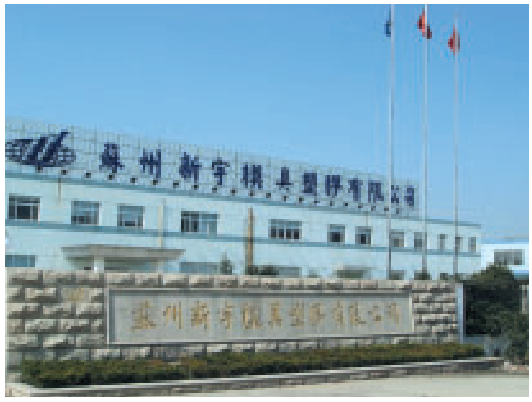
Strategic Investments in Plastics Dyeing Operations

The acquisition of 100% equity interest in NUCIL was also completed on 12 October 2007. The major assets of NUCIL are its indirect investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei. Those companies are plastic dyeing factories in the Mainland China, which all have past records of stable growth in their business operations. After the completion of the acquisition in the fourth quarter of 2007, the operations of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei remained stable and satisfactory.

Development of Zhenjiang Docks Project

The co-operation 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 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") has been moving forward in a progressive sequence. In 2007, the port construction feasibility studies for the first phase of the Zhenjiang Docks Project have been finalized. With the assistance of the China Parties, preliminary riverbank strengthening works have started surrounding the waterfront line of the first phase development site. The kick-off of first phase construction of the Zhenjiang Docks Project is still awaiting the PRC Transport Department for the approvals of operating rights in order to start the first phase waterfront line construction.

As of 31 December 2007, the two wholly foreign owned enterprises incorporated for the Zhenjiang Docks Project in Zhenjiang, the Mainland China, namely, New Universe International (Zhenjiang) Port Company Limited ("Zhenjiang Port Co.") and New Universe International (Zhenjiang) Warehouses Company Limited ("Zhenjiang Warehouses Co.") were injected US$8,500,000 (approximately HK$66,300,000) and US$1,500,000 (approximately HK$11,700,000) respectively as their paid-up registered capital. The necessary land use rights for the hinterland of the Zhenjiang Docks Project shall be granted by phases and the site of Zhenjiang Docks Project shall be plotted to cope with different operating purposes, such as warehouses, logistics and docks facilities. As at 31 December 2007, land deposits totally amounted to RMB48,800,000 (or equivalent to approximately HK$49,796,000) were paid by Zhenjiang Port Co. to the local government to secure land use rights for the site area would be granted in order to commence construction and operations along the first phase waterfront line.



The Board expects the schedule for kicking off the first phase construction of Zhenjiang Docks Project will be deferred from the original plan of 2006. All parties to the co-operative agreement intend the Zhenjiang Docks Project to be gone ahead in accordance with the original agreement, though the execution of which may be affected by the revision plan of the local government on the whole district area surrounding Xinminzhou. Barring any unforeseeable circumstances, the Company does not expect any difficulties in obtaining the required approvals for Zhenjiang Docks Project construction from the relevant authorities in the Mainland China.

Fund Raising Exercise

Subsequent to the completion of the capital re-organisation of the Company 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 was completed 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. The balance of Rights Issue proceeds amounted to HK$46,124,000 was applied to directly set off against the pro-rata entitlements of NUEL to the Rights Issue on a dollar-to-dollar basis for the settlement and capitalization of the unsecured interest free loans previously granted by NUEL to the Company. The main purpose of the Rights Issue is for the investment in the Zhenjiang Docks Project.

Corporate Restructuring Exercise

On 12 October 2007, the Company completed the transactions to acquire the 100% interest in NUEPIL and 100% interest in NUCIL with the vendors. Upon completion of the acquisitions, the Company issued an aggregate of 634,211,681 new shares at a price of HK$0.19 per share ("Consideration Shares") for the settlement of the share consideration, among the others, of which 533,264,315 new shares were issued to NUEL being the key vendor of the transactions. NUEPIL becomes a wholly owned subsidiary of the Group and is the holding company of the controlling interests in three environmental entities in Jiangsu Province. NUCIL becomes a wholly owned subsidiary of the Group and is the holding company of the strategic investments in three different plastic dyeing factories with one in Qingdao and two in the Jiangsu Province. At the same time, the Group also completed the Disposal of Dongguan Smartech.

PROSPECTS

The Group will maintain the mold making facilities and plastic injection production lines of Suzhou New Universe in desirable conditions to ensure its competitiveness surrounding the Changjiang River Delta in the Mainland China. Suzhou New Universe owes the latest state-of-the-art mold making and plastic injection equipments. Quality control on manufacturing of its own molds and plastics ensures competitive pricing and satisfactory lead-time. Through connections with Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei, Suzhou New Universe widens its customer networks and shares experience of their quality management.

Acquisitions of interests in environmental operations in 2007 would lead the Group diversifying into business with growth potential in the Mainland China. On 15 October 2007, the Company has also signed a letter of intent to acquire controlling interest in an environmental electroplating recycling project in Zhenjiang Province, which engages in the development and operation of an industrial park for the business of environmental electroplating recycling, including but not limited to environmental treatment of electroplating waste water and residue and recycling of metallic substance and resources. Up to the date of this annual report, the Company has been carrying out a due diligence review of the project status.

The Board expects that barring any unforeseeable circumstances, manufacturing operations of Suzhou New Universe, the environmental operations of Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe, and the investments in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei will be the Group's cornerstone to sustain profitability in the coming future. The Board also expects the Zhenjiang Docks Project will contribute to the Group in the long run. The Board remains confident in sustainable growth of the Group and that the Group's performance will be better in the coming year.

FINANCIAL REVIEW

Turnover

The Group's turnover was HK$52,028,000 for the year ended 31 December 2007 representing a decrease of 23.6% from HK$68,099,000 for the year 2006. HK Smartech (together with Dongguan Smartech) and Suzhou New Universe contributed 51.6% and 36.9% respectively of the Group's turnover for the year ended 31 December 2007 as compared to 70.6% and 29.4% respectively for the year 2006. Turnover of the Group's manufacturing operations of mold making and plastic injection have been scaled down. Post acquisition services income of environmental operations also accounted for 11.5% of the Group's turnover for the year 2007 and is expected to increase in the coming year.

Gross profit

Gross profit of the Group for the year ended 31 December 2007 decreased by 22.2% to HK$9,180,000 as compared to HK$11,803,000 for the year 2006. The overall gross profit margin of the Group was 17.6% in 2007 as compared to 17.3% for the year 2006. The average gross profit margin of Suzhou New Universe was 21.1% in 2007. The gross loss margin of Dongguan Smartech was 0.1% in 2007 before its interests was being disposed of. The average post acquisition gross profit margin of the newly acquired environmental operations was 63.6% in 2007.

Profit and loss

Mainly attributable to the effect of the Disposal of Dongguan Smartech, the overall expenses of the Group decreased in 2007 as compared to 2006.

The Group's profit attributable to equity holders for the year ended 31 December 2007 was HK$1,873,000 as compared to loss of HK$11,210,000 in 2006. The profit made in 2007 was mainly attributable to (i) the net gain of HK$4,042,000 on the Disposal of Dongguan Smartech, and (ii) the excess of fair value of net assets acquired over cost of acquisition in the amount to HK$6,057,000 arisen on the completion of the acquisition of 100% interest in NUCIL (the major assets of which are its indirect interests in 18.62%, 24.5% and 28.67% respectively of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei).

Basic earnings per share attributable to the equity holders of the Company was Hong Kong cents 0.15 for the year 2007 as compared to basic loss per share attributable to the equity holders of the Company of Hong Kong cents 6.21 for last year 2006.

Other income

The Group's other income increased to HK$4,109,000 for the year ended 31 December 2007 as compared to HK$1,882,000 for the year 2006. The current increase was mainly attributable to increases in interest income from funds raised for the Zhenjiang Docks Project in 2007.

Selling and distribution costs

The Group's selling and distribution expenses decreased by 33.1% to HK$3,551,000 in current year, representing 6.8% to the Group's turnover in 2007, as compared to HK$5,306,000 in last year that representing 7.8% to the turnover in 2006. The current decrease in selling and distribution costs was mainly attributable to decreases in commission paid to agencies and expenses incurred for after sales services during the year 2007.

Administrative expenses

The Group's administrative expenses decreased by 9.8% to HK$11,977,000 in current year, representing 23.0% to the Group's turnover in 2007, as compared to HK$13,271,000 in last year that representing 19.5% to the turnover in 2006. The current decrease in administrative expenses was mainly attributable to decreases in staff costs caused by the reduction in labour head counts in the Mainland China during the year 2007.

Other operating expenses

The Group's other operating expenses decreased to HK$4,977,000 in current year, representing 9.6% to the Group's turnover in 2007, as compared to HK$5,884,000 in last year that representing 8.6% to the turnover in 2006. The current decrease in other operating expenses was mainly attributable to decreases in impairments on receivables and inventories in 2007.

Finance costs

The total finance costs of the Group decreased by 25.0% to HK$785,000 in 2007 as compared to HK$1,046,000 in 2006. The decrease was mainly attributable to decrease in interest on import loans and bank borrowings for financing the operations of Dongguan Smartech in 2007.

Segment results

Details of segment results of the Group are set out in note 5 to the financial statements.

Save as disclosed in the financial statements, sales distribution by business and geographical area has changed slightly during the year under review after the acquisition of interests in environmental operations. The sales distribution by mold products, plastic products and environmental services was 59.7%, 28.8% and 11.5% respectively. The sales distribution for Mainland China (excluding Hong Kong and Taiwan), European countries, Hong Kong, North America and others (including Taiwan) was 47.3%, 36.4%, 7.7%, 7.6% and 1.0% respectively during the year.

Profit from ordinary activities attributable to equity holders of the Company

The Group made a profit from ordinary activities attributable to equity holders of HK$1,873,000 for the year ended 31 December 2007, whereas the loss for the last corresponding year was HK$11,210,000.

Equity

As of 31 December 2007, total equity of the Group amounted to HK$261,087,000, representing an increase of 966.2% compared with HK$24,487,000 as of 31 December 2006. The increase was mainly attributable to (i) the Rights Issue, (ii) the issuance of the Consideration Shares, and (iii) increase of HK$2,188,000 from the profit for the year 2007.

Commitments

As at 31 December 2007, the commitments of operating leases payable within 5 years for its office premises in Hong Kong and a landfill for waste disposal amounted to HK$325,000 (31 December 2006: for office premises in Hong Kong and industrial premises in the Mainland China amounted to HK$10,127,000), and the commitments of operating lease payable after 5 years for the landfill was HK$153,000 (31 December 2006: Nil). As 31 December 2007, there were also capital commitments of the Group authorised but not contracted for amounted to HK$63,761,000 (31 December 2006: HK$60,385,000) and capital commitments contracted for but not provided for amounted to HK$154,025,000 (31 December 2006: HK$173,473,000) mainly in relation to the development of Zhenjiang Docks Project.

Capital structure

On 17 January 2007, the Company completed the 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 of the Company then held on 28 December 2006. The net proceeds of the Rights Issue (after deduction of expenses) were approximately HK$103,068,000, and the amount of cash received by the Company from the Rights Issue was approximately HK$56,944,000. The balance of the Rights Issue proceeds amounted to HK$46,124,000 was set-off on a dollar-to-dollar basis against the unsecured interest free shareholder's loans previously granted to the Company by the controlling shareholder, NUEL, as loan capitalization.

On 12 October 2007, the Company issued 634,211,681 new shares at a price of HK$0.19 each as Consideration Shares for the settlement of the Environmental Acquisitions and the Dyeing Acquisition.

Employee information

As at 31 December 2007, the Group had 332 (31 December 2006: 603) full-time employees. Staff costs, excluding directors' remuneration but including amount capitalised as inventory was HK$14,018,000 for the year ended 31 December 2007 (31 December 2006: HK$15,970,000). 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.

Liquidity and financial resources

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

As at 31 December 2007, the Group had total cash and bank balances of HK$44,421,000 (31 December 2006: HK$29,155,000). As at 31 December 2007, the Group had available unused general banking facilities amounted to HK$14,082,000 (31 December 2006: HK$6,350,000).

As at 31 December 2007, the Group had total outstanding interest bearing borrowings of approximately HK$9,193,000 (31 December 2006: HK$16,811,000) 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 Nil (31 December 2006: HK$7,515,000); and

(iii) finance lease payables of approximately HK$9,000 (31 December 2006: HK$601,000).

As at 31 December 2007, there were outstanding amounts due to the Group's related companies of approximately HK$2,835,000 (31 December 2006: HK$61,767,000) set out as follows:

(i) unsecured non-interest bearing borrowings from the Company's controlling shareholder, NUEL, with a fair value of approximately HK$2,416,000 (31 December 2006: HK$59,767,000);

(ii) due to Beijing New Universe Mirai Environmental Engineering Co. Limited of approximately HK$419,000 (31 December 2006: Nil); and

(iii) due to China (HK) Chemical & Plastics Company Limited ("China (HK) Chemical") of Nil (31 December 2006: HK$2,000,000).

Out of the abovementioned total outstanding interest bearing borrowings and amounts due to related companies as at 31 December 2007, approximately HK$12,024,000 (31 December 2006: HK$21,064,000) was repayable within one year.

Gearing ratio

As at 31 December 2007, the Group's gearing ratio was 14.9% (31 December 2006: 419.1%), representing total borrowings of HK$38,809,000 (31 December 2006: HK$102,621,000) divided by total equity of HK$261,087,000 (31 December 2006: HK$24,487,000).

Material acquisitions and disposals of subsidiaries

With details referred to in the announcement and the circular dated 31 August 2007 and 21 September 2007 respectively of the Company, the Company has entered into the following transactions to acquire and dispose of interests in subsidiaries of the Company:

(a) on 23 August 2007, the Company as purchaser, New Universe Environmental Protection Group Limited ("NUEPGL") as the vendor and Mr. XI Yu as the guarantor entered into a sale and purchase agreement relating to the sale and purchase of 4,000,000 issued shares of US$1.00 each representing the entire issued share capital of NUEPIL for a consideration of HK$59,458,000 (the "Environmental S&P Agreement A");

(b) on 23 August 2007, the Company as purchaser and Mr. SUN Jia Qing as the vendor entered into a sale and purchase agreement relating to the sale and purchase of 700,000 shares of HK$1.00 each in the issued share capital of NUET(JS) for a consideration of HK$6,713,000 (the "Environmental S&P Agreement B");

(c) on 23 August 2007, the Company as purchaser and Mr. YIN Yong Xiang as the vendor entered into a sale and purchase agreement relating to the sale and purchase of 700,000 shares of HK$1.00 each in the issue share capital of NUET(JS) for a consideration of HK$6,713,000 (the "Environmental S&P Agreement C");

(d) on 23 August 2007, the Company as purchaser and Mr. LIU Lai Gen as the vendor entered into a sale and purchase agreement relating to the sale and purchase of 600,000 shares of HK$1.00 each in the issued share capital of NUET(JS) for a consideration of HK$5,754,000 (the "Environmental S&P Agreement D");

(the transactions contemplated under the Environmental S&P Agreement A, the Environmental S&P Agreement B, the Environmental S&P Agreement C, and the Environmental S&P Agreement D are therein this annual report collectively referred to as the "Environmental Acquisitions")

(e) on 23 August 2007, the Company as purchaser, NUEL as the vendor and Mr. XI Yu as the guarantor entered into a sale and purchase agreement relating to the sale and purchase of 1,800,000 shares of US$1.00 each representing the entire issued share capital of NUCIL for a consideration of HK$56,862,220, and the loan due from NUCIL to NUEL in the amount of HK$51,216,430 for a consideration of HK$1.00 (the "Dyeing S&P Agreement");

(the transactions contemplated under the Dyeing S&P Agreement is therein this annual report referred to as the "Dyeing Acquisition"; and the Environmental Acquisitions and Dyeing Acquisition are hereinafter collectively referred to as the "Acquisitions")

(f) on 23 August 2007, HK Smartech, a wholly owned subsidiary of the Company as the vendor and Sky Sight International Limited ("SSIL") as the purchaser entered into an equity interest transfer agreement (the "Disposal Agreement") relating to the disposal of the entire equity interest of Dongguan Smartech for a consideration of HK$24,161,603 (subject to upward or downward adjustment not exceeding 10%).

(the transactions contemplated under Disposal Agreement are therein this annual report referred to as the "Disposal of Dongguan Smartech")

Each of the Company's directors, Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are deemed interested in the Acquisitions and the Disposal of Dongguan Smartech. Under the GEM Listing Rules, each of the Acquisitions and the Disposal of Dongguan Smartech constituted major transaction of the Company, and they were also connected transactions of the Company subject to the approval of the independent shareholders of the Company. At the extraordinary general meeting held on 8 October 2007, the Environmental Acquisitions, the Dyeing Acquisition, and the Disposal of Dongguan Smartech were approved by the independent shareholders of the Company. On 12 October 2007, the consideration shares and cash consideration as contemplated under the Environmental Acquisitions, the Dyeing Acquisition, and the Disposal of Dongguan Smartech were fully settled by all parties to the agreements respectively.

Save as disclosed, there were no other significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the year ended 31 December 2007.

Charges on Group assets

As at 31 December 2007, the Group pledged the land use rights with a carrying value of HK$2,192,000 (31 December 2006: HK$2,122,000), together with property, plant and equipment with carrying value of HK$9,234,000 (31 December 2006: HK$8,092,000) to a bank in Mainland China to secure bank loans of HK$9,184,000 (equivalent to RMB9,000,000) (31 December 2006: HK$8,696,000) granted to the Group. As at 31 December 2007, the Group's property, plant and equipment with carrying value of HK$13,000 (31 December 2006: HK$2,553,000) were held under finance leases amounted to HK$9,000 (31 December 2006: HK$601,000).

Exposure to exchange rate fluctuations

During the year ended 31 December 2007, the Group experienced only immaterial exchange rates fluctuations. Though most of the Group's monetary assets and liabilities were denominated and most of the businesses were conducted in Hong Kong Dollars, US Dollars and Renminbi, the Group has no significant foreign exchange risk due to limited foreign currency translations. The effect of the fluctuations among Hong Kong Dollars, US Dollars and Renminbi is mostly of capital nature to the Group that did not have material effects to the Group's results in 2007. The Group considered that as the exchange rate risks of the Group is moderately low, and the Group did not employ any financial instruments for hedging purposes.

Contingent liabilities

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

Profile of Directors and Senior Management

DIRECTORS

Executive Directors

XI Yu (Age 50)

Chairman and Compliance Officer

Mr. XI was appointed executive director of the Company on 7 June 2002. Mr. XI is the chairman of the Company's board of directors and is responsible for corporate strategic planning and development of the Group, and he has also taken up the role of the managing director of the Group since 1 February 2007. He graduated from the Chemistry Department of the University of Beijing in 1980. Mr. XI is the director and major shareholder of the Company's controlling shareholder, NUEL, and is also a director of China (HK) Chemical. He has substantial experience in the plastics industry both in Hong Kong and the Mainland China.

CHEUNG Siu Ling (Age 46)

Group Director

Ms. CHEUNG was appointed executive director of the Company on 1 April 2005. Ms. CHEUNG is also director of all principal subsidiaries of the Group. She is responsible for business administration and human resources management of the Group. She holds a Master's degree of Business Administration from the University of South Australia. Ms. CHEUNG is the director and minority shareholder of the Company's controlling shareholder, NUEL, and is also a director of China (HK) Chemical. She has substantial experience in business administration in the commercial fields of manufacturing and trading.

HON Wa Fai, Kenneth (Age 47)

Executive Director, Financial Controller, Qualified Accountant and Company Secretary

Mr. HON joined the Group in September 2004 as financial controller. Mr. HON was appointed company secretary and qualified accountant of the Company on 6 October 2004, and was appointed executive director of the Company on 28 September 2006. He is responsible for accounting, finance and company secretarial functions of the Group. He holds Master of Business Administration from the University of Strathclyde, Master of Professional Accounting from the Hong Kong Polytechnic University, and Master of Applied Finance from the University of Western Sydney. He is a practising fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants. He is also an associate both of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has substantial experience in accounting, auditing, taxation and finance.

KUNG May Lan (Age 55)

Managing Director

Ms. KUNG was appointed executive director of the Company on 1 April 2005. Ms. KUNG was appointed general manager of the Group and director of Dongguan Smartech in 2005. Ms. KUNG was seconded by the Group's controlling shareholder, NUEL, and was responsible for the sales and marketing, research and development and production functions of the Group. She holds a Bachelor's degree from the National Taiwan Normal University in Taiwan and a Diploma of Education in Teaching from the Chinese University of Hong Kong. Ms. KUNG has more than 13 years of teaching experience in Hong Kong; and she also has substantial experience in production planning and control, materials and inventory management in multinational electronics corporations in California, the United States of America. Ms. KUNG resigned from all positions of the Group with effect on 1 February 2007.

Non-executive Directors

SUEN Ki (Age 54)

Mr. SUEN Ki was appointed non-executive director of the Company on 28 September 2006. Mr. SUEN is the managing director of China (HK) Chemical and a director of Hong Kong Plastic Material Suppliers Association Limited. Mr. SUEN holds a Bachelor's degree of Arts from the National Taiwan University, Taiwan, in the Department of Foreign Languages and Literature. Mr. SUEN has substantial experience in plastics industry in Hong Kong, Taiwan and the Mainland China.

Independent non-executive Directors

CHAN Yan Cheong (Age 54)

Prof. CHAN was appointed independent non-executive director of the Company on 17 November 1999. He holds a Ph.D. degree in Electrical Engineering from Imperial College of Science and Technology, University of London and a Master's degree in Business Administration from the University of Hong Kong. Prof. CHAN is the fellow of The Hong Kong Institution of Engineers (Electronics & Material Divisions), the Institution of Electrical Engineers (HK), and the Institute of Electrical and Electronics Engineers (USA). He is a chartered engineer. Prof. CHAN is currently a chair professor in the Department of Electronic Engineering of the City University of Hong Kong and a director of the Center for Electronic Packaging and Assemblies, Failure Analysis and Reliability Engineering (EPA Centre). He has substantial experience on the consultancy in the areas of advanced electronics manufacturing, failure analysis and reliability engineering.

YUEN Kim Hung, Michael (Age 46)

Mr. YUEN was appointed independent non-executive director of the Company on 24 April 2002. He holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic University. He is a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of Certified General Accountants Association of Ontario, and is also a fellow member of Association of Chartered Certified Accountants. Mr. YUEN is practicing in Hong Kong and running his own accounting firm. He has substantial experience in accounting, tax and auditing. Mr. YUEN is also an independent non-executive director of Prosperity International Holdings (H.K.) Limited, another GEM listed company in Hong Kong.

HO Yau Hong, Alfred (Age 50)

Mr. HO was appointed independent non-executive director of the Company on 30 September 2004. He holds an honor degree in Bachelor of Commerce. He is a practising fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, and a fellow of the Taxation Institute of Hong Kong. Mr. HO is also a Canadian chartered accountant. He was a part-time professor with Algonquin College, Ottawa, Canada in accounting and auditing. Mr. HO has substantial experience in accounting, auditing and taxation. Mr. HO is practicing in Hong Kong and running his own accounting firm. He is currently a facilitator in the Qualification Program of the Hong Kong Institute of Certified Public Accountants in accounting, auditing and taxation, and a part-time tutor of the Open University of Hong Kong in taxation.

SENIOR MANAGEMENT

WONG Lai Wa, Iris (Age 36)

Deputy General Manager

Ms. WONG was appointed deputy general manager of the Group in June 2006. Ms. WONG has been working for NUEL since January 2001. Ms. WONG is responsible for purchasing, logistics and inventory control functions of the Group's manufacturing operations. She holds a Diploma in Business Management from the Chinese University of Hong Kong. Ms. WONG has substantial experience in finance, accounting and business administration.

The directors have pleasure in submitting the annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL PLACE OF BUSINESS

New Universe International Group Limited is incorporated in Cayman Islands as an exempted company with limited liability and its principal place of business is situated at Rooms 2110-2112, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are (i) the manufacture and sale of high precision molds and plastic products, (ii) medical and industrial waste environmental disposal services, and (iii) the development of the docks infrastructure and depot and logistics facilities in Zhenjiang, the Mainland China, with details and other particulars set out in note 18 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the year are set out in note 18 to the financial statements.

RESULTS

The profit of the Group for the year ended 31 December 2007 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 40 to 117.

TRANSFER TO RESERVES

Profit attributable to equity holders of the Company of HK$1,873,000 (2006: loss of HK$11,210,000) have been transferred to reserves. Other movements in the reserves of the Company and the Group are set out in note 32 to the financial statements.

The board of directors of the Company does not recommend the payment of any dividend for the year ended 31 December 2007 (2006: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	16.5%	
Five largest customers in aggregate	39.3%	
The largest supplier		5.2%
Five largest suppliers in aggregate		17.9%

At no time during the year have the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital), had any interest in the these major customers or suppliers.

SHARE CAPITAL

Details of the Company's share capital are set out in note 31 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2007 are set out in note 18 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2007 are set out in notes 26, 28, 29 and 30 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for last five financial years is set out on page 118 of the annual report.

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were:

Executive Directors:

XI Yu *(Chairman)*
CHEUNG Siu Ling
HON Wa Fai
KUNG May Lan (resigned on 1 February 2007)

Non-Executive Director:

SUEN Ki

Independent Non-Executive Directors:

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

In accordance with articles 87 of the Company's articles of association, Ms. CHEUNG Siu Ling, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual written confirmation of independent pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive directors are independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 18 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The tenure of office of each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred under renewed contract is for a period of two years commencing 1 February 2007. Each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is also subject to retirement or rotation in accordance with the Company's articles of association.

Save as disclosed above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

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

As at 31 December 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 issued shares of the Company

	Number of ordinary shares of HK$0.01 each				
Name of director	**Beneficial owner**	**Family interests**	**Interest of controlled corporation**	**Total number of share held**	**% of total shares in issue**
XI Yu ("Mr. XI")*	–	–	1,349,649,115	1,349,649,115	73.91

Notes:

* XI Yu is the shareholder of 16,732 shares of US$1.00 each in NUEL, representing 83.66% of the issued share capital of NUEL, which in turn holds 1,349,649,115 shares of the Company representing approximately 73.91% of the issued share capital of the Company.

(2) Long positions in issued shares of an associated company, NUEL

Name of director	Number of ordinary shares of US$1.00 each: Beneficial owner	Family interests	Interest of controlled corporation	Total number of share held	% of total shares in issue
Mr. XI	16,732	–	–	16,732	83.66
Ms. CHEUNG Siu Ling	1,214	1,214	–	2,428	12.14
Mr. SUEN Ki	840	–	–	840	4.20

Save as disclosed above, as at 31 December 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.

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.

Under the rules of the Share Option Scheme:

(1) the maximum numbers of the Company's shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes (excluding those options that have already been granted by the Company prior to the date of approval of the Share Option Scheme and those options that have lapsed in accordance with the terms of the Share Option Scheme) shall not, in aggregate, exceed the scheme mandate limit; and

(2) the maximum numbers of the Company's shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes shall not, in any event and in aggregate, exceed 30 per cent. of the Company's shares in issue from time to time.

For options to be granted under the Share Option Scheme, the exercise price of options is the highest of:

(1) the nominal value of the Company's shares;

(2) the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited on the date of grant; and

(3) the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant.

The total number of securities available for issue under the Share Option Scheme as at 31 December 2007 was 119,168,000 shares of the Company 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 shareholders on 27 April 2007.

During the year and at 31 December 2007, no options have been granted or outstanding under the Company's Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 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 required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in issued shares of the Company

	Number of ordinary shares of HK$0.01 each				
Substantial shareholder	Personal interests	Family interests	Corporate interests	Total number of share held	% of total shares in issue
NUEL	1,349,649,115	–	–	1,349,649,115	73.91
Mr. XI	–	–	1,349,649,115*	1,349,649,115	73.91

Notes:

* The interest disclosed by Mr. XI Yu is the same as the 1,349,649,115 shares disclosed as held by NUEL.

Save as disclosed above, as at 31 December 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.

SUFFCIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN CONTRACTS

The following contracts or arrangements subsisted during the year ended 31 December 2007 of which certain Directors of the Company had interests that were deemed significant to the business of the Group:

(a) On 30 August 2007, a rental agreement was entered into between Smartech Services Limited ("Smartech Services", an indirectly wholly owned subsidiary of the Company) and Sun Ngai International Investment Limited ("Sun Ngai") at normal commercial terms in the ordinary and usual course of business of the Company, pursuant to which Smartech Services shall pay Sun Ngai monthly rental of HK$10,000 to rent an office unit for one year commencing 1 August 2007. Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of the Company, Smartech Services and Sun Ngai. The rental agreement was an exempted continuing connected transaction of the Company under the GEM Listing Rules.

(b) On 12 October 2007, NUEL granted an unsecured interest-free loan of approximately HK$2,416,000 to the Company for the settlement of the price adjustment in cash upon the completion of the Disposal of Dongguan Smartech, which was repayable on demand or before 12 October 2008.

(c) During the year ended 31 December 2007, HK Smartech, an indirectly wholly owned subsidiary of the Company, has purchased raw materials amounting to approximately HK$1,000 (2006: HK$1,409,000) from China (HK) Chemical. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors of the Company and China (HK) Chemical. Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of HK Smartech. The purchases were continuing connected transactions of the Company under the GEM Listing Rules.

(d) The Environmental S&P Agreement A, the Environmental S&P Agreement B, the Environmental S&P Agreement C, the Environmental S&P Agreement D, the Dyeing S&P Agreement, and the equity interest transfer agreement together with the transactions as contemplated therein in the Disposal Agreement, each of which constituted connected transaction of the Company under the GEM Listing Rules with the Company's directors, Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki deemed interested in all those agreements and transactions as contemplated.

Save as disclosed therein, as at 31 December 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.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the connected and related party transactions for the year are set out in note 37 to the financial statements.

Save as disclosed therein, there were no other transactions to be disclosed as connected and related party transactions in accordance with the requirements of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

COMPETITION AND CONFLICT OF INTERESTS

Save as disclosed therein, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

CORPORATE GOVERNANCE

A report on the principal corporate practices adopted by the Company is set out on pages 28 to 37 of this annual report.

AUDITOR

CCIF CPA Limited retires and, being eligible, offer itself for re-appointment. A resolution for the re-appointing CCIF CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

XI Yu
Chairman
Hong Kong, 19 March 2008

The Board of Directors would like to present this Corporate Governance Report for the year ended 31 December 2007.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to upholding good standard of corporate governance to ensure transparency and quality of disclosure and effective risk control. During the year 2007, on a best effort basis, the Company complied with the code provisions of the Code on Corporate Governance Practices ("Code Provisions") as set in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). Every effort will be undertaken by the board of directors to comply with the principles and practice in order to protect and enhance the benefits of Company's shareholders.

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 year ended 31 December 2007 with the following exception:

Code Provision A.2.1 requires the separation of the roles of the Chairman and Chief Executive Officer though the Company's chairman, Mr. XI Yu until the date of this annual report, has to share the responsibilities of the vacant office of the chief executive officer of the Company subsequent to the resignation of the ex-managing director of the Group, Ms. KUNG May Lan, on 1 February 2007. The Directors considered the deviation will not significantly affected the Group's operations, because the process of decision-making and delegation of authority will become centralized and more efficient.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding 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 5.68 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 year ended 31 December 2007.

BOARD OF DIRECTORS

(a) Board composition

As at 31 December 2007, the Board comprised seven members, three of them are executive directors, one of them is non-executive director, and three of them are independent non-executive directors, serving the role of guiding the management.

The Board members for the year ended 31 December 2007 were:–

Chairman

Mr. XI Yu

Executive directors

Ms. CHEUNG Siu Ling
Mr. HON Wa Fai
Ms. KUNG May Lan (resigned on 1 February 2007)

Non-executive directors

Mr. SUEN Ki

Independent non-executive directors

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

(b) Role and function

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as and when necessary, directors will consent to the seeking of independent professional advice at the Group's expense, ensuring the board procedures, all applicable rules and regulations, are followed.

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

For the year ended 31 December 2007, the Board:

(i) reviewed, approved and executed the Rights Issue and all transactions as contemplated;

(ii) reviewed and approved the annual report for the year ended 31 December 2006;

(iii) reviewed the general mandates to issue and repurchase shares of the Company and proposed to refresh the scheme mandate limit to grant options under the Share Option Scheme;

(iv) reviewed and approved the quarterly report for the 3 months ended 31 March 2007;

(v) reviewed and approved the interim results for 6 months ended 30 June 2007 as reviewed by independent accountant, CCIF CPA Limited;

(vi) reviewed and approved conditionally the entering into agreements for the Environmental Acquisitions and the Dyeing Acquisition with the vendors of which NUEL is one of the parties, and the agreement for the Disposal of Dongguan Smartech; each of which constituted connected transaction subject to independent shareholders' approval;

(vii) reviewed and approved the quarterly report for 9 months ended 30 September 2007; and

(viii) reviewed the effectiveness of internal control taken by the Group.

Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors and shareholders of the Company's controlling shareholder, NUEL. They are also directors of China (HK) Chemical which has undertaken to support the Zhenjiang Docks Project. Save as disclosed and to the best knowledge of the Company, there is no other financial, business and family relationship among members of the Board and between the chairman and the chief executive officer (or the managing director). All of them are free to exercise their independent judgment.

(c) Meeting records

There were 17 board meetings held for the year ended 31 December 2007.

The following was an attendance record of the board meetings held by the Board during the year:

Board member	Number of meetings attended / held		
	Board Meeting	Working committee meeting	Overall
Mr. XI Yu	12/12	4/5	16/17
Ms. KUNG May Lan*	0/12	0/5	0/17
Ms. CHEUNG Siu Ling	12/12	5/5	17/17
Mr. HON Wa Fai	12/12	4/5	16/17
Mr. SUEN Ki	11/12	1/5	12/17
Dr. CHAN Yan Cheong	11/12	0/5	11/17
Mr. YUEN Kim Hung, Michael	12/12	0/5	12/17
Mr. HO Yau Hong, Alfred	12/12	0/5	12/17

* *Ms. KUNG May Lan resigned as the Company's Board member on 1 February 2007.*

(d) Independent non-executive directors

All independent non-executive directors are financially independent from the Company and any of its subsidiaries.

The Company confirmed with all non-executive directors as to their independence with reference to the factors as set out in Rule 5.09 of the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Company is Mr. XI Yu, and the office of the managing director (acting as in the capacity of the Company's chief executive officer) is still vacant. As such, Mr. XI Yu has to share the responsibility and duties of the Group's chief executive officer since the resignation of the ex-managing director, Ms. KUNG May Lan, was effected on 1 February 2007.

The chairman's responsibility is to manage the Board and the managing director's responsibility (in the capacity of chief executive officer) is to manage the Company's business. The division of responsibilities between the chairman and managing director of the Company is clearly established though Mr. XI Yu has to share the responsibilities of both offices.

NON-EXECUTIVE DIRECTORS

The tenure of office of each of the Company's independent non-executive directors, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred has been renewed and is for a period of another two years commencing 1 February 2007. Each appointment of the Company's independent non-executive directors, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

Mr. SUEN Ki has not entered into any service contract with the Company. His office as non-executive director of the Company is not appointed for a specific term though he is subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

Each Board Committees makes decisions on matters within its term of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

(a) Audit Committee

In May 2000, the Company's audit committee was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules.

Composition of audit committee

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

Role and function

The audit committee is mainly responsible for:

(i) to discuss with the external auditors before the audit commences, the nature and scope of audit;

(ii) to review the draft financial statements, including but not limited to, draft annual report, interim report, and quarterly reports, before submission to, and providing advice and comments thereon on to, the Board of directors;

(iii) to consider the appointment of external auditors, their audit fees and questions of resignation or dismissal; and

(iv) to discuss problems and reservation arising from the quarterly, interim and final audits and matters that the external auditors may wish to discuss (in the absence of the management, where necessary).

Meeting records

The audit committee had 5 meetings during the year ended 31 December 2007 mainly for the purposes as follows:

(i) reviewed the annual report for the year ended 31 December 2006;

(ii) reviewed the interim results for 6 months ended 30 June 2007 as reviewed by independent accountant, CCIF CPA Limited; and

(iii) reviewed the quarterly reports for 3 months and 9 months respectively ended 31 March and 30 September 2007.

The following was an attendance record of the audit committee meetings during the year:

Audit committee member	**Number of meetings attended/held**
Dr. CHAN Yan Cheong	5/5
Mr. YUEN Kim Hung, Michael	5/5
Mr. HO Yau Hong, Alfred	5/5

(b) Nomination Committee

In May 2005, the Company's nomination committee was established 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.

Composition of nomination committee

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

Role and function

The nomination committee is mainly responsible for:

(i) review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

(ii) identification of individuals suitably qualified to become Board members and selection of, or making recommendations to the Board on the selection of, individuals nominated for directorships;

(iii) assessment of the independence of independent non-executive directors; and

(iv) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

Meeting records

The nomination committee had 1 meeting during the year ended 31 December 2007.

The following was an attendance record of the nomination committee meeting during the year:

Nomination committee member	**Number of meetings attended/held**
Dr. CHAN Yan Cheong	1/1
Mr. YUEN Kim Hung, Michael	1/1
Mr. HO Yau Hong, Alfred	1/1

(c) Remuneration Committee

In May 2005, the Company's remuneration committee was established 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.

Composition of remuneration committee

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

Role and function

The remuneration committee is mainly responsible for:

(i) making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(ii) having the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management;

(iii) ensuring no director or any of his associates is involved in deciding his own remuneration;

(iv) advising shareholders on how to vote with respect to any service contracts of directors that requires shareholders' approval;

(v) making such alterations or additions to option scheme rules as do not require shareholders' consent as the remuneration committee considers necessary or desirable subject to the limits set out in such rules; and

(vi) consideration and resolving upon all grants of options under the Company's share option schemes.

Meeting records

The nomination committee had 1 meeting during the year ended 31 December 2007.

The following was an attendance record of the remuneration committee meeting during the year:

Remuneration committee member	**Number of meetings attended/held**
Dr. CHAN Yan Cheong	1/1
Mr. YUEN Kim Hung, Michael	1/1
Mr. HO Yau Hong, Alfred	1/1

(d) Independent Board Committee

On 23 August 2007, the Company's independent board committee was established to consider the Environmental Acquisitions, Dyeing Acquisition and the Disposal of Dongguan Smartech (with details set out in the Company's circular dated 21 September 2007) and to advise the independent shareholders of the Company as to whether or not it would be fair and reasonable and in the interest of the independent shareholders of the Company to vote in favour of the ordinary resolutions proposed in the extraordinary general meeting of the Company held on 8 October 2007 to approve the Environmental Acquisitions, Dyeing Acquisition and the Disposal of Dongguan Smartech. First Shanghai Capital Limited was appointed to advise the independent board committee and the independent shareholders in this regard.

The following was an attendance record of the independent board committee meeting during the year:

Independent board committee member	**Number of meetings attended/held**
Dr. CHAN Yan Cheong	1/1
Mr. YUEN Kim Hung, Michael	1/1
Mr. HO Yau Hong, Alfred	1/1

SHAREHOLDERS RIGHTS

It is the Company's responsibility to ensure shareholders' interest. To do so, the Company maintains on-going dialogue with shareholders – to communicate with them and encourage their participation – through annual general meetings or other general meetings.

Registered shareholders are notified by post for the shareholders' meetings. The notice of meeting contains the agenda, the proposed resolutions and a postal voting form.

Any registered shareholders are entitled to attend the annual and extraordinary general meetings, provided that their shares have been recorded in the register of shareholders of the Company.

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

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

Telephone number:	(852) 2435 6811
Fascimile number:	(852) 2435 3220
E-mail:	comsec@nuigl.com
Postal address:	Rooms 2110-2112, 21/F., Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon Hong Kong

EXTERNAL AUDITORS

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

Apart from the provision of annual audit services, the Group's external auditor also carried out interim review of the Group's results and taxation advisory service. During the year 2007, the Group's external auditor also acted as the reporting accountant in relation to the Rights Issue, the Environmental Acquisitions, the Dyeing Acquisition, and the Disposal of Dongguan Smartech.

For the years ended 31 December 2006 and 2007, CCIF CPA Limited, the external auditor provided the following services to the Group:-

	2007 **HK$'000**	2006 HK$'000
Audit services	**550**	438
Non-audit services	**800**	100

CCIF

CCIF CPA LIMITED

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

TO THE SHAREHOLDERS OF
NEW UNIVERSE INTERNATIONAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Universe International Group Limited (the "Company") set out on pages 40 to 117, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 19 March 2008

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	6	**52,028**	68,099
Cost of sales		**(42,848)**	(56,296)
Gross profit		**9,180**	11,803
Other income and gain	6	**4,109**	1,882
Selling and distribution costs		**(3,551)**	(5,306)
Administrative expenses		**(11,977)**	(13,271)
Other operating expenses		**(4,977)**	(5,884)
Gain on disposal of a subsidiary	33(c)	**4,042**	–
Loss from operations	7	**(3,174)**	(10,776)
Finance costs	10	**(785)**	(1,046)
Excess of fair value of net assets over the cost of acquisition of subsidiaries	33(b)	**6,057**	–
Share of profit of an associate, net	19(a)	**90**	–
Profit/(loss) before income tax		**2,188**	(11,822)
Income tax	11	**–**	–
Profit/(loss) for the year		**2,188**	(11,822)
Attributable to:			
Equity holders of the Company		**1,873**	(11,210)
Minority interests		**315**	(612)
		2,188	(11,822)
Dividends		**–**	–
Earnings/(loss) per share *(expressed in HK cents per share)*	13		
Basic		**0.15**	(6.21)
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**51,296**	42,450
Land lease prepayments	15	**22,349**	2,076
Deposits paid for docks development	16(b)	**49,796**	19,324
Docks under development	16(a)	**5,550**	3,617
Goodwill	17	**33,688**	–
Interest in an associate	19	**4,778**	–
Available-for-sale equity investments	20	**57,022**	–
		224,479	67,467
Current assets			
Inventories	21	**10,706**	17,925
Trade and bills receivables	22	**9,168**	9,439
Prepayments, deposits and other receivables	23	**10,624**	3,076
Land lease prepayments	15	**498**	46
Cash and cash equivalents	24	**44,421**	29,155
		75,417	59,641
Total assets		**299,896**	127,108
LIABILITIES			
Current liabilities			
Interest-bearing bank borrowings	26	**9,184**	16,210
Trade and bills payables	27	**4,666**	5,796
Deposits received		**8,959**	13,754
Accrued liabilities and other payables		**8,091**	4,493
Obligations under finance leases	28	**5**	592
Amounts due to related companies	29	**419**	2,000
Shareholder's loans	30	**2,416**	2,262
		33,740	45,107
Net current assets		**41,677**	14,534
Total assets less current liabilities		**266,156**	82,001

Consolidated Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current liabilities			
Obligations under finance leases	28	**4**	9
Shareholder's loans	30	**–**	57,505
Deferred tax liabilities	25	**5,065**	–
		5,069	57,514
Total liabilities		**38,809**	102,621
Net assets		**261,087**	24,487
CAPITAL AND RESERVES			
Share capital	31	**18,259**	1,490
Reserves	32	**237,411**	22,697
Equity attributable to equity holders of the Company		**255,670**	24,187
Minority interests		**5,417**	300
Total equity		**261,087**	24,487

XI Yu
Chairman

CHEUNG Siu Ling
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
TOTAL EQUITY AT 1 JANUARY			
Attributable to equity holders of the Company		**24,187**	35,906
Minority interests		**300**	926
		24,487	36,832
Net income recognized directly in equity:			
Exchange difference realised upon disposal of a subsidiary	33(c)	**(3,584)**	–
Exchange differences on translation of – the financial statements of overseas subsidiaries		**5,823**	(523)
		2,239	(523)
Profit/(loss) for the year:			
Attributable to equity holders of the Company		**1,873**	(11,210)
Minority interests		**315**	(612)
		2,188	(11,822)
Movements in equity arising from capital transactions:			
Rights issue	31(b)	**104,272**	–
Issuance of new shares	31(c)	**120,500**	–
Share issue expenses		**(1,515)**	–
Fair value gain on available-for-sale equity investments		**4,110**	–
Minority interests arising from acquisition of subsidiaries	33(a)	**4,806**	–
		232,173	–
TOTAL EQUITY AT 31 DECEMBER		**261,087**	24,487

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit/(loss) before income tax		**2,188**	(11,822)
Adjustments for:			
Interest expenses	10	**785**	1,046
Interest income	6	**(1,552)**	(64)
Net gain on disposal of property, plant and equipment	6	**(148)**	(59)
Provision for inventory obsolescence	7	**766**	2,759
Impairment loss of trade receivables	7	**33**	954
Depreciation and amortisation		**6,862**	7,814
Gain on disposal of a subsidiary	33(c)	**(4,042)**	–
Excess of fair value of net assets over the cost of acquisition of subsidiaries	33(b)	**(6,057)**	–
Loss/(gain) on fair value of shareholder's loans		**846**	(126)
Share of profit of an associate	19(a)	**(90)**	–
Operating (loss)/profit before working capital changes		**(409)**	502
(Increase)/decrease in inventories		**(3,367)**	1,874
Decrease/(increase) in trade and bills receivables		**1,465**	(3,231)
Increase in prepayments,deposits and other receivables		**(7,921)**	(1,568)
Increase/(decrease) in trade and bills payables		**1,904**	(3,775)
Decrease in accrued liabilities and other payables		**(816)**	(79)
Decrease in deposits received		**(2,066)**	(1,228)
Decrease in amounts due from related companies		**3,265**	–
Decrease in amount due to a related company		**(367)**	–
Cash used in operations		**(8,312)**	(7,505)
Interest received		**1,552**	64
Interest paid		**(773)**	(946)
Interest element on finance lease rental paid		**(12)**	(100)
Net cash used in operating activities		**(7,545)**	(8,487)

	Notes	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	14	**(7,458)**	(5,505)
Proceeds from disposal of property, plant and equipment		**783**	519
Net cash received from disposal of a subsidiary, net of costs incurred	33(c)	**11,422**	–
Acquisition of subsidiaries	33(a), 33(b)	**790**	–
Expenses on acquisition of subsidiaries	33(a). 33(b)	**(2,683)**	–
Deposits paid for docks development		**(29,388)**	(19,324)
Payment for docks development costs		**(1,933)**	(3,617)
Dividends received from an associate and available-for-sale equity investments		**4,146**	–
Net cash used in investing activities		**(24,321)**	(27,927)
FINANCING ACTIVITIES			
Loans from a shareholder		**5,130**	49,841
Repayment of loan from a shareholder		**(7,262)**	–
Repayment of loan from a related company		**(2,000)**	–
Loan from a related company		**–**	2,000
Capital element of finance lease rental paid		**(592)**	(1,767)
Proceeds from interest-bearing bank borrowings		**–**	32,656
Repayment of interest-bearing bank borrowings		**(7,515)**	(29,407)
Net proceeds on rights issue		**58,148**	–
Share issue expenses		**(1,515)**	–
Net cash generated from financing activities		**44,394**	53,323
NET INCREASE IN CASH AND CASH EQUIVALENTS		**12,528**	16,909
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**29,155**	12,953
Effect of foreign exchange rate changes, net		**2,738**	(707)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**44,421**	29,155
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**44,421**	29,155

Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	18	**247,841**	89,081
Current assets			
Prepayments		**5,175**	1,348
Cash and cash equivalents	24	**6,326**	5,541
		11,501	6,889
Total assets		**259,342**	95,970
LIABILITIES			
Current liabilities			
Interest-bearing bank borrowings	26	**–**	7,515
Accrued liabilities and other payables		**120**	207
Amount due to a subsidiary	18	**6,083**	–
Amount due to a related company	29	**–**	2,000
Shareholder's loans	30	**2,416**	–
		8,619	9,722
Net current assets/(liabilities)		**2,882**	(2,833)
Total assets less current liabilities		**250,723**	86,248
Non-current liabilities			
Shareholder's loans	30	**–**	57,505
Total liabilities		**8,619**	67,227
Net assets		**250,723**	28,743
CAPITAL AND RESERVES			
Share capital	31	**18,259**	1,490
Reserves	32	**232,464**	27,253
Total equity		**250,723**	28,743

XI Yu
Chairman

CHEUNG Siu Ling
Director

1. GENERAL INFORMATION

New Universe International Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares are listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as investment holding company. During the year, the Group was involved in the following principal activities:

(i) the manufacturing and sale of molds and plastic products,
(ii) medical and industrial waste environmental disposal services; and
(iii) property investment, development and operation of docks, warehouses and logistics facilities at Xinminzhou, Zhenjiang City, Jiangsu Province, the People's Republic of China ("PRC") (therein referred to as "Zhenjiang Docks Project").

Details of the activities of its principal subsidiaries are set out in note 18 to the financial statements.

These financial statements are presented in Hong Kong Dollars, unless otherwise stated.

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

At 31 December 2007, the directors of the Company consider the ultimate controlling party of the Group to be New Universe Enterprises Limited ("NUEL"), which is incorporated in the British Virgin Islands.

At the extraordinary general meeting ("EGM") held on 8 October 2007, the Company's independent shareholders approved the following agreements entered into by the Company which affected materially the principal activities of the Company:

(a) a sale and purchase agreement dated 23 August 2007 entered into between the Company as purchaser, New Universe Environmental Protection Group Limited ("NUEPGL") as the vendor and Mr. XI Yu, a beneficial shareholder and director of the Company, as the guarantor relating to the sale and purchase of 4,000,000 issued shares of US$1.00 each representing the entire issued share capital of New Universe Environmental Protection Investment Limited ("NUEPIL") for a consideration of HK$59,458,000 to be satisfied by the issue and allotment of 265,568,421 shares of the Company at a price of HK$0.19 each credited as fully paid and HK$9,000,000 in cash (the "Environmental S&P Agreement A");

1. GENERAL INFORMATION (continued)

(b) a sale and purchase agreement dated 23 August 2007 entered into between the Company as purchaser and Mr. SUN Jia Qing as the vendor relating to the sale and purchase of 700,000 shares of HK$1.00 each in the issued share capital of New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)") for a consideration of HK$6,713,000 to be satisfied by the issue and allotment of 35,331,578 shares of the Company at a price of HK$0.19 each credited as fully paid (the "Environmental S&P Agreement B");

(c) a sale and purchase agreement dated 23 August 2007 entered into between the Company as purchaser and Mr. YIN Yong Xiang as the vendor relating to the sale and purchase of 700,000 shares of HK$1.00 each in the *issued* share capital of NUET(JS) for a consideration of HK$6,713,000 to be satisfied by the issue and allotment of 35,331,578 shares of the Company at a price of HK$0.19 each credited as fully paid (the "Environmental S&P Agreement C");

(d) a sale and purchase agreement dated 23 August 2007 entered into between the Company as purchaser and Mr. LIU Lai Gen as the vendor relating to the sale and purchase of 600,000 shares of HK$1.00 each in the issued share capital of NUET(JS) for a consideration of HK$5,754,000 to be satisfied by the issue and allotment of 30,284,210 shares of the Company at a price of HK$0.19 each credited as fully paid (the "Environmental S&P Agreement D");

(the transactions contemplated under the Environmental S&P Agreement A, the Environmental S&P Agreement B, the Environmental S&P Agreement C, and the Environmental S&P Agreement D are therein collectively referred to as the "Environmental Acquisitions")

(e) a sale and purchase agreement dated on 23 August 2007 entered into between the Company as purchaser, NUEL as the vendor and Mr. XI Yu, a beneficial shareholder and director of the Company, as the guarantor relating to the sale and purchase of 1,800,000 shares of US$1.00 each representing the entire issued share capital of New Universe (China) Investment Limited ("NUCIL") for a consideration of HK$56,862,220 to be satisfied by the issue and allotment of 267,695,894 shares of the Company at a price of HK$0.19 each credited as fully paid and HK$6,000,000 in cash, and the loan due from NUCIL to NUEL in the amount of HK$51,216,430 for a consideration of HK$1.00 (the "Dyeing S&P Agreement");

(the transactions contemplated under the Dyeing S&P Agreement are therein referred to as the "Dyeing Acquisition"; and the Environmental Acquisitions and Dyeing Acquisition are hereinafter collectively referred to as the "Acquisitions")

(f) an equity interest transfer agreement dated 23 August 2007 entered into between Smartech Manufacturing Limited, a wholly owned subsidiary of the Company as the vendor and Sky Sight International Limited ("SSIL") as the purchaser, a subsidiary of NUEL, relating to the disposal of the entire equity interest of Dongguan Smartech Tooling & Plastics Limited ("Dongguan Smartech") for a consideration of HK$24,161,603 (subject to upward or downward adjustment of not more 10% upon completion) (the "Disposal Agreement").

(the transactions contemplated under Disposal Agreement is therein referred to as the "Disposal of Dongguan Smartech")

Each of the Company's directors, Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are deemed interested in the Environmental Acquisitions and Dyeing Acquisition and the Disposal of Dongguan Smartech. Further details of the above transactions were set out in the Company's circular dated 21 September 2007.

2. ADOPTION OF NEW AND REVISED HKFRSs

From 1 January 2007, the Group has adopted all the new and revised HKFRSs, which are first effective for the annual periods beginning on 1 January 2007 and relevant to the Group. The adoption of these HKFRSs has given rise to additional disclosures as follows:

HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 39.

HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 – Financial Instruments: Disclosures is mandatory for annual periods beginning on 1 January 2007 or later. The new standard replaces and revises the disclosure requirements previously set out in HKAS 32 Financial Instruments: Disclosure and Presentation and has been adopted by the Group in its financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

– a sensitivity analysis explaining the Group's market risk exposure in regard to its financial instruments, and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

The adoption of other new and revised HKFRSs did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these new and revised HKFRSs have been considered. The adoption of these new and revised HKFRSs did not result in any changes to the amounts or disclosures in these financial statements.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis as modified by revaluation of financial assets and financial liabilities.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as "the Group") made up to 31 December each year.

Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the amount of gain or loss on disposal.

Subsidiaries

A subsidiary, is an entity in which the Company, directly or indirectly, holds more than one half of its issued share capital or controls more than one half of its voting power or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains or losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

The results of the associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and stated at cost less any impairment losses.

Available-for-sale financial assets (equity investments)

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories, namely loans and receivables, held-to-maturity investments under the scope of HKAS 39. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

The Group's financial assets include available-for-sale financial assets, trade receivables, other receivables, cash and cash equivalents, and investments in subsidiaries and associates. The Group's accounting policy for financial assets other than available-for-sale financial assets, investments in subsidiaries and associates are set out below:

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus any directly attributable transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. The Group's trade and most other receivables fall into this category of financial instruments.

Financial liabilities

The Group's financial liabilities include trade and bills payables, deposits received, accruals and other payables, amount due to related companies and shareholder's loans. They are included in balance sheet as "Trade and bills payables", "Deposits received", "Accrued liabilities and other payables", "Amounts due to related companies" and "Shareholder's loans".

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

Financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Impairment of assets

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

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

– significant financial difficulty of the debtor;

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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

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

– For available-for-sale equity securities, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

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

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

(ii) Impairment of other assets

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

– property, plant and equipment (other than those carried at revalued amounts);

– interest in leasehold land held for own use under operating leases;

– investment in subsidiaries (except for those classified as held for sale or included in a disposal group that is classified as held for sale);

– investment in associates;

– goodwill; and

– docks under development (including deposits paid for docks development).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Impairment of other assets (continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 – Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year. Impairment loss recognised in an interim period in respect of goodwill is not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

The following property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses:

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease; and

– other items of plant and equipment.

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

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

Buildings and factory improvements situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

Plant and machinery	5-10 years
Computers and equipment	3-5 years
Furniture and fixtures	5 years
Motor vehicles	3-5 years

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Docks under development

Docks under development are stated at cost less any accumulated impairment losses. Cost comprises the prepaid land lease payments together with any other direct costs attributable to the development of the docks. Borrowing costs, professional fees, and other related expenses incurred during the construction or development phase of the property are capitalised as part of the cost of that property.

Once the constructions or developments of these docks are completed, these docks properties are reclassified to the appropriate asset categories.

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or the Group will obtain ownership of the asset, the life of the asset. Impairment losses are accounted for in accordance with the accounting policy as impairment of assets. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

Operating lease charges

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

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant assets and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement.

Inventories

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

Cost is determined on the first-in, first-out basis and, in the case of work in progress and manufactured finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Interest-bearing borrowings

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

Trade and other payables

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

Cash and cash equivalents

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

Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Employee benefits

Short-term employee benefits

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits scheme

The Group in Hong Kong operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Subsidiary established in Mainland China maintains a defined contribution retirement plan for certain of its employees. It contributes to a state-sponsored retirement plan of approximately 17% of the basic salaries of its employees, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees. There were no forfeited contributions available to the Group to reduce its contributions in future years. The contributions are charged to the income statement as they become payable in accordance with the rules of the state-sponsored retirement plan.

Share-based employee compensation option schemes

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions. All share-based compensation is ultimately recognised as an expense in income statement, with a corresponding increase in share option reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Income tax

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

  – the same taxable entity; or

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

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Foreign currency transaction

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Service income

Services income from rendering of environmental disposal services is recognised when the services have been provided.

Dividend income

Dividend income is recognised when a shareholder's right to receive payment has been established.

Interest income

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

Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party:

- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is a jointly-controlled entity;

(c) the party is an associate;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives and residue values of property, plant and equipment

Useful lives of the Group's property, plant and equipment are defined as the period over which they are expected to be available for use by the Group. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment or similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciation lives and residue lives and therefore depreciation expense in future periods.

(b) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant judgement relating to such items such as level of turnover and amount of operating costs. No impairment was provided during the year.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. These calculations require the use of certain key assumptions, changing such key assumptions selected by management, including the discount rates, profit margin and the growth rate assumptions, could materially affect the net present value used in the impairment test. The carrying amount of goodwill as at 31 December 2007 was HK$33,688,000. Further details are set out in note 17 to the financial statements.

(d) Impairment of available-for-sale financial assets and interest in an associate

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset/interest in an associate is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, change in technology and operational and financing cash flow.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Impairment of dock under development and deposits paid for docks development

Docks under development and deposits paid for docks development are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management makes judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

(f) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the balance sheet date.

(g) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling and distribution costs. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

5. SEGMENT REPORTING

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business that offers products and services that are subject to risks and returns which are different from those of the other business segments.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

During the current and prior years, there were no intersegment transactions.

5. SEGMENT REPORTING (continued)

(a) Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the mold products segment engages in the manufacture and sale of high precision molds;

(b) the plastic products segment engages in the manufacture and sale of plastic products; and

(c) the environmental services segment engages in the environmental collection and disposal of hazardous medical and industrial wastes.

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

Group

	Mold products		Plastic products		Environmental services		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**31,056**	52,084	**14,992**	16,015	**5,980**	–	**52,028**	68,099
Other income	**2,073**	706	**134**	840	**20**	–	**2,227**	1,546
Total	**33,129**	52,790	**15,126**	16,855	**6,000**	–	**54,255**	69,645
Segment results	**(2,585)**	(3,742)	**(2,143)**	(389)	**1,679**	–	**(3,049)**	(4,131)
Unallocated income							**5,924**	336
Unallocated expenses							**(6,049)**	(6,981)
Loss from operations							**(3,174)**	(10,776)
Finance costs							**(785)**	(1,046)
Excess of fair value of net assets over the cost of acquisition of subsidiaries							**6,057**	–
Share of profit of an associate, net							**90**	–
Profit/(loss) before income tax							**2,188**	(11,822)
Income tax							**–**	–
Profit/(loss) for the year							**2,188**	(11,822)

5. SEGMENT REPORTING (continued)

(a) Business segments (continued)

The following tables present certain asset, liability and expenditure information for the Group's business segments.

Group

	Mold products		Plastic products		Environmental services		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**37,346**	54,210	**14,020**	23,293	**92,233**	–	**143,599**	77,503
Docks development (notes (i), (iii))							**80,816**	41,273
Interest in an associate (note (ii))							**4,778**	–
Available-for-sale equity (note ii)) investments							**57,022**	–
Unallocated assets							**13,681**	8,332
Total assets							**299,896**	127,108
Segment liabilities	**22,398**	30,728	**1,241**	1,592	**10,293**	–	**33,932**	32,320
Unallocated liabilities							**4,877**	70,301
Total liabilities							**38,809**	102,621
Other segment information:								
Depreciation and amortisation	**4,355**	3,916	**1,833**	3,898	**674**	–	**6,862**	7,814
Provision for impairment loss of trade receivables/(written back)	**86**	900	**(53)**	54	**–**	–	**33**	954
Capital expenditure	**2,443**	4,604	**4,052**	901	**963**	–	**7,458**	5,505

Notes:

(i) The docks project is under development and contributed no revenue and insignificant results for both years.

(ii) These investments are engaged in plastic material dyeing business, and contributed insignificant revenue and results for the year after completion of acquisition to the Group (2006: Nil).

(iii) In respect of the docks under development, the Group incurred capital expenditure of HK$1,933,000 (2006: HK$3,617,000) and paid additional deposits for docks development in relation to acquisition of land use rights for the project of HK$30,472,000 (2006: HK$19,324,000) for the year.

5. SEGMENT REPORTING (continued)

(b) Geographical segments

The following tables present revenue and certain assets and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		North America*		Europe		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**3,987**	7,833	**24,597**	19,415	**3,981**	6,336	**18,942**	23,853	**521**	10,662	**52,028**	68,099
Other income	**1,477**	359	**2,632**	1,523	**–**	–	**–**	–	**–**	–	**4,109**	1,882
	5,464	8,192	**27,229**	20,938	**3,981**	6,336	**18,942**	23,853	**521**	10,662	**56,137**	69,981

	Hong Kong		Mainland China		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:								
Segment assets	**110,783**	13,226	**189,113**	113,882	**–**	–	**299,896**	127,108
Capital expenditure	**52**	47	**7,406**	5,458	**–**	–	**7,458**	5,505

* North America principally relates to the United States and Canada.

6. TURNOVER, OTHER INCOME AND GAIN

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

	Group	
	2007	2006
	HK$'000	HK$'000
Turnover	**52,028**	68,099
Other income and gain		
Gain on fair value of shareholder's loans	**–**	126
Interest income	**1,552**	64
Net gain on disposal of property, plant and equipment	**148**	59
Scrap sales	**981**	1,093
Sundry income	**1,428**	540
	4,109	1,882
Total	**56,137**	69,981

7. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charging/(crediting):

	Group	
	2007	2006
	HK$'000	HK$'000
Staff costs		
(exclusive of directors' remuneration disclosed in note 8):		
Retirement costs		
Contributions to retirement benefits schemes	**56**	84
Less: Forfeited contributions	**–**	–
Net retirement benefits scheme contributions	**56**	84
Salaries, wages and other benefits	**14,018**	16,331
	14,074	16,415
Other items		
Amortisation of land lease prepayments	**161**	46
Auditors' remuneration		
– audit services	**550**	438
– non-audit services	**800**	100
Cost of inventories consumed	**42,082**	53,537
Depreciation		
– owned assets	**6,694**	7,507
– assets held under finance leases	**7**	261
Provision for inventory obsolescence	**766**	2,759
Net foreign exchange loss	**1,202**	432
Operating lease charges: minimum lease payments		
– hire of properties	**237**	288
– hire of an industrial plant	**2,663**	3,362
Impairment loss of trade receivables	**33**	954
Loss on fair value of shareholder's loans	**846**	–

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Fees	**360**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**616**	525
Retirement benefits scheme contributions	**12**	12
	988	897

8. DIRECTORS' REMUNERATION (continued)

Group – 2007

	Director's fee HK$'000	Salaries allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Retirement scheme contribution HK$'000	2007 Total HK$'000
Executive directors						
XI Yu	–	–	–	–	–	–
CHEUNG Siu Ling	–	–	–	–	–	–
HON Wa Fai	–	616	–	–	12	628
KUNG May Lan*	–	–	–	–	–	–
Non-executive director						
SUEN Ki	–	–	–	–	–	–
Independent non-executive directors						
CHAN Yan Cheong	120	–	–	–	–	120
YUEN Kim Hung, Michael	120	–	–	–	–	120
HO Yau Hong, Alfred	120	–	–	–	–	120
	360	616	–	–	12	988

* Ms. KUNG May Lan resigned on 1 February 2007.

Group – 2006

	Director's fee HK$'000	Salaries allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Retirement scheme contribution HK$'000	2006 Total HK$'000
Executive directors						
XI Yu	–	–	–	–	–	–
CHEUNG Siu Ling	–	–	–	–	–	–
HON Wa Fai**	–	525	–	–	12	537
KUNG May Lan	–	–	–	–	–	–
Non-executive director						
SUEN Ki**	–	–	–	–	–	–
Independent non-executive directors						
CHAN Yan Cheong	120	–	–	–	–	120
YUEN Kim Hung, Michael	120	–	–	–	–	120
HO Yau Hong, Alfred	120	–	–	–	–	120
	360	525	–	–	12	897

** Mr. HON Wa Fai and Mr. SUEN Ki were appointed on 28 September 2006.

8. DIRECTORS' REMUNERATION (continued)

During the year, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals of the Group with highest emoluments, one (2006: one) whose emoluments were disclosed in note 8 to the financial statements. The details of the emoluments in respect of the other four (2006: four) individuals are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**917**	1,040
Retirement benefits scheme contributions	**31**	42
	948	1,082

The emoluments of the four (2006: four) individuals with the highest emoluments are within the following band:

	2007 Number of individuals	2006 Number of individuals
Nil – HK$1,000,000	4	4

10. FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest expense on:		
Bank loans wholly repayable within five years	**588**	549
Bank import loans wholly repayable within five years	**185**	397
Finance charges on obligations under finance leases	**12**	100
	785	1,046

11. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

The provision for Hong Kong tax for 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. 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 for both years.

Dongguan Smartech was located and operated in the PRC and was subject to state corporate income tax 12% and local corporate income tax of 3%, which was disposed of on 12 October 2007.

Suzhou New Universe, Zhenjiang New Universe, Taizhou New Universe, Yancheng New Universe, Zhenjiang Port Co. and Zhenjiang Warehouses Co. are located and operated in the PRC, are entitled to the exemptions from PRC Foreign Enterprise Income Tax ("FEIT") of 24%, and the local FEIT rate of 3% for two years starting from their first profit-making, followed by a 50% tax relief for the next three years. The first profit making year of Yancheng New Universe and Taizhou New Universe was 2007. As at 31 December 2007, Zhenjiang New Universe was still in a tax loss position while Zhenjiang Port Co. and Zhenjiang Warehouses Co. have not commenced its operations. Accordingly, they are not subject to the FEIT.

The National People's Congress of the PRC approved the Corporate Income tax Law of the PRC (the "New Tax Law") on 16 March 2007. With effective from 1 January 2008, the tax rate applicable to the enterprises established in the PRC will be unified at 25% with certain grandfather provisions and preferential provisions. The change in tax rate does not have any impact on the financial statements, as the New Tax Law was neither enacted nor substantially enacted by 31 December 2007.

11. INCOME TAX (continued)

Reconciliation between tax expense and accounting profit at applicable tax rates:

Group – 2007

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before income tax	**11,490**		**(9,302)**		**2,188**	
Tax at the statutory/applicable tax rates	**2,011**	**17.5**	**(1,395)**	**15.0***	**616**	**28.2***
Income not subject to tax	**(2,061)**		**–**		**(2,061)**	
Expenses not deductible for tax	**645**		**–**		**645**	
Tax losses not recognised as deferred tax asset	**(595)**		**–**		**(595)**	
Effect of tax exemptions granted to PRC subsidiaries	**–**		**427**		**427**	
Tax loss not recognised	**–**		**968**		**968**	
Tax charge at the Group's effective rate	**–**	**–**	**–**	**–**	**–**	**–**

Group – 2006

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before income tax	(3,212)		(8,610)		(11,822)	
Tax at the statutory/applicable tax rates	(562)	17.5	(1,292)	15.0*	(1,854)	15.7*
Income not subject to tax	(353)		–		(353)	
Expenses not deductible for tax	1,536		–		1,536	
Tax losses not recognised as deferred tax asset	(621)		–		(621)	
Effect of tax exemptions granted to PRC subsidiaries	–		121		121	
Tax loss not recognised	–		1,171		1,171	
Tax credit at the Group's effective rate	–	–	–	–	–	–

* representing effective tax rate

12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity holders of the Company includes a loss of HK$1,277,000 (2006: HK$30,825,000) which has been dealt with in the financial statements of the Company.

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings (2006: loss) per share is based on the profit attributable to equity holders of the Company for the year ended 31 December 2007 (2006: loss) and the weighted average number of ordinary shares in issue during the year.

Diluted earnings/(loss) per share for the years ended 31 December 2007 and 2006 have not been presented as no diluting event existed during these years.

The calculation of basic earnings/(loss) per share is based on:

	2007 **HK$'000**	2006 HK$'000
Profit/(loss)		
Profit/(loss) attributable to equity holders of the Company, used in the basic earnings/(loss) per share calculation	**1,873**	(11,210)
Shares		
Weighted average number of ordinary shares in issue during the year	**1,285,329,000**	180,558,000

14. PROPERTY, PLANT AND EQUIPMENT

Group – 2007

	Building and factory improvements HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Computers and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation							
At 1 January 2007	13,685	–	72,460	1,622	184	1,589	89,540
Additions	1,313	568	5,057	412	–	108	7,458
Disposals/write-off	(1,353)	–	(4,802)	(116)	(27)	–	(6,298)
Acquisition of subsidiaries	10,184	1,823	9,161	171	–	959	22,298
Disposal of a subsidiary	(3,475)	–	(53,735)	–	–	(520)	(57,730)
Reallocations	2,182	(2,182)	–	–	–	–	–
Exchange adjustments	708	–	4,101	68	8	41	4,926
At 31 December 2007	**23,244**	**209**	**32,242**	**2,157**	**165**	**2,177**	**60,194**
Representing:							
At cost	23,244	209	32,242	2,157	165	2,177	60,194
At valuation – 2004	–	–	–	–	–	–	–
Accumulated depreciation and impairment:							
At 1 January 2007	3,819	–	41,330	779	106	1,056	47,090
Charge for the year	857	–	5,369	317	33	125	6,701
Disposals/write-off	(1,350)	–	(4,198)	(88)	(27)	–	(5,663)
Disposal of a subsidiary	(1,880)	–	(39,701)	–	–	(203)	(41,784)
Exchange adjustments	156	–	2,354	29	4	11	2,554
At 31 December 2007	**1,602**	**–**	**5,154**	**1,037**	**116**	**989**	**8,898**
Net book value:							
At 31 December 2007	**21,642**	**209**	**27,088**	**1,120**	**49**	**1,188**	**51,296**

The following property, plant and equipment were disposed of during the year 2007 which had been revalued in 2004. Had the following property, plant and equipment held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been:

	2007 HK$'000	2006 HK$'000
Building and factory improvements	**–**	2,504
Plant and machinery	**–**	11,398
Motor vehicles	**–**	164
	–	14,066

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group – 2006

	Building and factory improvements HK$'000	Plant and machinery HK$'000	Computers and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuationv						
At 1 January 2006	13,614	68,446	1,422	177	2,407	86,066
Additions	10	5,082	195	6	212	5,505
Disposals/write-off	–	(1,401)	–	–	(1,033)	(2,434)
Exchange adjustments	61	333	5	1	3	403
At 31 December 2006	13,685	72,460	1,622	184	1,589	89,540
Representing:						
At cost	10,459	22,785	1,622	184	1,400	36,450
At valuation – 2004	3,226	49,675	–	–	189	53,090
Accumulated depreciation and impairment:						
At 1 January 2006	2,824	35,902	503	74	1,806	41,109
Charge for the year	987	6,404	274	32	71	7,768
Disposals/write-off	–	(1,152)	–	–	(822)	(1,974)
Exchange adjustments	8	176	2	–	1	187
At 31 December 2006	3,819	41,330	779	106	1,056	47,090
Net book value:						
At 31 December 2006	9,866	31,130	843	78	533	42,450

The net book value of the property, plant and equipment of the Group held under finance leases as at 31 December 2007 amounted to HK$13,000 (2006: HK$2,553,000).

As at 31 December 2007, property, plant and equipment with a carrying value of HK$9,234,000 (2006: HK$8,092,000) were pledged to a bank to secure the banking facilities granted to the Group (note 35).

15. LAND LEASE PREPAYMENTS

	Group 2007 HK$'000	Group 2006 HK$'000
Cost		
At beginning of year	**2,658**	2,645
Acquisitions of subsidiaries (note 33(a))	**20,767**	–
Exchange adjustment	**149**	13
	23,574	2,658
Amortisation		
At beginning of year	**536**	487
Charge for the year	**161**	46
Exchange adjustment	**30**	3
	727	536
Net book value		
At end of the year	**22,847**	2,122
Classified as		
Non-current assets	**22,349**	2,076
Current assets	**498**	46
	22,847	2,122

The Group's interests in land use rights are held in Jiangsu Province, the PRC and on lease over the period of 50 years.

As at 31 December 2007, the land use rights with carrying value of HK$2,192,000 (2006: HK$2,122,000) were pledged to a bank to secure the banking facilities granted to the Group (note 35).

16. DOCKS UNDER DEVELOPMENT/DEPOSITS PAID FOR DOCKS DEVELOPMENT

(a) Docks under development

	Group 2007 HK$'000	Group 2006 HK$'000
Opening carrying amount	**3,617**	–
Project professional cost capitalised	**977**	–
Development costs capitalised	**956**	3,617
Closing carrying amount	**5,550**	3,617

Docks development costs represent preliminary expenses, professional and consultancy costs incurred relating to the development of the Zhenjiang Docks Project in Zhenjiang Xinmingzhou, the PRC. Details of the Zhenjiang Docks Project are set out in the Company's circular dated 25 August 2006.

16. DOCKS UNDER DEVELOPMENT/DEPOSITS PAID FOR DOCKS DEVELOPMENT (continued)

(b) The deposits paid for docks development of HK$49,796,000 (2006: HK$19,324,000) were made to the Zhenjiang local government in relation to land use rights to be granted for the docks and logistics development projects.

(c) A PRC bank has provided a letter of intent under which this PRC bank has agreed in principle to provide necessary financing for the docks project subject to all the necessary approvals to be obtained from the PRC authorities.

(d) China (HK) Chemical & Plastics Co. Limited ("China (HK) Chemical"), a related company in which Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are the common directors, has agreed to provide financial support for the docks project.

(e) Details of the capital commitments on the Zhenjiang Docks Project are set out in note 34(a) to the financial statements.

17. GOODWILL

	Group	
	2007	2006
	HK$'000	HK$'000
As at 1 January	**–**	–
Acquisition of subsidiaries *(note 33(a))*		
– Goodwill on acquisition	**33,688**	–
As at 31 December	**33,688**	–

The goodwill as at 31 December 2007 arose from the acquisitions of 100% interest in New Universe Environmental Protection Investment Limited (herein referred to as NUEPIL) which holds 82% equity interests in each of New Universe Environmental Technologies (Jiang Su) Limited, Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe (collectively the "Environmental Group") amounting to approximately HK$33,688,000 at the date of completion of the Environmental Acquisitions as referred to note 1 and note 33(a) to the financial statements. Further details about these entities within the Environmental Group were set out in the Company's circular dated 21 September 2007.

Currently Taizhou New Universe, Yancheng New Universe and Zhenjiang New Universe are the only enterprises authorized to collect and dispose of medical and industrial waste in Taizhou, Yancheng and Zhenjiang. Each of Taizhou New Universe, Yancheng New Universe and Zhenjiang New Universe has established its own (i) waste collection system, (ii) waste storage system, (iii) waste disposition system, (iv) waste management system, and (v) internal environmental management system, in compliance with the regulations and are required for renewal of the licences concerned. The tight government environmental compliance policies are the key barriers to market entry.

17. GOODWILL (CONTINUED)

Taizhou New Universe, Yancheng New Universe and Zhenjiang New Universe have built up sound relationship with the medical institutions and industrial enterprises locally for the disposal of regulated medical and industrial wastes in Taizhou, Yancheng and Zhenjiang.

Zhenjiang New Universe entered into a long-term operating lease agreement with an independent third party for a landfill in Zhenjiang (with a capacity of 750,000 cubic meters) with a lease period of 10 years commencing from 1 January 2006 and renewable upon its expiry date, at an annual rental of RMB50,000.

Impairment test for goodwill

BMI Appraisals Limited, an independent professional valuer ("BMI"), was engaged by the Company to conduct the valuation of the goodwill at 31 December 2007.

In the valuation, BMI applied the income approach which is also known as the discounted cash flow ("DCF") method. The market value was determined by applying a discount rate (the cost of capital) in the DCF model to determine the net present values of the entities of Environmental Group future expected cash flows. The cash flow projections are based on financial budgets approved by the management covering a 10-year period.

The key assumptions used are as follows :

	10-year forecast		
	2008-2010	**2011-2017**	**Beyond 2017**
Sales growth rate	20%	18% to 16%	3%
Profit margin (before interest and tax)	30.7% to 28.7%	27.5% to 20.6%	18%
Discount rate (pre-tax)	10.45%	10.45%	10.45%

The management determined budget sales growth rate and profit margin based on past performance and its expectation for market development.

Weighted Average Cost of Capital ("WACC") was adopted as the discount rate for the valuation. WACC comprises of two components: cost of equity and cost of debt. The WACC adopted by BMI as the discount rate in the valuation was 10.45%.

Cost of equity takes into account two different types of risks – systematic risks and nonsystematic risks. Risks that are correlated with the return from the stock market are referred to as systematic risks. Other risks that are company-specific are referred to as nonsystematic risks. The rate of return for systematic risks was based on the Capital Asset Pricing Model ("CAPM"). The CAPM states that an investor requires excess returns to compensate systematic risks but provides no excess return for non-systematic risks. Under the CAPM, the appropriate rate of return is the sum of the risk-free rate and a related beta times the market risk premium. BMI adopted the yield rate of 4.16% being the 10-year Chinese Government Bond Yield as the risk-free rate. The beta was determined as the median of betas of publicly listed comparable companies that are in the same industry, which was 0.541. Besides, the market risk premium we adopted in the DCF model was 9.07%.

17. GOODWILL (CONTINUED)

In respect of nonsystematic risks, BMI considered the size difference (a company-specific risk) between the Environmental Group and the selected comparable companies and determined that a size premium of 7.07% was appropriate. As a result, the cost of equity for the Environmental Group was calculated as 13.89%.

Cost of debt is the sum of the risk-free rate (4.16% being the 10-year Chinese Government Bond Yield) and the credit spread (6.41%) corresponding to the Environmental Group.

The debt-to-equity ratio was determined to be 0.609 which was equal to the median of the ratio for public listed comparable companies in the same industry.

Based on the impairment assessment of the recoverable amount of the goodwill as prepared by BMI dated 18 March 2008, in the opinion of the directors of the Company, no impairment provision is considered necessary for the carrying value of the Group's goodwill at the balance sheet date.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**58,078**	58,078
Due from subsidiaries	**320,453**	161,693
	378,531	219,771
Provision for impairment loss	**(130,690)**	(130,690)
	247,841	89,081
Due to a subsidiary	**(6,083)**	–
	241,758	89,081

The amounts due from subsidiaries are of equity contribution in nature. The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for the amount of HK$5,087,000 due from the subsidiary, Bestwin (China) Limited, as at 31 December 2007 (2006: Nil), which bears interest at a rate of 0% to 3.5% per annum. The Company's directors opined that the aggregate carrying value of the investment costs and these amounts due from subsidiaries, net of the provision for impairment loss recognised, approximate to their fair values.

The Directors consider that in light of the recurring operating losses of certain subsidiaries and unfavourable market conditions, the recoverable amount of these subsidiaries has been reduced to the estimated net realisable value of their identifiable net assets. Accordingly, an aggregate impairment loss of approximately HK$130,690,000 (2006: HK$130,690,000) in respect of the Company's interests in subsidiaries and amounts due from subsidiaries was recognised.

The amount due to a subsidiary is unsecured, interest free and repayable on demand.

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company		Principal activity
			2007	2006	
Smartech International Group Limited	British Virgin Islands/ Hong Kong	US$1,000,000	**100**	100	Investment holding
Smartech Manufacturing Limited ("HK Smartech")	Hong Kong	HK$5,000,000	**100**	100	Sale of molds and plastic products
Smartech Plastic Moulding Limited	Hong Kong	HK$100	**100**	100	Sale of plastic products
Smartech Services Limited ("Smartech Services")	Hong Kong	HK$2	**100**	100	Provision of management services
Smartech Solutions Limited	Hong Kong	HK$2	**100**	100	Dormant
Bestwin (China) Limited ("Bestwin")	Hong Kong	HK$15,000,000	**97**	97	Investment holding
Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe")	People's Republic of China*	US$4,300,000	**97**	97	Manufacture and sale of molds and plastic products
New Universe International (China) Limited (formerly known as New Universe International (Guang Dong) Limited)	Hong Kong	HK$10,000,000	**100**	100	Dormant
New Universe International (Zhenjiang) Port Company Limited ("Zhenjiang Port Co.")	People's Republic of China*	US$15,000,000	**100**	100	Docks development (dock facilities)
New Universe International (Zhenjiang) Warehouses Company Limited ("Zhenjiang Warehouses Co.")	People's Republic of China*	US$10,000,000	**100**	100	Docks development (depot and logistics facilities)
New Universe Environmental Protection Investment Limited ("NUEPIL")	British Virgin Islands/ Hong Kong	US$4,000,000	**100**	–	Investment holding
New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)")	Hong Kong	HK$10,000,000	**82**	–	Investment holding

18. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company 2007	2006	Principal activity
Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe")	People's Republic of China*	US$2,350,000	**82**	–	Environmental waste disposal services
Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe")	People's Republic of China*	US$700,000	**82**	–	Environmental waste disposal services
Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe")	People's Republic of China*	US$700,000	**82**	–	Environmental waste disposal services
New Universe (China) Investment Limited ("NUCIL")	British Virgin Islands/ Hong Kong	US$1,800,000	**100**	–	Investment holding
New Universe (China) Limited ("NUCL")	Hong Kong	HK$1,000,000	**100**	–	Investment holding

* *Wholly-owned foreign enterprise*

All of these subsidiaries are incorporated with limited liability. Except for Smartech International Group Limited, all the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

19. INTEREST IN AN ASSOCIATE

	2007 HK$'000	2006 HK$'000
Share of net assets	**4,778**	–

(a) Share of net assets of an associate

	Group 2007 HK$'000	Group 2006 HK$'000
As at 1 January	**–**	–
Business combination *(note 33(b))*	**5,858**	–
Share of post acquisition profits of an associate	**90**	–
Dividends received from the associate	**(1,170)**	–
As at 31 December	**4,778**	–

In the opinion of the directors, there was no impairment on the investment in the associate and no provision has been made against the carrying value of investment in associate at the balance sheet date.

(b) Particulars of the principal associate as at 31 December 2007 are as follows:

Name	Form of legal structure	Place of incorporation	Registered Capital	Percentage of equity interest attributable to the Group %	Principal activities
Qingdao Zhongxin Huamei Plastics Co., Limited ("Qingdao Huamei")	Incorporated	People's Republic of China	US$1,650,000	28.67	Plastic materials dyeing

19. INTEREST IN AN ASSOCIATE (continued)

(c) The summarised financial information based on the PRC statutory accounts after adjustments for the HKGAAP of the associate for the year ended 31 December 2007 was as follows:

	2007 HK$'000	2006 HK$'000
Assets	21,683	–
Liabilities	5,019	–
Net assets	16,664	–
Turnover	71,941	–
Profit for the year	1,324	–

20. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	2007 HK$'000	2006 HK$'000
Unlisted equity investments at fair value	57,022	–

The fair values of the unlisted equity investments at the balance sheet date are determined by the Directors by reference to the professional valuation report prepared by BMI Appraisals Limited, independent valuers, dated 18 March 2008, using the market approach.

Particulars of the available-for-sale equity investments as at 31 December 2007 are as follows:

Name	Form of legal structure	Place of incorporation	Registered Capital	Percentage of equity interest attributable to the Group %	Principal activities
Suzhou New Huamei Plastics Co., Limited	Incorporated	People's Republic of China	US$5,000,000	18.62	Plastic materials dyeing
Danyang New Huamei Plastics Co., Limited	Incorporated	People's Republic of China	US$1,600,000	24.50	Plastic materials dyeing

Danyang New Huamei is owned as to 24.5% directly by NUCL, a wholly-owned subsidiary of the Company. The Company's director, Mr. XI Yu is a director of Danyang New Huamei who represents one-seventh of the board of directors of Danyang New Huamei, and is not in a position to exercise significant influence through participation in the financial and operating policy decisions of Danyang New Huamei. Therefore, Danyang New Huamei is not accounted for as an associate of the Group.

21. INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**1,868**	2,433
Work in progress	**7,620**	13,593
Finished goods	**1,218**	1,724
Consumable tools	**–**	175
	10,706	17,925

22. TRADE AND BILLS RECEIVABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**10,155**	10,393
Less: Impairment losses	**(987)**	(954)
	9,168	9,439

All of the trade receivables are expected to be recovered or recognised as expense within one year.

Impairment losses of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of amount is remote, in which case the impairment loss is written off against trade receivable.

The movement in the impairment on trade receivables during the year is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**954**	954
Impairment loss recognised	**33**	–
31 December	**987**	954

Trade receivables are collectively considered to be impaired in accordance with their ageing.

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 extending up to three months for major customers. For the plastic products segment and environmental services segment, the credit period is generally for a period of one month extending up to two months for major customers.

22. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 1 month	**2,860**	3,630
1 to 2 months	**1,503**	2,728
2 to 3 months	**2,451**	1,673
Over 3 months	**2,354**	1,408
	9,168	9,439

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired	**6,814**	8,031
Less than 3 months past due	**1,257**	602
More than 3 months past due	**1,097**	806
	2,354	1,408
	9,168	9,439

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables was a refundable deposit of HK$5,000,000 (2006: Nil) paid for the proposed acquisition of controlling interest in an environmental electroplating recycling project under a non-binding letter of intent dated 15 October 2007 made with a third party. Details are set out in the Company's announcement dated 15 October 2007.

Included in the balance are the two loans of HK$1,020,000 (2006: HK$1,020,000) and HK$3,061,000 (2006: Nil) to State-owned Gongqingtuan Farm of Jiangsu Province and the Zhenjiang local government, respectively, which are interest-free, unsecured and repayable within next 12 months from the balance sheet date.

In the opinion of the directors, the carrying values of the prepayments, deposits and other receivables approximate their fair values at the balance sheet date.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**44,421**	29,155	**6,326**	5,541

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2007	2006	**2007**	2006
	'000	'000	**'000**	'000
United States Dollars	**652**	1,243	**551**	1
Euros	**1**	14	**–**	–

25. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Net deferred tax liability recognised on the consolidated balance sheet	**5,065**	–

The Group's provision for deferred tax represents timing differences arising from revaluation surplus of the land use rights and fixed assets of the PRC subsidiaries based on their applicable tax rates.

Deferred tax assets not recognised:

In accordance with the accounting policy of the Group, the Group has not recognized deferred assets in respect of cumulated tax losses of HK$29,323,000 (2006: HK$18,051,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

Deferred tax liabilities not recognised:

At 31 December 2007, temporary differences relating to the undistributed profits of subsidiaries amounted to HK$3,927,000. Deferred tax liabilities of HK$589,000 have not been recognised in respect of tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

26. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans – secured	**9,184**	8,695	**–**	–
Bank loans – unsecured	**–**	7,515	**–**	7,515
Amounts due within one year classified as current liabilities	**9,184**	16,210	**–**	7,515

As at 31 December 2007 all of the interest-bearing bank borrowings are denominated in Renminbi.

The unsecured bank loans bore interest of 4.75% to 5.25% per annum in 2006.

The secured bank loans bore interest of 4.785% to 6.633% per annum in 2007 (2006: 3.775% to 4.785% per annum).

At the balance sheet date, all the above bank loans were payable on demand or not exceeding one year. The Company's and Group's banking facilities were secured by (i) a corporate guarantee from a related company, China (HK) Chemical and Plastics Co. Limited, 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 the common directors; (ii) personal guarantee from Mr. XI Yu; and (iii) land use rights of a subsidiary (note 35).

27. TRADE AND BILLS PAYABLES

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

	Group	
	2007	2006
	HK$'000	HK$'000
Within 1 month	**1,544**	1,606
1 to 2 months	**1,184**	1,316
2 to 3 months	**673**	681
Over 3 months	**1,265**	2,193
	4,666	5,796

28. 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 31 December 2007, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**6**	604	**5**	592
In the second year	**5**	6	**4**	5
In the third to fifth years, inclusive	**–**	5	**–**	4
Total minimum finance lease payments	**11**	615	**9**	601
Future finance charges	**(2)**	(14)		
Total net finance lease payables	**9**	601		
Portion classified as current liabilities	**(5)**	(592)		
Long term portion	**4**	9		

29. AMOUNTS DUE TO RELATED COMPANIES

Amounts due to the related companies are unsecured, interest-free and repayable on demand. These amounts due to the related companies constitute as the connected party transactions and, in the opinion of the Directors, were exempted financial assistance transactions under the GEM Listing Rules.

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due to Beijing New Universe Mirai Environmental Engineering Co. Ltd.	**419**	–	**–**	–
Loan from China (HK) Chemical	**–**	2,000	**–**	2,000
Amounts due within one year classified as current liabilities	**419**	2,000	**–**	2,000

The Company's directors, Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of Beijing New Universe Mirai Environmental Engineering Co. Ltd. ("Beijing New Universe")

The Company's directors, Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are also directors of China (HK) Chemical.

30. SHAREHOLDER'S LOANS

The shareholder's loans (current) from NUEL are unsecured, interest-free and repayable within one year unless extension are being granted. These loans constitute as the connected party transactions and, in the opinion of the Directors, were exempted financial assistance transactions under the GEM Listing Rules.

The prior year's non-current shareholder's loans due to NUEL were fully settled by the Company during the year by ways of (i) setting off on a dollar-to-dollar basis to the total pro-rata entitlements of NUEL of 461,240,000 shares to the Rights Issue of the Company in the amount of HK$46,124,000 as referred to note 33(d) to the financial statements, (ii) the assignment of the shareholder's loans in the amount of HK$9,941,000 to the buyer, Sky Sight International Limited ("SSIL", the then wholly owned subsidiary of NUEL), in respect of the Disposal of Dongguan Smartech as partial settlement of the consideration payable by SSIL as referred to note 33(c) to the financial statements; and (iii) cash repayments for the balance.

Included in the prior year's shareholder's loans were the following par value amounts denominated in a currency other than the functional currency of the entity to which they related:

	Group		Company	
	2007	2006	**2007**	2006
	'000	'000	**'000**	'000
United States Dollars	**–**	6,105	**–**	5,815
Euros	**–**	205	**–**	205

31. SHARE CAPITAL

The share capital of the Company consists ordinary shares only. All shares are equally eligible to receive dividends and the repayment of capital.

		Number of shares of HK$0.05 each		Number of shares of HK$0.50 each		Number of shares of HK$0.01 each		Share capital	
		2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	Notes	**'000**	'000	**'000**	'000	**'000**	'000	**HK$'000**	HK$'000
Authorised:									
Ordinary shares									
at beginning of year		**–**	20,000,000	**–**	–	**100,000,000**	–	**1,000,000**	1,000,000
Share consolidation	(a)(i)	**–**	(20,000,000)	**–**	2,000,000	**–**	–	**–**	–
Share subdivision	(a) (ii)	–	–	**–**	(2,000,000)	**–**	100,000,000	**–**	–
Ordinary shares									
at end of year		**–**	–	**–**	–	**100,000,000**	100,000,000	**1,000,000**	1,000,000

		Number of shares of HK$0.05 each		Number of shares of HK$0.50 each		Number of shares of HK$0.01 each		Share capital	
		2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	Notes	**'000**	'000	**'000**	'000	**'000**	'000	**HK$'000**	HK$'000
Issued and fully paid:									
Ordinary shares									
at beginning of year		**–**	1,489,600	**–**	–	**148,960**	–	**1,490**	74,480
Capital consolidation	(a) (i)	**–**	(1,489,600)	**–**	148,960	**–**	–	**–**	–
Capital reduction	(a) (ii)	**–**	–	**–**	(148,960)	**–**	148,960	**–**	(72,990)
Rights issue	(b)	**–**	–	**–**	–	**1,042,720**	–	**10,427**	–
Issuance of new shares	(c)	**–**	–	**–**	–	**634,212**	–	**6,342**	–
Ordinary shares									
at end of year		**–**	–	**–**	–	**1,825,892**	148,960	**18,259**	1,490

31. SHARE CAPITAL (continued)

(a) On 18 September 2006, the proposed capital re-organisation was approved by the shareholders of the Company 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 (a)(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 transferers as mentioned in items (a)(iv), (a)(v) and (a)(vi) above.

(b) On 17 January 2007, the Company completed the 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 of the Company then held on 28 December 2006.

(c) Pursuant to the ordinary resolutions duly passed by the independent shareholders of the Company at the EGM held on 8 October 2007, the Company issued 634,211,681 new shares at a price of HK$0.19 each credited as fully paid as consideration shares for the settlement of the transactions to acquire 100% interests of NUEPIL and NUCIL respectively in relation to the Environmental Acquisitions and the Dyeing Acquisition, as referred to note 1 to the financial statements, on 12 October 2007.

32. RESERVES

Group

	Notes	Share premium account HK$'000	Exchange fluctuation reserve HK$'000	Investment revaluation reserve HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006		27,847	1,866	–	31,929	–	(100,216)	(38,574)	926	(37,648)
Capital reduction		–	–	–	–	72,990	–	72,990	–	72,990
Cancellation of share premium and distributed surplus		(27,847)	–	–	(31,929)	59,776	–	–	–	–
Transfers		–	–	–	–	(100,837)	100,837	–	–	–
Translation differences arising on consolidation of overseas subsidiaries		–	(509)	–	–	–	–	(509)	(14)	(523)
Loss for the year		–	–	–	–	–	(11,210)	(11,210)	(612)	(11,822)
At 31 December 2006 and 1 January 2007		–	1,357	–	–	31,929	(10,589)	22,697	300	22,997
Rights issue		93,845	–	–	–	–	–	93,845	–	93,845
Issuance of new shares		114,158	–	–	–	–	–	114,158	–	114,158
Share issue expenses		(1,515)	–	–	–	–	–	(1,515)	–	(1,515)
Fair value gain on available for sale equity investments		–	–	4,110	–	–	–	4,110	–	4,110
Acquisition of subsidiaries	33(a)	–	–	–	–	–	–	–	4,806	4,806
Disposal of a subsidiary	33(c)	–	(3,584)	–	–	–	–	(3,584)	–	(3,584)
Translation differences arising on consolidation of overseas subsidiaries		–	5,827	–	–	–	–	5,827	(4)	5,823
Profit for the year		–	–	–	–	–	1,873	1,873	315	2,188
At 31 December 2007		206,488	3,600	4,110	–	31,929	(8,716)	237,411	5,417	242,828

32. RESERVES (continued)

Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006		27,847	58,078	–	(100,837)	(14,912)
Capital reduction		–	–	72,990	–	72,990
Cancellation of share premium and contributed surplus		(27,847)	(58,078)	85,925	–	–
Transfer		–	–	(100,837)	100,837	–
Loss for the year		–	–	–	(30,825)	(30,825)
At 31 December 2006 and 1 January 2007		–	–	58,078	(30,825)	27,253
Rights issue		93,845	–	–	–	93,845
Issue of shares		114,158	–	–	–	114,158
Share issue expenses		(1,515)	–	–	–	(1,515)
Loss for the year		–	–	–	(1,277)	(1,277)
At 31 December 2007		206,488	–	58,078	(32,102)	232,464

Nature and purpose of reserves

(a) Share premium

The application of the share premium account is governed by section 34 of the Companies Law (revised) of the Cayman Islands and every modification thereof.

(b) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies of translation of foreign currencies.

(c) Contributed surplus

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company represents the difference between the then combined net asset values of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

(d) Distributability of reserves

At 31 December 2007, the Company has reserves available for distribution to its equity shareholders amounted to HK$25,976,000 (2006: HK$27,253,000) which is being the Company's distributable reserve reduced by the accumulated losses.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of 100% equity interest in NUEPIL

On 12 October 2007, as detailed in note 1 to the financial statements, the Group acquired from NUEL, the ultimate holding company, 100% of the issued share capital of NUEPIL, which is a holding company directly interested in 82% of the issued capital of NUET(JS) upon the completion of the Environmental Acquisitions as detailed in the Company's circular dated 21 September 2007. NUET(JS) is also a holding company directly interested in 100% equity interests in Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe in the Mainland China. Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe are principally engaged in medical and industrial hazardous waste treatment and disposal in Jiangsu Province. Further details were set out in the Company's circular dated 21 September 2007.

The Environmental Acquisitions contributed revenue of approximately HK$5,980,000 and profit of HK$1,377,000 attributable to the equity holders of the Company for the period from the date of completion to 31 December 2007. If the acquisition were completed on 1 January 2007, the Environmental Acquisitions would have contributed revenue of HK$19,586,000 and profit of HK$4,845,000 attributable to the equity holders of the Company for the year ended 31 December 2007.

Details of the fair value of the net assets acquired on the completion date and goodwill arising on acquisition are as follows:

	2007 HK$'000
Fair value of net assets acquired:	
Property, plant and equipment	22,298
Land lease prepayments	20,769
Trade and bill receivables	2,360
Prepayment and other receivables	417
Due from related companies	3,265
Cash and bank balances	13,303
Accrued liabilities and other payables	(5,425)
Due to related companies	(786)
Deferred tax liabilities	(5,065)
	51,136
100% of net assets acquired	51,136
Minority interests	(4,806)
Legal and professional fees directly incurred on the acquisition	(1,380)
Goodwill on acquisition	33,688
Consideration	78,638

	2007 HK$'000
Satisfied by:	
Cash paid	9,000
Issuance of consideration shares of the Company	69,638

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Acquisition of 100% equity interest in NUEPIL (continued)

The goodwill on acquisition is attributable to the anticipated profitability of the medical and industrial hazardous waste treatment and disposal business of Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe, for which, further details were set out in the Company's circular dated 21 September 2007 and note 17 to the financial statements.

Consideration shares at a fair value of approximately HK$50,862,000 was satisfied by issuance of 366,515,787 new shares of the Company to the vendors at the price of HK$0.19 each upon the completion of Environmental Acquisitions. The unit price of HK$0.19, which was considered and approved by all the independent shareholders of the Company present at the EGM held (holding 120,721,616 issued shares of the Company) on 8 October 2007 as referred to in the Company's announcement dated 8 October 2007, was considered by the directors of the Company to be approximate to the fair value of the Company's shares at the date of completion on 12 October 2007. The published closing price of the shares of the Company on 12 October 2007 was an unreliable indicator to the fair value of the Company's shares due to the thinness of the market at the date of completion as advised by the independent valuer, BMI that after taking into account of the historical trading volumes over total number of ordinary shares in issue of the Company for three years prior to the completion date, the average daily trading volume for the past 743 historical trading days from 13 October 2004 to the completion date was 0.15% of the corresponding total number of ordinary shares in issue of the Company. According to BMI's report dated 18 March 2008, the market value of the consideration shares of the Company was HK$0.188 per share at the completion date, which did not deviate materially from the issue price of HK$0.19 per share.

If the published closing price of the shares of the Company at HK$0.25 per share on 12 October 2007 was used, that part of the consideration for the Environmental Acquisitions satisfied by the issuance of 366,515,787 shares of the Company would have been increased by HK$21,991,000.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of 100% interest in NUEPIL is as follow:

	2007 HK$'000
Cash consideration paid	(9,000)
Cash and bank balances acquired	13,303
Net inflow of cash and cash equivalents in respect of the acquisition of 100% interest in NUEPIL	4,303

(b) Acquisition of 100% equity interest in NUCIL

On 12 October 2007, as detailed in note 1 to the financial statements, the Group acquired 100% of the issued share capital of NUCIL, which is a holding company directly interested in 100% of the issued capital of NUCL upon the completion of the Dyeing Acquisition. NUCL is also a holding company directly interested in equity interests 18.62%, 24.50% and 28.67% respectively in Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei in the Mainland China. Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei are principally engaged in plastic materials dyeing. Further details are set out in the Company's circular dated 21 September 2007.

The Dyeing Acquisition contributed no revenue and a profit of HK$90,000 to the Group for the period from the date of completion to 31 December 2007. If the acquisition were completed on 1 January 2007, the Dyeing Acquisition would have contributed revenue of HK$2,923,000 and profit of HK$3,303,000 to the Group for the year ended 31 December 2007.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of 100% equity interest in NUCIL (continued)

Details of the fair value of the net assets acquired and the excess of fair value of net assets acquired over the cost of acquisition are as follows:

	2007
	HK$'000
Fair value of net assets acquired:	
Investment in an associate	5,858
Available-for-sale equity investments	52,911
Dividends receivable	2,976
Cash and bank balances	2,487
Other payables	(10)
	64,222
100% of net assets acquired	64,222
Legal and professional fees directly incurred on acquisition	(1,303)
Excess of fair value of net assets over the cost of acquisition	(6,057)
Consideration	56,862

The excess of fair value of net assets over the cost of acquisition represented mainly the distribution proceeds subsequently received arising from the winding up of an investee classified as available-for-sale equity investment.

	2007
	HK$'000
Satisfied by:	
Cash paid	6,000
Issuance of consideration shares of the Company	50,862

Consideration shares at a fair value of approximately HK$50,862,000 was satisfied by issuance of 267,695,894 new shares of the Company to the vendor at the price of HK$0.19 each upon the completion of Dyeing Acquisition. The unit price of HK$0.19, which was considered and approved by all the independent shareholders of the Company present at the EGM held (holding 120,721,616 issued shares of the Company) on 8 October 2007 as referred to the Company's announcement dated 8 October 2007, was considered by the directors of the Company to be approximate to the fair value of the Company's shares at the date of completion on 12 October 2007. The published closing price of the Company's shares on 12 October 2007 was an unreliable indicator to the fair value of the Company's shares due to the thinness of the market at the date of completion as advised by BMI that after taking into account of the historical trading volumes over total number of ordinary shares in issue of the Company for three years prior to the completion date, the average daily trading volume for the past 743 historical trading days from 13 October 2004 to the completion date was 0.15% of the corresponding total number of ordinary shares in issue of the Company. According to BMI's report dated 18 March 2008, the market value of the consideration shares of the Company was HK$0.188 per share at the completion date, which did not deviate materially from the issue price of HK$0.19 per share.

If the published closing price of the shares of the Company at HK$0.25 per share on 12 October 2007 was used, that part of the consideration for the Dyeing Acquisition satisfied by the issuance of 267,695,894 shares of the Company would have been increased by HK$16,062,000.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of 100% equity interest in NUCIL (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of 100% interest in NUCIL is as follow:

	2007
	HK$'000
Cash consideration paid	(6,000)
Cash and bank balances acquired	2,487
Net outflow of cash and cash equivalents in respect of the acquisition of 100% interest in NUCIL	(3,513)

(c) Disposal of 100% equity interest in Dongguan Smartech

On 12 October 2007, the Group disposed of 100% of the equity investment interest of Dongguan Smartech in the Mainland China. Dongguan Smartech is principally engaged in the manufacturing and sale of precision molds and plastic products. For the period from 1 January 2007 to the date of completion, Dongguan Smartech contributed turnover of approximately HK$17,469,000 and loss of HK$6,451,000 to the Group from its operations.

Details of the net assets disposed of and the gain on the Disposal of Dongguan Smartech are as follows:

	2007
	HK$'000
Net assets disposed of:	
Property, plant and equipment	15,946
Inventories	9,820
Trade receivables	1,133
Other receivables	790
Cash and bank balances	202
Trade payables	(3,034)
Deposits received	(2,729)
Other payables	(1,021)
	21,107
Realisation of exchange translation reserve	(3,584)
Legal and professional fees incurred on disposal	180
Gain on disposal of Dongguan Smartech	4,042
Consideration	21,745

	2007
	HK$'000
Satisfied by:	
Cash received	11,804
Assignment of loans due to NUEL by the Company to the acquirer	9,941

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposal of 100% equity interest in Dongguan Smartech (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of 100% interest in Dongguan Smartech is as follow:

	2007
	HK$'000
Cash consideration received	11,804
Cash and bank balances disposed of	(202)
Net inflow of cash and cash equivalents in respect of the disposal of 100% interest in Dongguan Smartech	11,602

(d) Non-cash transaction

During the year, the Group completed the Rights Issue with part of the total pro-rata entitlements of NUEL in the aggregate of 461,240,000 shares at the subscription price of HK$0.10 each was settled by NUEL on a dollar-to-dollar basis against shareholder's loans (non-current), amounted to HK$46,124,000 due by the Company.

34. COMMITMENTS

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

(a) Capital commitments

At 31 December 2007, the Group had capital commitments not provided for in the financial statements as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted for		
– Zhenjiang Docks Project	**153,783**	173,437
– Plant and machinery	**242**	36
Authorised but not contracted for		
– Zhenjiang Docks Project	**63,761**	60,372
– Plant and machinery	**–**	13
	217,786	233,858

34. COMMITMENTS (continued)

(b) Operating lease commitments

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**121**	3,602
In the second to fifth years, inclusive	**204**	6,525
After five years	**153**	–
	478	10,127

As at 31 December 2007, the Group leases its office premises in Hong Kong and a landfill for waste disposal in PRC under operating lease arrangements. Leases for the office premises and the landfill are negotiated for terms ranging from one to ten years.

35. PLEDGE OF ASSETS

At 31 December 2007, the Group pledged the land use rights with a carrying value of HK$2,192,000 (2006: HK$2,122,000) and property, plant and equipment with a carrying value of HK$9,234,000 (2006: HK$8,092,000) to a bank to secure banking facilities to the extent of HK$9,184,000 (2006: HK$8,696,000) granted to the Group.

36. 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.

Under the rules of the Share Option Scheme:

(1) the maximum numbers of the Company's shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes (excluding those options that have already been granted by the Company prior to the date of approval of the ShareOption Scheme and those options that have lapsed in accordance with the terms of the Share Option Scheme) shall not, in aggregate, exceed the scheme mandate limit; and

(2) the maximum numbers of the Company's shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes shall not, in any event and in aggregate, exceed 30 per cent. of the Company's shares in issue from time to time.

36. SHARE OPTION SCHEME (continued)

For options to be granted under the Share Option Scheme, the exercise price of options is the highest of:

(1) the nominal value of the Company's shares;

(2) the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited on the date of grant; and

(3) the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant.

The total number of securities available for issue under the Share Option Scheme as at 31 December 2007 was 119,168,000 shares of the Company 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 shareholders on 27 April 2007.

During the year and at 31 December 2007, no options have been granted or outstanding under the Company's Share Option Scheme.

37. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the following connected or material related party transactions subsisted during the years ended 31 December 2007 and 2006.

(a) Continuing connected transactions

(i) During the year, the Group purchased raw materials amounted to HK$1,000 (2006: HK$1,409,000) from China (HK) Chemical & Plastics Company Limited, a related company of which the Company's directors, Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors.

(ii) On 30 August 2007, a rental agreement was entered into between Smartech Services and Sun Ngai International Investment Limited ("Sun Ngai") at normal commercial terms in the ordinary and usual course of business of the Company, pursuant to which Smartech Services shall pay Sun Ngai monthly rental of HK$10,000 to rent an office unit for one year commencing 1 August 2007. Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of the Company, Smartech Services and Sun Ngai.

The Board of directors considered the above mentioned transactions were transacted at arm's length basis and on normal commercial terms no more favourable to the connected persons than those available to independent third parties or no less favourable to the Company than those available from independent third parties (as the case may be), and were exempted connected transactions under the GEM Listing Rules

37. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

(b) Financial assistance

The following financial assistance provided by the related parties to the Group were exempted connected transactions under the GEM Listing Rules:

(i) On 30 November 2004, a loan agreement was entered into between Bestwin as the borrower and NUEL as the lender, pursuant to which NUEL granted an unsecured interest-free loan of US$450,000 (approximately HK$3,510,000) to Bestwin. The loan was fully repaid on 7 July 2006.

(ii) On 20 October 2005, a loan agreement was entered into between Bestwin as the borrower and NUEL as the lender, pursuant to which NUEL granted an unsecured interest-free loan of US$290,000 (approximately HK$2,262,000) to Bestwin. The loan was fully repaid on 3 January 2007.

(iii) On 30 December 2005, NUEL granted an unsecured interest-free revolving loan facility of HK$5,000,000 to the Company. The loan was fully repaid on 31 January 2007.

(iv) On 9 January 2006, a loan agreement was entered into between HK Smartech as borrower and China (HK) Chemical as lender for an interest-bearing loan of HK$2,000,000. The loan was repayable within 6 months from the date of the agreement in 5 equal monthly instalments of HK$400,000 each and bearing interest at prime lending rate (as quoted by HSBC in Hong Kong) minus 2% per annum. The loan was fully repaid on 10 July 2006.

(v) 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 31 March 2008. The loan was being assigned to SSIL upon the completion of the Disposal of Dongguan Smartech.

(vi) On 30 August 2006, NUEL granted an unsecured interest-free loan of HK$1,000,000 to the Company, which was repayable on demand or before 31 August 2007, but was capitalised as share capital of the Company upon completion of the Rights Issue on 17 January 2007.

(vii) On 18 September 2006, NUEL granted an unsecured interest-free loan of US$3,000,000 (equivalent to HK$23,280,000) to the Company for initial capital contributions of US$2,900,000 and US$100,000 respectively to its wholly subsidiaries, New Universe International (Zhenjiang) Port Company Limited and New Universe International (Zhenjiang) Warehouses Company Limited, established in the Mainland China. The loan was repayable on demand or before 19 September 2007, but was capitalised as share capital of the Company upon completion of the Rights Issue on 17 January 2007.

(viii) On 10 October 2006, China (HK) Chemical granted an unsecured interest-free loan of HK$2,000,000 to the Company for working capital purposes, which was repayable on demand and was repaid on 3 January 2007.

37. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

(b) Financial assistance (continued)

(ix) On 15 November 2006, NUEL granted an unsecured interest-free loan of US$1,400,000 (equivalent to HK$10,864,000) to the Company for initial capital contributions to New Universe International (Zhenjiang) Warehouses Company Limited established in the Mainland China. The loan was repayable on demand or before 16 November 2007, but was capitalised as share capital of the Company upon completion of the Rights Issue on 17 January 2007.

(x) On 1 December 2006, NUEL granted an unsecured interest-free loan of US$215,000 (equivalent to HK$1,668,400) to the Company for the purpose of additional capital contribution to Dongguan Smartech. The loan was repayable on demand or before 2 December 2007, but was capitalised as share capital of the Company upon completion of the Rights Issue on 17 January 2007.

(xi) On 6 December 2006, NUEL granted an unsecured interest-free loan of US$200,000 (equivalent to HK$1,552,000) to the Company for the purpose of additional capital contribution to Suzhou New Universe. The loan was repayable on demand or before 7 December 2007, but was capitalised as share capital of the Company upon completion of the Rights Issue on 17 January 2007.

(xii) On 18 December 2006, NUEL granted an unsecured interest-free loan of US$1,000,000 (equivalent to HK$7,760,000) to the Company for initial capital contributions to New Universe International (Zhenjiang) Port Company Limited established in the Mainland China. The loan was repayable on demand or before 19 December 2007, but was capitalised as share capital of the Company upon completion of the Rights Issue on 17 January 2007.

(xiii) On 29 December 2006, a loan agreement was entered into between the Company as the borrower and NUEL as the lender for an unsecured interest-free loan of HK$5,300,000 repayable on demand or before 31 December 2007. The loan was being assigned to SSIL upon the completion of the Disposal of Dongguan Smartech.

(xiv) On 20 June 2007, a loan agreement was entered into between the Company as the borrower and NUEL as the lender for an unsecured interest-free loan of US$348,000 (equivalent to HK$2,714,000) repayable on demand. The loan was being assigned to SSIL upon the completion of the Disposal of Dongguan Smartech.

(xv) On 12 October 2007, NUEL granted an unsecured interest-free loan of HK$2,416,000) to the Company for financing the Company to settle the adjustment to the consideration in relation to the Disposal of Dongguan Smartech. The loan was repayable on demand or before 12 October 2008.

37. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

(c) Connected transactions

The following agreements dated 23 August 2007 together with the transactions as contemplated therein constituted connections of the Company and were approved by the Company's independent shareholders at the EGM held on 8 October 2007:

(i) The Environmental S&P Agreement A (note 1 and note 33(a));

(ii) The Environmental S&P Agreement B (note 1 and note 33(a));

(iii) The Environmental S&P Agreement C (note 1 and note 33(a));

(iv) The Environmental S&P Agreement D (note 1 and note 33(a));

(v) The Dyeing S&P Agreement (note 1 and note 33(b)); and

(vi) The Disposal Agreement in relation to the Disposal of Dongguan Smartech (note 1 and note 33(c)).

(d) Summary of related party transactions

(i) Transactions with related parties

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Transactions with its subsidiaries				
Loan interest income from				
Bestwin	**–**	–	**79**	–
Management fee income from				
HK Smartech	**–**	–	**242**	498
Transactions with related companies				
Purchases of raw materials from				
China (HK) Chemical	**1**	1,409	**1**	1,409
Rental charges paid to Sun Ngai	**98**	48	**98**	48

37. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

(d) Summary of related party transactions (continued)

(ii) Outstanding balances with related parties

		Group		Company	
		At 31 December		At 31 December	
		2007	2006	**2007**	2006
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Due to related companies					
China (HK) Chemical	29	**–**	2,000	**–**	2,000
Beijing New Universe	29	**419**	–	**–**	–
Loans from controlling shareholder					
– Current	30	**2,416**	2,262	**2,416**	–
– Non-Current	30	**–**	57,505	**–**	57,505

(iii) Compensation of key management personnel (including directors)

	Group		Company	
	At 31 December		At 31 December	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Salaries and short-term employee benefits	**1,405**	537	**–**	–
Post-employment benefits	**–**	–	**–**	–
Share-based payment	**–**	–	**–**	–
Total compensation paid to key management personnel	**1,405**	537		

Further details of directors' emoluments are included in note 8 to the financial statements.

38. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's risk management is coordinated at its headquarter in Hong Kong, in close monitor with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

Currency risk

The Group adopted Hong Kong dollars as the currency for presentation purposes. The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to certain trade receivables and certain cash and cash equivalents in currencies other than the functional currency of Renminbi ("RMB").

Most of the trading transactions of the Group were denominated in Renminbi, United States dollars and Euros. For the year ended 31 December 2007, approximately 47.3%, 27.3%, 17.7% and 7.7% of the Group's sales are denominated in Renminbi, United States dollars, Euros and Hong Kong dollars respectively. The sales carried out in Euros were mainly made by Suzhou New Universe, a subsidiary in PRC. 88.1% of the sales carried out in United States dollars were carried out in Hong Kong. The Group considered the currency risk between the Hong Kong dollars and United States dollars to be minimal, and currency risk arisen from changes in official rates of United States dollars and Euros relative to Renminbi were not significant in the year 2007. As such, no hedging or similar measures have been implemented by the Group. As at 31 December 2007, the Group was not exposed to risks under foreign exchange contracts, interest or currency swaps or other financial derivatives.

38. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Foreign currency sensitivity

Foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rate, are as follows:

	Group		Company	
	2007		2007	
	US$'000	Euro'000	US$'000	Euro'000
Trade and bills receivables	179	133	–	–
Cash and cash equivalents	652	1	551	–
Current financial assets	831	134	551	–
Trade and bills payables	(7)	–	–	–
Interest bearing bank borrowings	–	–	–	–
Shareholder's loans	–	–	–	–
Current financial liabilities	(7)	–	–	–
Current net exposures	824	134	551	–
Non-current financial liabilities				
Shareholder's loans	–	–	–	–
Non-current net exposures	–	–	–	–

38. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Foreign currency sensitivity (continued)

	Group		Company	
	2006		2006	
	US$'000	Euro'000	US$'000	Euro'000
Trade and bills receivables	547	5	–	–
Cash and cash equivalents	1,243	14	1	–
Current financial assets	1,790	19	1	–
Trade and bills payables	(17)	–	–	–
Interest bearing bank borrowings	(379)	–	(379)	–
Shareholder's loans	(290)	–	–	–
Current financial liabilities	(686)	–	(379)	–
Current net exposures	1,104	19	(378)	–
Non-current financial liabilities				
Shareholder's loans	(5,815)	(205)	(5,815)	(205)
Non-current net exposures	(5,815)	(205)	(5,815)	(205)

As at 31 December 2007 and 2006, the impact of the Group's exposure to currency risk to its profit and loss for the years was minimal.

Interest rate risk

The Group has no significant interest-bearing assets apart from bank balances. The Group currently have bank borrowings with floating interest rates as disclosed in note 26 to the financial statements.

Interest rate sensitivity

The following table illustrates the sensitivity to a reasonably possible change in interest rates of a general increase or decrease of 100 basic points ("bp") of the Group's interest bearing borrowings, with all other variables held constant and with effect from the beginning of the year, of the Group's net result for the year and the Group's total equity.

	Increase/ (decrease) in interest rates	Increase/ (decrease) in profit/(loss) before tax	Increase/ (decrease) in total equity
		HK$'000	HK$'000
2007			
Hong Kong dollars	**+100 bp**	**(132)**	**(132)**
Hong Kong dollars	**-100 bp**	**132**	**132**
2006			
Hong Kong dollars	+100 bp	(161)	(161)
Hong Kong dollars	-100 bp	161	161

38. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Interest rate sensitivity (continued)

As at 31 December 2007, the Company exposed to change in market interest rates through its bank borrowings, which are subject to variable interest rates. Given all other variables are assumed constant, the Group's income and operating cash flows are substantially independent of changes in the market interest rates.

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets other than available-for-sale equity investments recognised at the balance sheet date, as summarised below:

	Group	
	2007	2006
	HK$'000	HK$'000
Current financial assets		
Cash and cash equivalents	**44,421**	29,155
Trade and bills receivables	**9,168**	9,439
Prepayment, deposits and other receivables	**10,624**	3,076
	64,213	41,670

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Group's financial assets are secured by collateral or other credit enhancements. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 58.7% (2006: 43.3%) of the total receivables (being the total classified under "Trade and bills receivables" and "Prepayments, deposits and other receivables") as at 31 December 2007. The Group has concentration of credit risk by customer as for 12.2% (2006: 21.6%) and 4.0% (2006: 2.0%) of the total receivables (being the total classified under "Trade and bills receivables" and "Prepayments, deposits and other receivables") were due from the Group's five largest customers and the largest customer respectively as at 31 December 2007.

38. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Included in the "Prepayments, deposits and other receivable" are a refundable deposit of HK$5,000,000 (2006: Nil) paid for the proposed acquisition of controlling interest in an environmental electroplating recycling project, two short-term loans of HK$1,020,000 (2006: HK$1,020,000) and HK$ 3,061,000 (2006: Nil) made to State Owned Gongqingtuan Farm of Jiangsu Province and Zhenjiang local government respectively. The Group does not hold any collateral over these advances. The directors believe that no impairment required in respect of these balances as there has been no material change in the credit quality of the counter-parties.

Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due on day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and medium terms. Funding for long-term liquidity needs will be considered when there is any potential investment identified.

As at 31 December 2007 and 2006, the Group's financial liabilities have contractual maturities which are summarised below:

	2007				2006			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year and on demand HK$'000	More than 1 year HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year and on demand HK$'000	More than 1 year HK$'000
Bank borrowings	9,184	9,184	9,184	–	16,210	16,210	16,210	–
Trade and bills payables	4,666	4,666	4,666	–	5,796	5,796	5,796	–
Deposit received	8,959	8,959	8,959	–	13,754	13,754	13,754	–
Accrued liabilities and other payables	8,091	8,091	8,091	–	4,493	4,493	4,493	–
Obligations under finance leases	9	11	6	5	601	615	604	11
Amount due to related companies	419	419	419	–	2,000	2,000	2,000	–
Shareholders' loans	2,416	2,416	2,416	–	59,767	60,613	2,262	58,351
	33,744	33,746	33,741	5	102,621	103,481	45,119	58,362

38. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operation risk

Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe mainly provide regulated medical and industrial waste disposal services to hospitals, medical stations as well as chemical industries in the cities of Zhenjiang, Yancheng and Taizhou respectively. Their operations requires the Operating License for Dangerous Waste and Operating License for Medical Waste issued by Environmental Protection Bureau of Jiangsu Province, the PRC and the corresponding district environmental protection departments. To the best knowledge of the Company's directors, each of Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe comply with the relevant regulations to ensure continuous renewal of the licenses concerned.

Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial assets and liabilities. These estimates are subjective in nature, involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and bills receivables, trade and bills payables, current portion of shareholder's loans and other short-term borrowings approximate their fair values due to their short term maturities as at 31 December 2007 and 2006.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

i) *Short-term loans and borrowings*

The fair values of short-term borrowings and shareholder's loans are assumed to approximate their carrying amounts due to their short-term maturities.

ii) *Available-for-sale equity investments*

The available-for-assets equity investments, which are unquoted, have been valued by reference to the professional valuation report prepared by the independent valuers, using the market approach.

iii) *Shareholder's loans*

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity investments as set out in note 20 to the financial statements.

The Group's available-for-sale equity investments are unquoted and held for long term strategic purposes. Their performance is assessed at least quarterly against performance of similar listed entities, based on the limited information available to the Group, together with assessment of their relevance to the Group's long term strategic purposes.

38. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The following table illustrates the sensitivity to a general increase or decrease of 5% of the fair value of the available-for-sale equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date, of the Group's net result for the year and the Group's total equity:

	Carrying amount HK$'000	Increase/ (decrease) in percentage of carrying amount	Increase/ (decrease) in profit/(loss) before tax HK$'000	Increase/ (decrease) in total equity HK$'000
2007				
Fair value	**57,022**	**+ 5%**	**–**	**2,851**
Fair value	**57,022**	**- 5%**	**–**	**(2,851)**
2006				
Fair value	–	+ 5%	–	–
Fair value	–	- 5%	–	–

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2007 and 2006 are categorised as follows. Explanations of how the category of financial instruments affects their subsequent measurement are set out in note 3 to the financial statements.

(i) Financial assets

	2007 HK$'000	2006 HK$'000
Non currents assets		
Available-for-sale equity investments	**57,022**	–
Current assets		
Cash and cash equivalents	**44,421**	29,155
Loans and receivables		
Trade and bills receivables	**9,168**	9,439
Prepayments, deposits and other receivables	**10,624**	3,076
	19,792	12,515
	121,235	41,670

38. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Summary of financial assets and liabilities by category (continued)

(ii) Financial liabilities

	2007 HK$'000	2006 HK$'000
Current liabilities		
Financial liabilities at amortised cost		
Interest-bearing bank borrowings	**9,184**	16,210
Trade and bills payables	**4,666**	5,796
Accrued liabilities and other payables	**8,091**	4,493
Obligations under finance leases	**5**	592
Amounts due to related companies	**419**	2,000
Shareholder's loans	**2,416**	2,262
	24,781	31,353
Non-current liabilities		
Financial liabilities at amortised cost		
Obligations under finance leases	**4**	9
	4	9
Financial liabilities of fair value through profit and loss		
Shareholder's loans	**–**	57,505
	–	57,505
	24,785	88,867

39. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to maximise return to shareholders through the optimisation of the debt and equity balance;

(iii) to support the Group's sustainable growth; and

(iv) to provide capital for the purpose of potential mergers and acquisitions.

The Group regularly reviews and manages its capital structure to maintain a balance between the amount of equity capital and its overall financing structure. The Group makes adjustments to the capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debt financing, or sell assets to reduce debt.

39. CAPITAL MANAGEMENT (continued)

The Group monitors its capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity. For this purpose, the Group defines total borrowings as the total liabilities (which including current and non-current liabilities).

During 2007, the Group's strategy was to reduce the gearing ratio and maintain it at a lower level below 20%.

In respect of the capital commitments for the Zhenjiang Docks Project which is currently at its early stage, the Group has obtained a letter of intent from a PRC bank which has agreed in principle to provide necessary financing subject to all the necessary approvals to be obtained from the relevant PRC authorities. The directors are of the view that the Group will obtain all the approvals for the Zhenjiang Docks Project in the foreseeable future. In addition, China (HK) Chemical, a related company of the Company, in which Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are the common directors, has also agreed to provide financial support for the Zhenjiang Docks Project.

The gearing ratio as at 31 December 2007 and 2006 was as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current liabilities		
Interest-bearing bank borrowings	**9,184**	16,210
Trade and bills payables	**4,666**	5,796
Deposits received	**8,959**	13,754
Accrued liabilities and other payables	**8,091**	4,493
Obligations under finance leases	**5**	592
Amounts due to related companies	**419**	2,000
Shareholder's loans	**2,416**	2,262
	33,740	45,107
Non-current liabilities		
Obligations under finance leases	**4**	9
Shareholder's loans	**–**	57,505
Deferred tax	**5,065**	–
	5,069	57,514
Total borrowings	**38,809**	102,621
Total equity	**261,087**	24,487
Gearing ratio	**14.9%**	419.1%

Except for the commitments disclosed in note 34 to the financial statements, neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

40. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2 to the financial statements.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 19 March 2008.

Group Financial Summary

RESULTS

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER					
Continuing operations	**52,028**	68,099	60,442	85,741	70,106
PROFIT/(LOSS) BEFORE INCOME TAX					
Continuing operations	**2,188**	(11,822)	(6,613)	(32,898)	723
Discontinued operations	**–**	–	–	–	11,060
	2,188	(11,822)	(6,613)	(32,898)	11,783
INCOME TAX					
Continuing operations	**–**	–	930	50	(80)
PROFIT/(LOSS) FOR THE YEAR					
Continuing operations	**2,188**	(11,822)	(5,683)	(32,848)	643
Discontinued operations	–	–	–	–	11,060
	2,188	(11,822)	(5,683)	(32,848)	11,703
ATTRIBUTABLE TO:					
Equity holders of the Company	**1,873**	(11,210)	(5,683)	(32,814)	11,703
Minority interests	**315**	(612)	–	(34)	–
	2,188	(11,822)	(5,683)	(32,848)	11,703

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**299,896**	127,108	91,296	96,552	95,864
TOTAL LIABILITIES	**(38,809)**	(102,621)	(54,464)	(55,487)	(43,187)
MINORITY INTERESTS	**(5,417)**	(300)	(926)	(926)	–
	255,670	24,187	35,906	40,139	52,677

The summary financial information of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate.