2008
ANNUAL REPORT

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

AUTHORIZED REPRESENTATIVES
XI Yu
HON Wa Fai

COMPLIANCE OFFICER
XI Yu

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 Baodai East Road
Wuzhong District, Suzhou
Jiangsu Province
The People's Republic of China

STOCK CODE
8068

WEBSITE
www.nuigl.com

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

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 the 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

ENVIRONMENTAL

NEW UNIVERSE

Dear shareholders,

I hereby present to shareholders the annual report of New Universe International Group Limited (the "Company") together with its subsidiaries (collectively, the "Group") for the fiscal year ended 31 December 2008.

On behalf of the board of directors of the Company (the "Board"), I am pleased to announce that in the midst of the global financial crisis and economic downturn, we managed to deliver outstanding results to our shareholders in 2008 with our successful diversification into environmentally related businesses. During the year under review, the Group recorded a total profit attributable to equity holders of HK$8,381,000 for year 2008 (2007: HK$1,873,000), representing a 347.5% increase year on year. Earnings per share were HK cents 0.46 (2007: HK cents 0.15).

As at 31 December 2008, the Company's equity attributable to its equity holders was HK$275,433,000 as compared to HK$255,670,000 as at 31 December 2007. The Group's liquidity and cash position remained healthy. Its gearing ratio was 22.0% compared to 14.9% in the previous year. The Group had total cash on hand amounted to HK$23,128,000 as at 31 December 2008 and had cash for the discontinued operation amounted to HK$23,258,000.

To conserve sufficient funds for future operations and expansion, the Board resolved not to declare a dividend for the year ended 31 December 2008 (2007: Nil).

In 2008 the Group successfully diversified into the environmental field, which has become one of our core businesses. During the year, total service revenue from environmental waste disposal operations amounted to HK$38,184,000, accounting for 50.8% of the Group's total turnover in 2008. Our three environmental subsidiaries, 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") were all certified at the nationally recommended quality management standard GB/T19001-2000 (identical to ISO9001:2000) in 2008.

In the third quarter of 2008, the Group completed the acquisition of a 38% equity interest in New Sinotech Investments Limited ("New Sinotech"), which holds 100% of the issued share capital of Fair Time International Limited ("Fair Time") that in turn holds 100% of the registered capital of Zhenjiang Sinotech Eco-electroplating Development Company Limited (鎮江華科生態電鍍科技發展有限公司) ("Zhenjiang Sinotech") (the "Acquisition of Interests in Zhenjiang Sinotech"). Zhenjiang Sinotech is engaged in the development and operation of a specialized zone with a total area of 273 mu (approximately 183,521 kilometres) for environmental electroplating recycling and treatment of electroplating sewage and sludge in Zhenjiang, China (the "Eco-plating Specialized Zone Project"). The acquisition enables the Group to further broaden its business scope in the environmentally related field.

Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe") is a 97% indirectly owned subsidiary of the Group located in Suzhou, China. It engages in mold making and plastic injection operations. The growth of the manufacturing operations in Suzhou New Universe were slightly affected by the slowing market demand in 2008. During the year under review, sales of both our plastic injection molds and plastic products of the Group decreased versus 2007, due to the strategic shift in our core business to environmentally focused operations. In 2008, sales of mold products and plastic products of the Group were HK$27,670,000 and HK$9,340,000 respectively, representing 36.8% and 12.4% of the Group's turnover, compared to HK$31,056,000 and HK$14,992,000 respectively, representing 59.7% and 28.8% of the Group's turnover in 2007.

In the fourth quarter of 2008, the Group entered into two agreements ("Dock Disposal Agreements") to dispose of its 100% equity interest in two enterprises in Zhenjiang, China. New Universe International (Zhenjiang) Port Company Limited (新宇國際(鎮江)港務有限公司) ("Zhenjiang Port Company") and New Universe International (Zhenjiang) Warehouses Company Limited (新宇國際(鎮江)倉儲有限公司) ("Zhenjiang Warehouses Company"). Zhenjiang Port Company and Zhenjiang Warehouses Company are engaged in the construction of dock infrastructure and the development of warehouses and depot facilities in Xinminzhou, Zhenjiang ("Zhenjiang Docks Project"). Although the signing of the Dock Disposal Agreements was executed, the disposal has not yet been completed. The Group has been seeking legal advices on how to handle the Dock Disposal Agreements.

OUTLOOK

2008 was a remarkable year for the Group. During the year, our strategies of business diversification and repositioning started contributing to our profitability, an achievement we take tremendous pride especially in such a difficult time. Looking ahead to 2009, we are cautiously optimistic though well aware of some uncertainties.

If the Dock Disposal Agreements were eventuated or terminated or the development plan of the Zhenjiang Docks Project were revised, the Group would be able to further capture opportunities of environmental operations to drive sustainable growth.

To be better equipped for the global economic storm and financial crisis, the Group will focus on the environmental operations, the stable development of Suzhou New Universe, the cost and risk control measures, and the improvement of operational efficiency.

I believe with the dedicated efforts of our employees and the continued support of our customers and business partners, we will continue to deliver higher profitability and create greater value for our shareholders.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our customers, business partners and shareholders for their continued support, and to our staff for their dedication over the past few years and especially in 2008. We will continuously commit to the Group's long-term growth and to delivering sustainable results in the upcoming challenging year.

XI Yu
Chairman

Hong Kong, 18 March 2009

BUSINESS REVIEW

Overview

During the year under review, downturn of the global economy, volatility of materials costs and increasing labour costs in the China were key factors affecting manufacturing operations of the Group, and also affecting environmental operations that servicing the chemical and manufacturing industries.

Notwithstanding a long-term potential might have subsisted in the Zhenjiang Docks Project, the Group has to accept that the original plan would need to be significantly revised as the counter parties to the co-operation agreement could not guarantee the original basis of co-operation would be materialized owing to changes of governmental rules and policies since the inception of the Zhenjiang Docks Project to now.

The environmental operations

Since the acquisition of 100% equity interest in New Universe Environmental Protection Investment Limited was completed on 12 October 2007, the Group indirectly owns 82% equity interest in New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)"). NUET(JS) in turn directly owns 100% equity interests in three environmental subsidiaries, namely, Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe. Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe are principally engaged in environmental treatment and disposal of regulated industrial and medical hazardous waste in the Jiangsu Province, China. The three subsidiaries own their pyrolyzing incinerators each with an annual incineration capacity of over 3,000 tons hazardous waste collected, and Zhenjiang New Universe also operates a landfill with a capacity of 750,000 cubic metres to handle over 30,000 tons of general industrial waste per annum. The three subsidiaries service major hospitals and clinics for disposal of hazardous medical waste and major industrial enterprises for disposal of industrial waste in their cities.

In 2008, Zhenjiang New Universe managed and disposed of over 6,700 tons general industrial waste, over 8,300 tons hazardous industrial wastes, and over 500 tons regulated medical solid waste collected. Besides servicing various major industrial organizations, Zhenjiang New Universe services over 150 medical organizations and few clinics in Zhenjiang city. During the year, Zhenjiang New Universe also serviced over 1,600 trucks for dangerous chemical tank truck cleansing.

In 2008, Yancheng New Universe managed and disposed of over 3,800 tons general and hazardous industrial waste and over 530 tons regulated medical solid waste collected. Yancheng New Universe services over 380 medical organizations and 120 clinics in Yancheng city.

In 2008, Taizhou New Universe managed and disposed of over 2,300 tons general and hazardous industrial waste and over 550 tons regulated medical solid waste collected. Taizhou New Universe services over 170 medical organizations and few clinics that covering 96% of the first grade hospitals in Taizhou city.

For the year ended 31 December 2008, the Group's total revenue from environmental operations increased by 538.5% to HK$38,184,000 from the post-acquisition revenue of HK$5,980,000 recorded in last year.

The manufacturing operations

Suzhou New Universe is a 97% owned manufacturer of the Group situated at Changjiang River Delta in China, which is currently the only plant of the Group to manufacture and sell injection molds and plastic injection products both locally in Mainland China and overseas after the disposal of entire interests in Dongguan Smartech Tooling and Plastics Limited ("Dongguan Smartech") in 2007. Total turnover of Suzhou New Universe in 2008 was HK$37,010,000 representing an increase of 37.9% as compared to HK$26,847,000 in 2007. Without Dongguan Smartech, sales of molds and plastic products of Suzhou New Universe in 2008 increased by 36.9% and 40.7% to HK$27,670,000 and HK$9,340,000 as compared to last year of HK$20,211,000 and HK$6,636,000 respectively.

The plastics dyeing operations

Since the acquisition of 100% equity interest in New Universe (China) Investment Limited ("NUCIL") was completed on 12 October 2007, the Group indirectly owns 100% equity interest in New Universe (China) Limited ("NUCL"). NUCL in turn directly owns equity interests of 18.62%, 24.5% and 28.67% respectively in 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").

Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei are principally engaged in plastic materials dyeing in the Mainland China with sustainable growth in their business. The Group holds Qingdao Huamei as an interest in associate and holds both Suzhou New Huamei and Danyang New Huamei as available-for-sale equity investments.

In 2008, the Group shared net profit of Qingdao Huamei amounted to HK$1,075,000 (2007 post-acquisition: HK$90,000). The net profit margins of Suzhou New Huamei and Danyang New Huamei were 3.2% and 7.8% in 2008 respectively (2007: 3.7% and 7.8% respectively). According to the valuation report dated 17 March 2009 issued by the independent professional valuer, BMI Appraisals Limited, the total market value of the available-for-sale equity investments was HK$48,900,000 as at 31 December 2008 (31 December 2007: HK$57,022,000).

The acquisition of 38% equity interest in New Sinotech

Further to the letter of intent dated 15 October 2007 and the supplemental letter of intent dated 15 April 2008 entered into by the Company in relation to, amongst the others, the proposed acquisition of equity interest in Zhenjiang Sinotech, the Company as purchaser and an independent third party as vendor entered into a sale and purchase agreement on 8 August 2008 and completed at the same date the Acquisition of Interests in Zhenjiang Sinotech, pursuant to which the Company acquired from the vendor 1,900,000 issued shares of US$1 each (representing 38%) of the issued share capital of New Sinotech, and the beneficial interests in a loan amounted to HK$133,223.44 (representing 38%) of the shareholder's loans of New Sinotech for an aggregate consideration of HK$31,920,000, of which HK$5,000,000 was set off against the earnest money paid upon signing of the letter of intent and the balance consideration of HK$26,920,000 was settled by the Company's issue of promissory notes. After the completion on 8 August 2008, the Company interested in 38% equity interest in New Sinotech.

Zhenjiang Sinotech is a wholly foreign owned enterprise established in Zhenjiang, China to engage in the development and operation of the Eco-plating Specialized Zone Project. The Eco-plating Specialized Zone Project is engaged in the development and operation of a specialized zone for environmental electroplating recycling business, the environmental treatment of electroplating sewage and sludge, and the recycling of metallic substance and resources. The Group holds 38% equity interest in New Sinotech as an associate, and New Sinotech directly and indirectly holds 100% equity interests in Fair Time and Zhenjiang Sinotech respectively. In 2008, the Group shared net loss of New Sinotech amounted to HK$153,000 after the completion of the Acquisition of Interests in Zhenjiang Sinotech.

The 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 in the construction of dock infrastructure and the development of warehouses and depot facilities in Xinminzhou, Jingkou District, Zhenjiang City, Jiangsu Province, China, namely herein the Zhenjiang Docks Project, has no significant progress in 2008.

Up to 31 December 2008, the two wholly foreign owned enterprises established for the purpose of carrying out the Zhenjiang Docks Project in Zhenjiang, China, namely herein, Zhenjiang Port Company and Zhenjiang Warehouses Company were injected with 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 dock construction feasibility studies for the first phase of the Zhenjiang Docks Project has completed. The kick-off of the first phase dock construction of the Zhenjiang Docks Project is still awaiting the approvals of the operating rights for first phase waterfront line of the dock site by the PRC Transport Department. Up to 31 December 2008, land deposits amounted to RMB48,800,000 (or equivalent to approximately HK$55,144,000) were paid by Zhenjiang Port Company to the local government to secure land use rights for the site area would be granted to commence construction and operations along the first phase waterfront line.

The management of Zhenjiang Port Company and Zhenjiang Warehouses Company has been in touch with the China Parties on the progress of Zhenjiang Docks Project, though the original plan of 2006 was unlikely to materialize owing to revision polices of the local government on the whole district area surrounding Xinminzhou.

The Board has closely monitored the progress of the Zhenjiang Docks Project and reviews the Group's investment in the project from time to time. On 3 November 2008, the Company entered into two Dock Disposal Agreements to dispose of the entire equity interests in Zhenjiang Port Company and Zhenjiang Warehouses Company to an independent third party, as witnessed by a representative of the China Parties, at an aggregate consideration of RMB84,951,300 (approximately HK$95,995,000) (referred herein as the "Disposal of Zhenjiang Docks Project"). The Disposal of Zhenjiang Docks Project constituted a major transaction of the Company and to which the controlling shareholder of the Company, New Universe Enterprises Limited ("NUEL") has issued a written approval of the transactions as contemplated. On 5 November 2008 and 18 November 2008, the Company made an announcement and despatched a circular respectively on the details of the Disposal of Zhenjiang Docks Project.

However, up to now the Disposal of Zhenjiang Docks Project has not yet been completed, and the Group has been seeking and pending legal advices on actions to be taken on the Dock Disposal Agreements.

FINANCIAL REVIEW

Turnover

The Group's turnover was HK$75,194,000 for the year ended 31 December 2008 representing an increase of 44.5% from HK$52,028,000 in 2007. The manufacturing operations contributed for 49.2% of the Group's turnover in 2008 as compared to 88.5% in 2007. The environmental operations contributed for 50.8% of the Group's turnover in 2008 as compared to 11.5% in 2007.

Gross profit margin

Gross profit of the Group for the year ended 31 December 2008 increased by 211.5% to HK$28,600,000 as compared to HK$9,180,000 in 2007. The overall gross profit margin of the Group was 38.0% in 2008 (2007: 17.6%). The average gross profit margin of the Group's manufacturing operations was 17.7% in 2008 (2007: 11.7%). The average gross profit margin of the Group's environmental operations was 57.7% in 2008 (2007: 63.6%).

Profit attributable to equity holders of the Company

The Group made a profit attributable to equity holders of the Company of HK$8,381,000 in 2008 as compared to HK$1,873,000 in 2007.

Earnings per share attributable to the continuing operations and discontinued operation were Hong Kong cents 0.42 and Hong Kong cents 0.04 respectively for the year 2008 as compared to earnings per share attributable to the continuing operations and discontinued operation of Hong Kong cents 0.10 and Hong Kong cents 0.05 respectively for last year 2007.

Other revenue and income

The Group's other revenue and income from continuing operations increased to HK$4,498,000 for the year ended 31 December 2008 as compared to HK$3,244,000 for the year 2007. The Group's other revenue and income in 2008 was mainly attributable to the dividends received from the available-for-sale equity investments, and the total dividend income from available-for-sale equity investments was HK$2,024,000 in 2008 (2007: Nil). Other revenue and income also included income from scrap sales amounted to HK$2,013,000 in 2008 (2007: HK$2,134,000). Other revenue and income from discontinued operation mainly attributable to bank interest income amounted to HK$751,000 in 2008 (2007: HK$865,000).

Selling and distribution costs

Selling and distribution costs of the Group for continuing operations increased by 61.6% to HK$5,737,000 in current year, representing 7.6% to the Group's turnover in 2008 (2007: HK$3,551,000 representing 6.8% to 2007 Group's turnover). The current increase in selling and distribution costs was mainly attributable to increase in incentive payments to sales persons and marketing agencies for both environmental and manufacturing operations in 2008. There were no selling and distribution costs incurred for discontinued operation in 2007 and 2008.

Administrative expenses

Administrative expenses of the Group for continuing operations increased by 0.3% to HK$11,872,000 in current year, representing 15.8% to the Group's turnover in 2008 (2007: HK$11,832,000 representing 22.7% to 2007 Group's turnover). The current slight increase in administrative expenses was mainly attributable to moderate increase in staff costs in 2008. There were no administrative expenses incurred for discontinued operation in 2008 (2007: HK$145,000).

Other operating expenses

Other operating expenses of the Group for continuing operations increased by 9.0% to HK$5,226,000 in current year, representing 7.0% to the Group's turnover in 2008 (2007: HK$4,793,000 representing 9.2% to 2007 Group's turnover). The current increase in other operating expenses was mainly attributable to increase in impairments on inventories for the Group's manufacturing operations and increase in amortization of land lease prepayments in 2008. There were no other operating expenses incurred for discontinued operation in 2008 (2007: HK$184,000).

Finance costs

Finance costs of the Group for continuing operations increased by 116.6% to HK$1,700,000 in 2008 as compared to HK$785,000 in 2007. The increase was mainly attributable to the interest imputed on the promissory notes payable for the Acquisition of Interests in Zhenjiang Sinotech that amounted to HK$861,000 in 2008. There were no finance costs incurred for discontinued operation in 2007 and 2008.

Liquidity and financial resources

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

As at 31 December 2008, the Group had total cash and bank balances of HK$23,128,000 (31 December 2007: HK$44,421,000) and had cash and bank balances of the disposal group held for sale amounted to HK$23,258,000.

As at 31 December 2008, the Group had available unused general banking facilities amounted to HK$10,000,000 (31 December 2007: HK$14,082,000).

As at 31 December 2008, the Group had total outstanding interest bearing borrowings of approximately HK$10,174,000 (31 December 2007: HK$9,193,000) as follows:

(i) secured interest bearing bank borrowings of approximately HK$10,170,000 (31 December 2007: HK$9,184,000); and

(ii) finance lease payables of approximately HK$4,000 (31 December 2007: HK$9,000).

As at 31 December 2008, the Group had promissory notes payable of fair value approximately HK$19,956,000 (par value before imputed interests: HK$26,920,000) (31 December 2007: Nil).

As at 31 December 2008, there were outstanding non-interest bearing amounts due to the Group's related companies of approximately HK$2,435,000 (31 December 2007: HK$2,835,000) 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 2007: HK$2,416,000); and

(ii) due to Beijing New Universe Mirai Environmental Engineering Company Limited of approximately HK$19,000 (31 December 2007: HK$419,000).

Out of the above mentioned borrowings of HK$32,565,000 comprises outstanding interest bearing borrowings, promissory notes and amounts due to related companies as at 31 December 2008, approximately HK$10,193,000 (31 December 2007: HK$12,024,000) was repayable within one year.

Capital structure

There was no significant change to the capital structure of the Group during the year ended 31 December 2008.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 8 August 2008, the Company completed the Acquisition of Interests in Zhenjiang Sinotech with details set out in note 36(a) to the financial statements. Fair Time and Zhenjiang Sinotech are the direct and indirect wholly owned subsidiaries respectively of New Sinotech.

Save as disclosed therein, there were no other significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the year ended 31 December 2008.

Investments held and their performance

According to the valuation report dated 17 March 2009 issued by the independent professional valuer, BMI Appraisals Limited, the total market value of the available-for-sale equity investments attributable to the Group decreased to HK$48,900,000 as at 31 December 2008 (31 December 2007: HK$57,022,000). At 31 December 2008, the market value of available-for-sale equity investments for Suzhou New Huamei attributable to the Group was HK$39,000,000 (31 December 2007: HK$44,897,000) and for Danyang New Huamei attributable to the Group was HK$9,900,000 (31 December 2007: HK$12,125,000). In 2008, impairment losses of the available-for-sale equity investments totally amounted to HK$4,012,000 was accounted for in the income statement of the Group. Dividend income from Suzhou New Huamei and Danyang New Huamei amounted to HK$1,624,000 and HK$400,000 in 2008 (2007 pre-acquisition: HK$1,902,000 and HK$1,021,000) respectively.

The Group holds 28.67% equity interest in Qingdao Huamei as an associate. For the year ended 31 December 2008, the Group shared net profit in respect of the interest in Qingdao Huamei amounted to HK$1,075,000 (2007 post-acquisition: HK$90,000). Dividend income from Qingdao Huamei amounted to HK$648,000 in 2008 (2007 pre-acquisition: HK$1,170,000).

In 2008, the Group has accounted for an amount of HK$4,298,000 in respect of the excess of fair value of the net assets acquired over the cost of the Acquisition of Interests in Zhenjiang Sinotech upon the completion took place on 8 August 2008. For the year ended 31 December 2008, the Group shared post-acquisition loss in respect of the interests in New Sinotech amounted to HK$153,000.

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 in 2007. The sales distribution by environmental services, tooling products, and plastic products was 50.8%, 36.8%, and 12.4% respectively. The sales distribution for Mainland China (excluding Hong Kong and Taiwan), European countries and North America was 73.8%, 24.2%, and 2.0% respectively.

Employee information

As at 31 December 2008, the Group had 312 (31 December 2007: 332) full-time employees. Staff costs, excluding directors' remuneration but including amount capitalized as inventory was HK$16,362,000 for the year ended 31 December 2008 (31 December 2007: HK$14,074,000). Employees were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, share options and necessary training.

Charges on Group assets

As at 31 December 2008, the Group pledged the land use rights owned by Suzhou New Universe with a carrying value of HK$2,373,000 (31 December 2007: HK$2,192,000), together with its property, plant and equipment with carrying value of HK$9,716,000 (31 December 2007: HK$9,234,000) to a bank in China to secure bank loans of HK$10,170,000 (equivalent to RMB9,000,000) (31 December 2007: HK$9,184,000) granted to the Suzhou New Universe. As at 31 December 2008, the Group's property, plant and equipment with carrying value of HK$6,000 (31 December 2007: HK$13,000) were held under finance leases with payable amounted to HK$4,000 (31 December 2007: HK$9,000).

Capital expenditure

During the year ended 31 December 2008, the Group had capital expenditure to increase property, plant and equipment for its manufacturing operations amounted to HK$2,084,000 (31 December 2007: HK$6,495,000), and had capital expenditure to increase property, plant and equipment for its environmental operations amounted to HK$10,458,000 (31 December 2007: HK$963,000). During the year ended 31 December 2008, the Group also had capital expenditure in relation to the discontinued operation of docks development amounted to HK$1,118,000 (31 December 2007: HK$31,118,000).

Commitments

As at 31 December 2008, the commitments of operating leases payable within 5 years for the Group's office premises in Hong Kong and the landfill for waste disposal totally amounted to HK$562,000 (31 December 2007: HK$325,000), and the commitments of operating lease payable after 5 years for the landfill was HK$158,000 (31 December 2007: HK$153,000).

As at 31 December 2008, there were also capital commitments of the Group authorized but not contracted for amounted to HK$63,761,000 (31 December 2007: HK$63,761,000) which were all related to discontinued operation of docks development; and capital commitments contracted for but not provided for amounted to HK$155,862,000 (31 December 2007: HK$154,025,000) of which HK$153,783,000 was related to discontinued operation of docks development.

Gearing ratio

As at 31 December 2008, the Group's gearing ratio was 22.0% (31 December 2007: 14.9%), representing total borrowings of HK$62,454,000 (31 December 2007: HK$38,809,000) divided by total equity of HK$283,679,000 (31 December 2007: HK$261,087,000).

Exposure to exchange rate fluctuations

During the year ended 31 December 2008, the Group experienced 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, United States dollars and Renminbi, the Group has no significant foreign exchange risk owing to limited amount of foreign currency translations. The effect of the fluctuations among Hong Kong dollars, United States dollars and Renminbi is mostly of capital nature to the Group that did not have material effects to the Group's results in 2008. 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 2008 (31 December 2007: Nil).

DIRECTORS

XI Yu (Age 51)

Chairman, Executive Director and Compliance Officer

Mr. XI was appointed executive director of the Company on 7 June 2002. Mr. XI is the chairman, executive director and the compliance officer of the Company. Mr XI is also the chairman of the board of directors of all principal subsidiaries of the Group. He 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. Mr. XI is the director and major shareholder of the Company's controlling shareholder, NUEL, and is currently a director of China (HK) Chemical and Plastics Company Limited ("China (HK) Chemical"). He graduated from the Chemistry Department of the University of Beijing in 1980. He has substantial experience in the chemical manufacturing industry, plastics industry and environmental industry.

CHEUNG Siu Ling, Candy (Age 47)

Executive Director

Ms. CHEUNG was appointed executive director of the Company on 1 April 2006. Ms. CHEUNG is the director of all principal subsidiaries of the Group. She is responsible for business administration and human resources management of the Group. Ms. CHEUNG is currently the director both of the Company's controlling shareholder, NUEL, and China (HK) Chemical. She holds a MBA degree from University of South Australia. She has substantial experience in business administration in the commercial fields of manufacturing and trading.

HON Wa Fai, Kenneth (Age 48)

Executive Director, Company Secretary, and Financial Controller

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 MBA degree from University of Strathclyde, Master of Professional Accounting from Hong Kong Polytechnic University, and Master of Applied Finance from 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 member 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.

SUEN Ki (Age 55)

Non-executive Director

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

CHAN Yan Cheong (Age 55)

Independent non-executive Director

Professor CHAN was appointed independent non-executive director of the Company on 17 November 1999. Professor CHAN is currently a chair professor of electronic engineering director of the EPA Centre, and assistant head for applied research and industry relations in the Department of Electronic Engineering of City University of Hong Kong. Professor CHAN holds B.Sc. degree in Electrical Engineering, M.Sc. degree in Materials Science, and a Ph.D. degree in Electrical Engineering, all from Imperial College of Science and Technology, University of London. He was also awarded a MBA degree from the University of Hong Kong Business School, majoring in Finance. Professor CHAN is fellow member of the Institute of Electrical and Electronic Engineers (USA), the Hong Kong Institution of Engineers and the Institution of Electrical Engineers (UK). His current research interests include RoHS & WEEE research, green electronics manufacturing, failure analysis, and reliability engineering. He is world renown in electronic product reliability, lead free soldering, and green electronics manufacturing.

YUEN Kim Hung, Michael (Age 47)

Independent non-executive Director

Mr. YUEN was appointed independent non-executive director of the Company on 24 April 2002. Mr. YUEN is currently practising in Hong Kong and owns his certified public accountant firm. Mr. YUEN is also an independent non-executive director of Prosperity International Holdings (H.K.) Limited, a listed company in the Main Board of the Stock Exchange. Mr. YUEN holds 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 a fellow member of Association of Chartered Certified Accountants. He has substantial experience in accounting, tax and auditing.

HO Yau Hong, Alfred (Age 51)

Independent non-executive Director

Mr. HO was appointed independent non-executive director of the Company on 30 September 2004. Mr. HO is currently practising in Hong Kong and owns his certified public accountant firm. He is currently a facilitator in the Qualification Program of the Hong Kong Institute of Certified Public Accountants in accounting, auditing and taxation. He was formerly a part-time professor in accounting and auditing at Algonquin College, Ottawa, Canada, and was a part-time tutor in taxation at the Open University of Hong Kong. Mr. HO holds Bachelor of Commerce (Honor) from University of Windsor, Windsor, Canada. Mr. HO is a Canadian chartered accountant, a practising fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Taxation Institute of Hong Kong. Mr. HO has substantial experience in accounting, auditing and taxation.

SENIOR MANAGEMENT

WONG Lai Wa, Iris (Age 38)

Deputy General Manager

Ms. WONG was appointed deputy general manager of the Group in June 2007. Ms. WONG has been working for NUEL since January 2001. Ms. WONG is responsible for the internal control reporting functions of the Group's operations. She holds Diploma in Business Management from the Chinese University of Hong Kong. Ms. WONG has substantial experience in finance, accounting and business administration.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

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

The activities of its principal subsidiaries are summarized as follows:

(i) medical and industrial wastes environmental disposal services,

(ii) manufacture and sale of high precision molds and plastic products, and

(iii) investment in plastics dyeing business.

Details and other particulars of the Company's subsidiaries are set out in note 20 to the financial statements.

The activities of the Company's associates are set out in note 21 to the financial statements.

The Group is also engaged in the development of the docks infrastructure and depot and logistics facilities in Zhenjiang, China. This operation has been classified as discontinued operation in the current year as referred to notes 12 and 13 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 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 36 of this report.

The directors of the Company does not recommend the payment of a dividend for the year ended 31 December 2008 (2007: Nil).

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of five years ended 31 December 2008 is set out on pages 121 to 122 of this report.

RESERVES

Details of movements in the reserves during the year of the Company and the Group are set out in note 35 to the financial statements.

At 31 December 2008, the Company has reserves available for distribution to its equity holders amounting to HK$230,321,000 (2007: HK$232,464,000). According to the articles and association of the Company, dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law (revised) of the Cayman Islands and every modification thereof.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$22,000 (2007: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Group's transactions with its major customers and suppliers during the year are set out as follows:

	Percentage of the Group's total			
	Sales		**Purchases**	
	2008	2007	**2008**	2007
The largest customer	**6.4%**	8.3%		
Five largest customers in aggregate	**24.5%**	31.9%		
The largest supplier			**6.7%**	3.6%
Five largest suppliers in aggregate			**15.9%**	14.3%

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 34 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2008 are set out in note 20 to the financial statements.

ASSOCIATES

Particulars of the Company's associates as at 31 December 2008 are set out in note 21 to the financial statements.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company and the Group as at 31 December 2008 are set out in note 28 to the financial statements.

INTEREST CAPITALIZED

The Group has not capitalized any interest during the year (2007: Nil).

DIRECTORS

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

Executive Directors:

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

Non-Executive Director:

SUEN Ki

Independent Non-Executive Directors:

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

In accordance with articles 87 of the Company's articles of association, Mr. HON Wa Fai, Mr. SUEN Ki and Mr. CHAN Yan Cheong shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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 13 to 14 of this report.

DIRECTORS' SERVICE CONTRACTS

The tenure of office of each of Mr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred under renewed contract is for two years commencing 1 February 2009. Each of Mr. 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, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31 December 2008, the interests and short positions of the directors and the 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 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**	**Interests of controlled corporation**	**Total number of share held**	**% of total shares in issue**
XI Yu*	–	–	1,349,649,115	1,349,649,115	73.91

Notes:

* Mr. 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 beneficially interests in 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

	Number of ordinary shares of US$1.00 each				
Name of director	**Beneficial owner**	**Family interests**	**Interests of controlled corporation**	**Total number of share held**	**% of total shares in issue**
Mr. XI Yu	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 2008, none of the directors and the 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% 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 2008 was 182,589,168 shares of the Company which represented the current scheme mandate limit given to the directors to issue in aggregate not exceeding 182,589,168 shares of the Company as refreshed by the Company's shareholders on 28 April 2008 and approved by the Stock Exchange on 23 May 2008.

During the year and as at 31 December 2008, no option has 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, its holding company, or any of its subsidiaries or fellow 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

The following contracts or arrangements subsisted during the year ended 31 December 2008 of which certain Directors of the Company had interests that were deemed significant to the business of the Group:

(a) On 1 August 2008, a renewal 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 Group, 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 2008. Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of the Company, Smartech Services and Sun Ngai.

(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 the Group's entire interests in Dongguan Smartech Tooling and Plastics Limited, which was repayable on demand or before 12 October 2008, and extension of repayment was granted to 12 January 2010.

(c) During the year ended 31 December 2008, Suzhou New Universe, an indirect 97% owned subsidiary of the Group purchased plastic materials in an aggregate amount of HK$500,000 from China (HK) Chemical at normal commercial terms in the ordinary and usual course of business of the Group. 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 Suzhou New Universe.

Save as disclosed therein, no other contract of significance to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the ended of the year or any time during the year.

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

As at 31 December 2008, 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 fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO that 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 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 Yu	–	–	1,349,649,115*	1,349,649,115	73.91

Notes:

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

Save as disclosed above, as at 31 December 2008, 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 that 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the connected and related party transactions for the year are set out in note 40 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.

COMPLETION 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.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 39 to the financial statements.

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.

SUFFICIENCY OF PUBLIC FLOAT

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

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.

CORPORATE GOVERNANCE

A report on the principal corporate practices adopted by the Company is set out in the Corporate Governance Report on pages 23 to 33 of this annual report.

POST BALANCE SHEET EVENT

Details of significant events occurring after the balance sheet date are set out in note 43 to the financial statements.

AUDITOR

CCIF CPA Limited retires and, being eligible, offers itself for re-appointment. A resolution for the re-appointment of 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, 18 March 2009

New Universe International Group Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") is committed to ensuring good standard of corporate governance in the interests of the shareholders of the Company ("Shareholders"). The board ("Board") of directors of the Company ("Directors") believes that by conducting the Group's business in a socially responsible manner and ensuring effective risk control, the long-term interests of the Group could be better achieved and the interests of the Shareholders could be maximized.

CORPORATE GOVERNANCE PRACTICES

The Company has applied all principles in the Code on Corporate Governance Practices (the "CG Code") as set in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprises Market (the "GEM Listing Rules"). The Board of directors of the Company has continued to monitor and review the progress on corporate governance practices of the Group to ensure application of the principles, compliance with the code provisions and adoption of the recommended best practices in the CG Code in order to protect and enhance the benefits of the Company's Shareholders.

Throughout the year ended 31 December 2008, the Company has complied with all code provisions of CG Code except for the following deviation:

Code Provision A.2.1 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, and that the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Company's chairman, Mr. XI Yu up to the date of this report has to share the responsibilities of the vacant office of the Group's chief executive officer since the resignation of the ex-managing director of the Group was effective on 1 February 2007. The Directors considered the deviation did not significantly affect the Group's operation. Mr. XI Yu leads the Board to act in the best interests of the Company and make decision efficiently on business and strategic matters. Through the supervision of the full Board and the Board committees, balance of power and authority could be ensured.

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 5.67 of the GEM Listing Rules.

Having made specific enquiry of all directors, the directors of the Company have complied with its code of conduct regarding securities transactions by the directors and the required standard of dealings as set out in the GEM Listing Rules throughout the year ended 31 December 2008.

Though Rule 5.48 of the GEM Listing Rules states that the Stock Exchange regards it as desirable that directors of an issuer should hold securities in the issuer, the Company's executive director, Mr. HON Wa Fai, and the Company's independent non-executive directors, Mr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred do not have any interests in any securities of the Company.

THE BOARD OF DIRECTORS

The Board of the Company comprises three executive directors, one non-executive director, and three independent non-executive directors.

The current Board members for the year ended 31 December 2008 were:

Executive directors

Mr. XI Yu *(chairman of the Board)*
Ms. CHEUNG Siu Ling
Mr. HON Wa Fai *(financial controller and company secretary)*

Non-executive director

Mr. SUEN Ki

Independent non-executive directors

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

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

BOARD MEETINGS AND BOARD PRACTICES

The following table shows the attendance record of Board meetings held during the year ended 31 December 2008:

	Number of meetings attended/held				
Board member	**Regular board meeting**	**Ad hoc board meeting**	**Working committee meeting**	**Independent board committee meeting**	**Overall**
Executive director					
Mr. XI Yu	4/4	8/8	1/1	–	13/13
Ms. CHEUNG Siu Ling	4/4	8/8	1/1	–	13/13
Mr. HON Wa Fai	4/4	8/8	–	–	12/12
Non-executive director					
Mr. SUEN Ki	4/4	8/8	–	–	12/12
Independent non-executive director					
Mr. CHAN Yan Cheong	4/4	8/8	–	–	12/12
Mr. YUEN Kim Hung, Michael	4/4	8/8	–	–	12/12
Mr. HO Yau Hong, Alfred	4/4	8/8	–	–	12/12

The Board has scheduled to have at least four regular meeting a year, and the Board will also meet on other occasions when a board-level decision on a particular matter is required. The meetings are structured to allow open discussion. All Directors participate in discussing the strategy, operational and financial performance and internal control of the Group.

The company secretary of the Company assists the Chairman to prepare the agenda of the meeting and each Director may request to include any matters in the agenda. At least 14 days notice is given by the Company for the regular board meetings. All substantive agenda items have comprehensive briefing papers, which are circulated at least 3 days before each Board meeting.

The company secretary is responsible for distributing detailed documents to Directors prior to the meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings so that they may receive accurate, timely and clear information.

All Directors may access to the advice and services of the company secretary who regularly updates the Board and consults on governance and regulatory matters, and if necessary, seeking independent professional advices. The company secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

Any Director may request the Company to provide independent professional advice at the expense of the Company to discharge his duties to the Company.

If a substantial shareholder or a Director has a conflict of interests in a matter to be considered by the Board, the Company will not dealt with the matter by way of written resolution or by a Board committee (except if that Board committee was specifically established for such purpose). The independent non-executive director of the Company with no material interest in the matter will attend the meeting to deal with the matter if it is considered appropriate. Other than the exception allowed under the GEM Listing Rules, any Director who or whose associates have any material interest in any proposed Board resolutions shall not be counted as a quorum in the relevant Board meeting or shall be abstained from voting for the Board resolutions. All the Board committees adopted the same principles and procedures used in the Board meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the boards of the whole Group is Mr. XI Yu, and the office of the Group'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 resignation of the last managing director of the Group with effect from 1 February 2007.

Under the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and the division of responsibilities between those two positions should be clearly established as set out in writing. Currently, Mr. XI Yu is responsible for managing the Board and the business of the Company and all its subsidiaries. The Board considers that the invaluable experience and business connection of Mr. XI Yu in both plastic and environmental industries is a great benefit to the Group. Through the supervision of the full Board and the Board committees, balance of power and authority could be ensured and there is no imminent need to change the current role of Mr. XI Yu.

APPOINTMENTS, RE-ELECTION AND REMOVAL

In accordance with the Company's articles of association, all Directors (including executive directors, non-executive director and independent non-executive directors) are subject to retirement by rotation at least once every three years.

Each of the independent non-executive directors of the Company has entered into a new formal appointment contract with the Company for a term of two years commencing from 1 February 2009, subject to a termination by either party giving not less than three month's prior written notice.

The Company has received written confirmation from each of the three independent non-executive directors of the Company in respect of the factors set out in Rule 5.09 of GEM Listing Rules, and considers the independent non-executive directors, Mr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred are independent.

Mr. CHAN Yan Cheong has served as independent non-executive director of the Company for more than 9 years since 17 November 1999, whose further proposed appointment as the Company's independent non-executive director shall be subject to a separate resolution to be approved by the Shareholders in the forthcoming annual general meeting of the Company. The Board based on the annual written confirmation given by Mr. CHAN Yan Cheong in accordance with Rule 5.09 of the GEM Listing Rules and his undertaking of continuing to be independent. The Board believes that Mr. CHAN Yan Cheong as a chair professor in the Department of Electronic Engineering of City University of Hong Kong will bring in strong expertise, contributing a more impartial view and making independent judgement on all issues to be discussed at the Board meetings.

RESPONSIBILITIES OF DIRECTORS

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

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

Executive directors

Name	Position	Current Function/Experience
XI Yu	Executive Director and Chairman	• development of vision and strategies for the whole group • development of corporate goals and targets • strategic planning
CHEUNG Siu Ling	Executive Director	• group administration • group human resources management • overseeing daily operations of the Group
HON Wa Fai	Executive Director, Financial Controller, and Company Secretary	• overseeing the areas of financial control, accounting, treasury, corporate finance, compliance and investors relations

Non-executive director

Name	Position	Current Function/Experience
SUEN Ki	Non-executive Director	• consultation on vision and strategies of the group

Independent non-executive directors

Name	Independence	Experience/Skill
CHAN Yan Cheong	✓	• corporate strategies and industrial relationship • academic and industrial expert
YUEN Kim Hung, Michael	✓	• auditing, taxation, compliance and financial services • with professional accounting qualification
HO Yau Hong, Alfred	✓	• auditing, taxation, and compliance • with professional accounting qualification

Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors and shareholders of the Company's controlling shareholder, New Universe Enterprises Limited ("NUEL"). They are also directors of China (HK) Chemical and Plastics Company Limited which has undertaken to support the Zhenjiang Docks Project of the Group. Mr. XI Yu and Ms. CHEUNG Siu Ling are directors of the Group's 38% owned associates, New Sinotech Investments Limited, Fair Time International Limited and Zhenjiang Sinotech Eco-electroplating Development Company Limited, and of these associates NUEL owns 53% equity interests. To the best knowledge of the Company, save as disclosed therein, 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 judgement.

SUPPLY OF AND ACCESS TO INFORMATION

The management of the Group will provide the Board of the Company with appropriate and sufficient information through financial reports, business and operational reports and budget statements in a timely manner to keep the Board members informed the latest development of the Group. The Board members have the right to access to the Group's information and other matters either from the Chairman and the company secretary of the Company.

CONTINUING PROFESSIONAL DEVELOPMENT

The Company has budgeted for training to each of the Company's Directors to enhance their skills and to keep up with the updated developments in applicable legal and regulatory.

BOARD COMMITTEES

There are three Board committees made up of the independent non-executive directors of the Company. The principal committees of the Board are as follows:

	Committee membership		
	Audit Committee	**Nomination Committee**	**Remuneration Committee**
Mr. CHAN Yan Cheong	✓	✓	✓
Mr. YUEN Kim Hung, Michael	✓	✓	✓
Mr. HO Yau Hong, Alfred	✓	✓	✓

AUDIT COMMITTEE

In May 2000, the Company's Audit Committee had been established with written terms of reference in compliance with the GEM Listing Rules.

Composition of Audit Committee

Mr. 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 annual 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 4 meetings during the year ended 31 December 2008 mainly for the purposes as follows:

(i) reviewed the annual report for the year ended 31 December 2007;

(ii) reviewed the interim results for 6 months ended 30 June 2008 as reviewed by independent accountant, CCIF CPA Limited, and the internal control system of the Group for 12 months to 30 June 2008; and

(iii) reviewed the quarterly report for 3 months and 9 months respectively ended 31 March and 30 September 2008.

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

Audit Committee member	Number of meetings attended/held
Mr. CHAN Yan Cheong	4/4
Mr. YUEN Kim Hung, Michael	4/4
Mr. HO Yau Hong, Alfred	4/4

NOMINATION COMMITTEE

In May 2006, the Company's Nomination Committee had been 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

Mr. 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 reappointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

Meeting records

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

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

REMUNERATION COMMITTEE

In May 2006, the Company's Remuneration Committee had been 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

Mr. 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 following was an attendance record of the Remuneration Committee meetings during the year:

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

ACCOUNTABILITY AND AUDIT

Directors' and auditors' acknowledgement

The Audit Committee and the Board have reviewed the Company's financial statements for the year ended 31 December 2008. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment for the Company's performance, position and prospects. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CCIF CPA Limited acknowledge their reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31 December 2008.

It is the responsibility of the external auditors 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 auditors.

Auditor's remuneration

During the year ended 31 December 2007 and 2008, the remuneration paid/payable to the auditors, CCIF CPA Limited in respect of their audit and non-audit services was as follows:

	2008	2007
	HK$'000	HK$'000
Audit services	**550**	550
Non-audit services	**100**	800

INTERNAL CONTROL

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss. Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

The Company has an internal control team headed by the Company's deputy general manager and supervised by the Audit Committee with the assistance of the Company's financial controller and company secretary to conduct periodical reviews of the effectiveness of the internal control systems of the Group, covering and reporting on all material controls, including financial, operational, compliance controls and risk management functions.

The Board as advised by the Audit Committee has carried out an annual review to consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programmes and budget to comply with the new Code Provision C.2.2 of the CG Code.

For the period of 12 months to 30 June 2008, the Group's internal control team has confirmed that there is no material discrepancies which has to be brought to the attention of the Board or the shareholders in its assessment report and the internal control systems of the Group operate satisfactorily except for the documentation procedure for goods inward/outward of the warehouses of the Suzhou New Universe Smartech Tooling and Plastics Limited has room to improve. To further strengthen the internal control of the Group, the internal control team of the Company headed by the deputy general manager of the Company is commissioned by the Audit Committee to provide day-to-day management of the compliance and control of the Group in order to eliminate risks of failure of operational systems and the achievement of the Company's objectives. According to the internal control review report prepared by the internal control team, the Audit Committee required that the internal control systems of the Company have to be improved continuously and any deficiencies has been found on the internal control systems of the Group have to be fixed. The internal control team will conduct meeting regularly to monitor the internal control systems within the Group. In addition, they will carry out assessment in relation to the establishment of new company or entity, new product, and new potential target of merger and acquisition of the Company. To enhance the knowledge of relevant staff of the Group, training will be provided to them in the matter of relevant rules and applicable laws as when appropriate. The Board is satisfied that the Group has complied with the code provision on internal control as set out in the GEM Listing Rules.

INVESTOR AND SHAREHOLDER RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with shareholders of the Company and investors. The Board also recognizes that effective communication with investors is the key to establish investor confidence and to attract new and potential investors. Therefore, the Group is committed to maintaining high degree of transparency to ensure the investors and the shareholders are receiving accurate, clear, comprehensive and timely information of the Group via the publication of annual reports, interim reports, quarterly reports, announcements, circulars, and also the Company's website at www.nuigl.com. In February 2009, the Company appointed a consultant company to enhance media and investor relations of the Group and to improve the Group's relations with shareholders and potential investors. The Board continues to maintain regular dialogue with institutional investors and analysts to keep them informed the Group's strategy, operations, management and plans. The Directors and the Audit Committee members are available to answer the questions through the annual general meeting. External auditors are also available at the annual general meeting to address shareholders' queries. Separate resolutions are proposed at general meeting on each substantially separate issue.

SHAREHOLDERS RIGHTS

It is the Company's responsibility to ensure shareholders' interests. 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 in a circular with the agenda, the proposed resolutions and a proxy 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.

The poll voting procedures and right of the shareholders to demand a poll vote are included in the Company's circular convening a general meeting. The chairman of the general meeting explains the procedures for demanding and conducting a poll before putting a resolution to vote on a show of hands and reveals how many proxies for and against have been filed in respect of each resolution. The results of the voting by poll are declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

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

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

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") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 120, which comprise the consolidated and Company balance sheets as at 31 December 2008, 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2008 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
Leung Chun Wa
Practising Certificate Number: P04963

Hong Kong, 18 March 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	Restated 2007 HK$'000
Continuing operations			
Turnover	6	**75,194**	52,028
Cost of sales		**(46,594)**	(42,848)
Gross profit		**28,600**	9,180
Other revenue and income	6	**4,498**	3,244
Excess of fair value of net assets over the cost of acquisition of interests in associates	36(a)	**4,298**	–
Excess of fair value of net assets over the cost of acquisition of interests in subsidiaries	36(c)	**–**	6,057
Impairment of available-for-sale equity investments	22	**(4,012)**	–
Gain on disposal of subsidiaries	36(d)	**–**	4,042
Selling and distribution costs		**(5,737)**	(3,551)
Administrative expenses		**(11,872)**	(11,832)
Other operating expenses		**(5,226)**	(4,793)
Share of profits of associates, net	21	**922**	90
Finance costs	7	**(1,700)**	(785)
Profit before income tax		**9,771**	1,652
Income tax	8	**–**	–
Profit for the year from continuing operations	9	**9,771**	1,652
Discontinued operation			
Profit for the year from discontinued operation	12	**679**	536
Profit for year		**10,450**	2,188
Attributable to:			
Equity holders of the Company			
Continuing operations		**7,702**	1,337
Discontinued operation		**679**	536
		8,381	1,873
Minority interests			
Continuing operations		**2,069**	315
Discontinued operation		**–**	–
		2,069	315
		10,450	2,188
Earnings per share for profit attributable to equity holders of the Company *(expressed in HK cents per share)*	15		
From continuing and discontinued operations Basic and diluted		**0.46**	0.15
From continuing operations Basic and diluted		**0.42**	0.10
From discontinued operation Basic and diluted		**0.04**	0.05

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**63,083**	51,296
Land lease prepayments	17	**22,295**	22,349
Deposits paid for docks development	13, 18	**–**	49,796
Docks development costs	13, 18	**–**	5,550
Goodwill	19	**33,688**	33,688
Interests in associates	21	**36,962**	4,778
Available-for-sale equity investments	22	**48,900**	57,022
		204,928	224,479
Current assets			
Inventories	23	**10,052**	10,706
Trade and bills receivables	24	**13,811**	9,168
Prepayments, deposits and other receivables	13, 25	**3,603**	10,624
Land lease prepayments	17	**508**	498
Cash and cash equivalents	26	**23,128**	44,421
		51,102	75,417
Assets of disposal group classified as held for sale	13	**90,103**	–
		141,205	75,417
LIABILITIES			
Current liabilities			
Interest-bearing bank borrowings	28	**10,170**	9,184
Trade and bills payables	29	**4,437**	4,666
Deposits received		**8,177**	8,959
Accrued liabilities and other payables		**12,209**	8,091
Obligations under finance leases	30	**4**	5
Amount due to a related company	31	**19**	419
Shareholder's loan	33	**–**	2,416
		35,016	33,740
Liabilities directly associated with assets of disposal group classified as held for sale	13	**1**	–
		35,017	33,740
Net current assets		**106,188**	41,677
Total assets less current liabilities		**311,116**	266,156

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Promissory notes	32	**19,956**	–
Deferred tax liabilities	27	**5,065**	5,065
Obligations under finance leases	30	**–**	4
Shareholder's loan	33	**2,416**	–
		27,437	5,069
Net assets		**283,679**	261,087
CAPITAL AND RESERVES			
Share capital	34	**18,259**	18,259
Reserves	35	**257,174**	237,411
Equity attributable to equity holders of the Company		**275,433**	255,670
Minority interests		**8,246**	5,417
Total equity		**283,679**	261,087

XI Yu
Chairman

CHEUNG Siu Ling
Executive director

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Exchange fluctuation reserve HK$'000	Investments revaluation reserve HK$'000	General reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	1,490	–	1,357	–	31,929	(10,589)	24,187	300	24,487
Fair value gain on available for sale equity investments	–	–	–	4,110	–	–	4,110	–	4,110
Exchange differences arising on translation of foreign operations	–	–	5,827	–	–	–	5,827	(4)	5,823
Net income/(expense) recognized directly in equity	–	–	5,827	4,110	–	–	9,937	(4)	9,933
Profit for the year	–	–	–	–	–	1,873	1,873	315	2,188
Total recognized income/ (expense) for the year	–	–	5,827	4,110	–	1,873	11,810	311	12,121
Rights issue	10,427	93,845	–	–	–	–	104,272	–	104,272
Issue of new shares	6,342	114,158	–	–	–	–	120,500	–	120,500
Share issue expenses	–	(1,515)	–	–	–	–	(1,515)	–	(1,515)
Acquisition of subsidiaries	–	–	–	–	–	–	–	4,806	4,806
Disposal of a subsidiary	–	–	(3,584)	–	–	–	(3,584)	–	(3,584)
At 31 December 2007 and 1 January 2008	18,259	206,488	3,600	4,110	31,929	(8,716)	255,670	5,417	261,087
Impairment on available for sale equity investments	–	–	–	(4,110)	–	–	(4,110)	–	(4,110)
Exchange differences arising on translation of foreign operations	–	–	14,598	–	–	–	14,598	760	15,358
Net income/(expense) recognized directly in equity	–	–	14,598	(4,110)	–	–	10,488	760	11,248
Profit for the year	–	–	–	–	–	8,381	8,381	2,069	10,450
Total recognized income/(expense) for the year	–	–	14,598	(4,110)	–	8,381	18,869	2,829	21,698
Share of reserves of associates	–	–	894	–	–	–	894	–	894
At 31 December 2008	18,259	206,488	19,092	–	31,929	(335)	275,433	8,246	283,679

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Profit before income tax from:			
– continuing operations		**9,771**	1,652
– discountinued operation		**679**	536
		10,450	2,188
Adjustments for:			
Finance costs	7	**1,700**	785
Interest income	6	**(901)**	(1,552)
Dividend income	6	**(2,024)**	–
Net gain on disposal of property, plant and equipment	6	**(1)**	(148)
Write-down of inventory	9	**1,130**	766
Impairment loss of trade receivables	9	**–**	33
Depreciation and amortization	9	**6,531**	6,862
Gain on disposal of a subsidiary	36(d)	**–**	(4,042)
Excess of fair value of net assets over the cost of acquisition of subsidiaries	36(c)	**–**	(6,057)
Excess of fair value of net assets over the cost of acquisition of interests in associates	36(a)	**(4,298)**	–
Fair value gain on shareholder's loans		**–**	846
Fair value loss on available for sale equity investments		**4,012**	–
Share of profits of associates, net	21	**(922)**	(90)
Operating profit/(loss) before working capital changes		**15,677**	(409)
Increase in inventories		**(476)**	(3,367)
(Increase)/decrease in trade and bills receivables		**(4,643)**	1,465
Increase in prepayments, deposits and other receivables		**(2,081)**	(7,921)
(Decrease)/increase in trade and bills payables		**(229)**	1,904
Increase/(decrease) in accrued liabilities and other payables		**4,119**	(816)
Decrease in deposits received		**(782)**	(2,066)
Decrease in amounts due from related companies		**–**	3,265
Decrease in amount due to a related company		**(400)**	(367)
Cash generated from/(used in) operations		**11,185**	(8,312)
Interest received		**901**	1,552
Interest paid		**(838)**	(773)
Interest element on finance lease rental paid		**(1)**	(12)
Net cash generated from/(used in) operating activities		**11,247**	(7,545)

	Notes	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	16	**(12,542)**	(7,458)
Proceeds from disposal of property, plant and equipment		**228**	783
Net cash received from disposal of a subsidiary, net of costs incurred	36(d)	**–**	11,422
Acquisition of subsidiaries	36(b), 36(c)	**–**	790
Expenses on acquisition of subsidiaries	36(b), 36(c)	**–**	(2,683)
Deposits paid for docks development		**–**	(29,388)
Payment for docks development costs		**(1,118)**	(1,933)
Acquisition of associates	36(a)	**(607)**	–
Advances to associates		**(2,015)**	–
Dividends received from an associate and available-for-sale equity investments		**2,672**	4,146
Net cash used in investing activities		**(13,382)**	(24,321)
FINANCING ACTIVITIES			
Loans from a shareholder		**–**	5,130
Repayment of loans from a shareholder		**–**	(7,262)
Repayment of loan from a related company		**–**	(2,000)
Capital element of finance lease rental paid		**(5)**	(592)
Repayment of interest-bearing bank borrowings		**–**	(7,515)
Net proceeds on rights issue		**–**	58,148
Share issue expenses		**–**	(1,515)
Net cash (used in)/generated from financing activities		**(5)**	44,394
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,140)**	12,528
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**44,421**	29,155
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies		**4,105**	2,738
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**46,386**	44,421
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**46,386**	44,421

Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	20	**269,577**	247,841
Current assets			
Prepayments	25	**633**	5,175
Cash and cash equivalents	26	**1,812**	6,326
		2,445	11,501
LIABILITIES			
Current liabilities			
Accrued liabilities and other payables		**1,070**	120
Amount due to a subsidiary	20	**–**	6,083
Shareholder's loan	33	**–**	2,416
		1,070	8,619
Net current assets		**1,375**	2,882
Total assets less current liabilities		**270,952**	250,723
Non-current liabilities			
Promissory notes	32	**19,956**	–
Shareholder's loan	33	**2,416**	–
		22,372	–
Net assets		**248,580**	250,723
CAPITAL AND RESERVES			
Share capital	34	**18,259**	18,259
Reserves	35	**230,321**	232,464
Total equity		**248,580**	250,723

XI Yu
Chairman

CHEUNG Siu Ling
Executive 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 Company's shares are listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

At 31 December 2008, the directors of the Company consider the ultimate parent of the Group to be New Universe Enterprises Limited ("NUEL"), which is a limited liability company incorporated in the British Virgin Islands.

These financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company. The Group is engaged in the following principal activities:

(i) medical and industrial waste environmental disposal services;

(ii) the manufacturing and sale of molds and plastic products; and

(iii) strategic investments in plastics dyeing businesses.

During the year, with a view to rationalise the Group's operations, the Group discontinued the development and operation of docks, warehouses and logistics facilities in Zhenjiang City, Jiangsu Province, the People's Republic of China (the "Zhenjiang Docks Project" or the "disposal group") by disposing of its entire 100% equity interests in New Universe International (Zhenjiang) Port Company Limited (新宇國際(鎮江)港務有限公司) ("Zhenjiang Port Company") and New Universe International (Zhenjiang) Warehouses Company Limited (新宇國際(鎮江)倉儲有限公司) ("Zhenjiang Warehouses Company") to an independent third party as referred to in note 12 to the financial statements.

Details of the activities of its principal subsidiaries are set out in note 20 to the financial statements.

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").

2. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted the following amendments and interpretations issued by HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 October 2008

6 Effective for transfers on or after 1 July 2009

The adoption of HKAS 1 (Revised) may result in a change in presentation of the primary statements of the financial statements. The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 summarized below.

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

Assets of disposal group held for sale are stated at the lower of carrying amount and fair value less costs to sell.

It should be noted that accounting estimates and assumptions are used in the 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business Combinations

The acquisition of a business 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 recognized 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 recognized and measured at fair value less costs to sell.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

Goodwill arising on acquisition is recognized 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 recognized. 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 recognized 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 recognized.

Goodwill

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

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of gain or loss on disposal.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries (continued)

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.

Associates

An associate is an entity, not being a subsidiary nor an interest in a joint venture, 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 results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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 or held-to-maturity investment under the scope of HKAS 39. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized as a separate component of equity until the investment is derecognized 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 recognized 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 recognized 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets are derecognized 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 recognized directly in equity is recognized 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 amortized cost using the effective interest method, less impairment losses. Amortized 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, interest-bearing borrowings, shareholder's loans and promissory notes. They are included in balance sheet as "Trade and bills payables", "Deposits received", "Accrued liabilities and other payables", "Amounts due to related companies" "Interest-bearing bank borrowings", "Shareholder's loan" and "Promissory notes".

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

Financial liability is derecognized 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 recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

(a) 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 amortized 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 reorganization;

– 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 recognized 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 amortized 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 amortized 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.

  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 recognized, 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 has no impairment loss been recognized in prior years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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

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

  Impairment losses recognized 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 recognized directly in equity.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized 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 recognized in profit or loss.

(b) 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 recognized 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;

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

– interests in associates;

– goodwill; and

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

(b) Impairment of other assets (continued)

– 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 recognized 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 recognized 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 recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare quarterly and interim financial reports in respect of each quarter of a financial year. At the end of the interim period, in compliance with HKAS 34 – Interim Financial Reporting, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year. Impairment loss recognized 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 recognized 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 recognized 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 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 capitalized as part of the cost of that property.

Once the construction or development 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 recognized 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 recognized 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 recognized in the same period as those expenses are charged in the income statement.

Inventories

Inventories are carried at the lower of cost and net realizable 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 realizable value is based on the estimated selling price in the ordinary course of business less the estimated costs to 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 recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized 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 and promissory notes

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings and promissory notes are stated at amortized cost with any difference between cost and redemption value being recognized 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 recognized at fair value and thereafter stated at amortized 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 applicable rates 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 recognized 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 recognized 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 recognized in prior periods is made if fewer share options ultimately are exercised than originally estimated. Upon exercise of the share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are reallocated to share capital with any excess being recorded as share premium. When the share options lapsed are forfeited or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognized in profit or loss except to the extent that they relate to items recognized directly in equity, in which case they are recognized in equity.

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

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 recognized is measured based on the expected manner of realization 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 utilized. 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 recognized.

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 realize 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 realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

Provisions and contingent liabilities

Provisions are recognized 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

(a) 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 functional and presentation currency.

(b) 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 recognized 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transaction (continued)

(c) 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:

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

(ii) 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

(iii) all resulting exchange differences are recognized 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 recognized 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.

Revenue recognition

Revenue is recognized 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 recognized in profit or loss as follows:

Sale of goods

Revenue is recognized 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 and returns.

Service income

Income from provision of waste treatment services is recognized when the services have been rendered.

Dividend income

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

Interest income

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 capitalized 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 capitalization 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. Capitalization 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, parties are considered to be related to the Group if:

(i) the party has the ability, directly, or indirectly through one or more intermediaries, to control the Group or excise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or its parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close member of the family of any individual referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting (continued)

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.

Non-current assets held for sale and discontinued operation

(a) Non-current assets held for sale

A non-current asset (or assets of disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets and explained below), or disposal groups, are recognized at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets and financial assets (other than investments in subsidiaries). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 3.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognized in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortized.

(b) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (as referred to in (a) above), if earlier. It also occurs when the operation is abandoned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued operation (continued)

(b) Discontinued operation (continued)

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

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 residual 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 that 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 the level of turnover and the 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, and 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. Further details are set out in note 19 to the financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

The Group follows the guidance of HKAS 39 and HKAS 28 to determine when an available-for-sale financial asset and interest in associates, respectively, are 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.

(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 realizable value of inventories

Net realizable 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.

(h) Fair value of available-for-sale equity investments

The fair value of available-for-sale equity investments which are not traded in an active market are determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(i) Income taxes

The Group is subject to income taxes in various jurisdictions, mainly in Hong Kong and the PRC. Significant judgement is required in determining provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have impact on the income tax and deferred tax provisions in the year in which such determination is made.

(j) Disposal of Zhenjiang Docks Project

As disclosed in notes 12 and 13, the Group entered into two Dock Disposal Agreements with an independent third party to dispose of the entire equity interests in the Zhenjiang Docks Project. The directors of the Company are of the opinion that the disposal is expected to be completed within the next 12 months.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(k) Fair value of promissory notes

The fair value of promissory notes that are not traded in active markets is determined using valuation techniques, involving discount cash flow model, assumptions and estimates for discount rates and cashflow forecasts.

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.

(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:

Continuing operations

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

(ii) the mold products segment engages in the manufacture and sale of high precision molds,

(iii) the plastic products segment engages in the manufacture and sale of plastic products, and

(iv) strategic investments in plastics dyeing businesses.

Discontinued operation

The dock development.

Particulars in respect of discontinued operation relating to the Zhenjiang Docks Project are set out in notes 12 and 13 to the financial statements.

Information on the revenue and profit/(loss) for the Group's business segments is presented as follows.

5. SEGMENT REPORTING (continued)

(a) Business segments (continued)

Group

	Continuing operations												Discontinued operation			
	Environmental services		Mold products		Plastic products		Dyeing investments		Unallocated		Subtotal		Dock development		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**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	**38,184**	5,980	**27,670**	31,056	**9,340**	14,992	**-**	-	**-**	-	**75,194**	52,028	**-**	-	**75,194**	52,028
Other income	**445**	20	**1,700**	2,244	**168**	145	**2,024**	-	**161**	835	**4,498**	3,244	**751**	865	**5,249**	4,109
Total	**38,629**	6,000	**29,370**	33,300	**9,508**	15,137	**2,024**	-	**161**	835	**79,692**	55,272	**751**	865	**80,443**	56,137
Segment results	**11,524**	1,679	**(92)**	(2,585)	**(943)**	(2,143)	**2,024**	-	**161**	835	**12,674**	(2,214)	**679**	536	**13,353**	(1,678)
Excess of fair value of net assets over the cost of acquisition of associates (note 36(a))	**4,298**	-	**-**	-	**-**	-	**-**	-	**-**	-	**4,298**	-	**-**	-	**4,298**	-
Excess of fair value of net assets over the cost of acquisition of subsidiaries (note 36(c))	**-**	6,057	**-**	-	**-**	-	**-**	-	**-**	-	**-**	6,057	**-**	-	**-**	6,057
Gain on disposal of subsidiaries	**-**	-	**-**	-	**-**	-	**-**	-	**-**	4,042	**-**	4,042	**-**	-	**-**	4,042
Impairment of available-for-sale equity investments	**-**	-	**-**	-	**-**	-	**(4,012)**	-	**-**	-	**(4,012)**	-	**-**	-	**(4,012)**	-
Finance costs	**(861)**	-	**(837)**	(588)	**-**	-	**-**	-	**(2)**	(197)	**(1,700)**	(785)	**-**	-	**(1,700)**	(785)
Unallocated expenses	**-**	-	**-**	-	**-**	-	**-**	-	**(2,411)**	(5,538)	**(2,411)**	(5,538)	**-**	-	**(2,411)**	(5,538)
Share of profit/(loss) of associates, net	**(153)**	-	**-**	-	**-**	-	**1,075**	90	**-**	-	**922**	90	**-**	-	**922**	90
Profit before income tax	**14,808**	7,736	**(929)**	(3,173)	**(943)**	(2,143)	**(913)**	90	**(2,252)**	(858)	**9,771**	1,652	**679**	536	**10,450**	2,188
Income tax	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Profit for the year	**14,808**	7,736	**(929)**	(3,173)	**(943)**	(2,143)	**(913)**	90	**(2,252)**	(858)	**9,771**	1,652	**679**	536	**10,450**	2,188

5. SEGMENT REPORTING (continued)

(a) Business segments (continued)

Information on certain assets, liabilities and expenditure information for the Group's business segments is set out as follows:

Group

	Continuing operations												Discontinued operation			
	Environmental services		Mold products		Plastic products		Dyeing investments		Unallocated		Subtotal		Dock development		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Segment assets	111,230	92,233	36,501	37,346	17,989	14,020	-	-	-	-	165,720	143,599	-	-	165,720	143,599
Interest in associates	31,244	-	-	-	-	-	5,718	4,778	-	-	36,962	4,778	-	-	36,962	4,778
Available-for-sale equity investments	-	-	-	-	-	-	48,900	57,022	-	-	48,900	57,022	-	-	48,900	57,022
Docks under development and assets of disposal group	-	-	-	-	-	-	-	-	-	-	-	-	90,103	80,816	90,103	80,816
Unallocated assets	-	-	-	-	-	-	-	-	4,448	13,681	4,448	13,681	-	-	4,448	13,681
Consolidated total assets	142,474	92,233	36,501	37,346	17,989	14,020	54,618	61,800	4,448	13,681	256,030	219,080	90,103	80,816	346,133	299,896
Segment liabilities	35,466	11,884	21,587	22,398	1,126	1,241	-	-	-	-	58,179	35,523	-	-	58,179	35,523
Liabilities directly associated with assets of disposal group	-	-	-	-	-	-	-	-	-	-	-	-	1	2	1	2
Unallocated liabilities	-	-	-	-	-	-	-	-	4,274	3,284	4,274	3,284	-	-	4,274	3,284
Consolidated total liabilities	35,466	11,884	21,587	22,398	1,126	1,241	-	-	4,274	3,284	62,453	38,807	1	2	62,454	38,809
Other segment information:																
Capital expenditure	10,458	963	270	2,443	1,814	4,052	-	-	-	-	12,542	7,458	1,118	31,118	13,660	38,576
Loan to an associate	2,149	-	-	-	-	-	-	-	-	-	2,149	-	-	-	2,149	-
Depreciation and amortization	3,140	674	2,507	4,355	884	1,833	-	-	-	-	6,531	6,862	-	-	6,531	6,862
Write-down of inventory	-	-	-	-	1,130	766	-	-	-	-	1,130	766	-	-	1,130	766
Impairment loss of trade receivables/(written back)	-	-	-	86	(10)	(53)	-	-	-	-	(10)	33	-	-	(10)	33

5. SEGMENT REPORTING (continued)

(b) Geographical segments

Information on revenue and certain assets and expenditure information for the Group's geographical segments is set out as follows:

Group

	Mainland China#		Hong Kong		North America*		Europe		Others		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Segment revenue:												
Sales to external customers	**55,531**	24,597	**–**	3,987	**1,480**	3,981	**18,183**	18,942	**–**	521	**75,194**	52,028
Other income	**1,460**	2,632	**3,789**	1,477	**–**	–	**–**	–	**–**	–	**5,249**	4,109
	56,991	27,229	**3,789**	5,464	**1,480**	3,981	**18,183**	18,942	**–**	521	**80,443**	56,137

	Mainland China#		Hong Kong		Others		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Other segment information:								
Segment assets	**221,822**	189,113	**124,311**	110,783	**–**	–	**346,133**	299,896
Capital expenditure	**13,563**	37,547	**97**	1,029	**–**	–	**13,660**	38,576

For the sole purpose of these financial statements, the People's Republic of China ("China", "PRC" or "Mainland China") shall exclude the Hong Kong and Macau Special Administrative Regions and Taiwan.

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

6. TURNOVER, OTHER REVENUE AND INCOME

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

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Revenue						
Income from provision of waste treatment services	**38,184**	5,980	**–**	–	**38,184**	5,980
Sale of goods	**37,010**	46,048	**–**	–	**37,010**	46,048
Turnover	**75,194**	52,028	**–**	–	**75,194**	52,028
Other revenue and income						
Interest income on bank deposits	**150**	687	**751**	865	**901**	1,552
Dividends from available-for-sale equity investments	**2,024**	–	**–**	–	**2,024**	–
Reversal of impairment loss of trade receivables	**10**	–	**–**	–	**10**	–
Net gain on disposal of property, plant and equipment	**1**	148	**–**	–	**1**	148
Scrap sales and others	**2,313**	2,409	**–**	–	**2,313**	2,409
	4,498	3,244	**751**	865	**5,249**	4,109
Total	**79,692**	55,272	**751**	865	**80,443**	56,137

7. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Interest expense on:						
Bank loans wholly repayable within five years	**837**	588	**–**	–	**837**	588
Bank import loans wholly repayable within five years	**–**	185	**–**	–	**–**	185
Finance leases	**2**	12	**–**	–	**2**	12
Imputed interest expense on non-current promissory notes (note 32)	**861**	–	**–**	–	**861**	–
Total	**1,700**	785	**–**	–	**1,700**	785

8. INCOME TAX

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax:						
Hong Kong	**–**	–	**–**	–	**–**	–
PRC Enterprise 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.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits subject to Hong Kong profits tax during the year ended 31 December 2008 (2007: Nil).

The PRC subsidiaries of the Group are subject to PRC Enterprise Income Tax at 25% (2007: 30%).

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Tax Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council issued Implementation Regulation of the New Tax Law. The New Tax Law and Implementation Regulation changed the tax rate of the PRC subsidiaries to 25% from 1 January 2008 onwards.

The PRC subsidiaries of the Group, Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe"), Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe"), Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe"), are entitled to the exemptions from PRC Enterprise Income Tax 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 and accordingly, they are not subject to PRC Enterprise Income Tax in 2007 and 2008. The first profit making year of Zhenjiang New Universe was 2008 and accordingly, they are not subject to PRC Enterprise Income Tax in 2008.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. INCOME TAX (continued)

The income tax for the year can be reconciled to the profit per consolidated income statement as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
Profit before income tax	**10,450**	2,188
Tax at the statutory/applicable tax rates	**2,282**	616
Tax effect of income not subject to tax	**(2,213)**	(1,207)
Tax effect of expenses not deductible for tax purpose	**1,621**	645
Tax effect of tax losses not recognized as deferred assets	**683**	968
Utilization of tax losses previously not recognized	**(262)**	(595)
Effect of tax exemptions granted to PRC subsidiaries	**(2,111)**	(427)
Tax charge for the year	**–**	–

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Depreciation						
– Owned assets	**6,016**	6,694	**–**	–	**6,016**	6,694
– Assets held under finance leases	**7**	7	**–**	–	**7**	7
Amortization of land lease prepayments	**508**	161	**–**	–	**508**	161
Total depreciation and amortization	**6,531**	6,862	**–**	–	**6,531**	6,862
Auditor's remuneration						
– Audit services	**550**	550	**–**	–	**550**	550
– Non-audit services	**100**	800	**–**	–	**100**	800
	650	1,350	**–**	–	**650**	1,350

9. PROFIT FOR THE YEAR (continued)

Profit for the year has been arrived at after charging: (continued)

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Employee benefits expenses (exclusive of directors' emoluments disclosed in note 10):						
– Post employment benefits Contributions to retirement benefits schemes	**1,385**	56	**–**	–	**1,385**	56
– Other employee benefits	**14,977**	14,018	**–**	–	**14,977**	14,018
	16,362	14,074	**–**	–	**16,362**	14,074
Amounts included in administrative, selling and distribution, and other operating expenses	**6,129**	4,823	**–**	–	**6,129**	4,823
Amount included in cost of sales	**10,233**	9,251	**–**	–	**10,233**	9,251
Total staff costs (exclusive of directors' emoluments (note 10))	**16,362**	14,074	**–**	–	**16,362**	14,074
Cost of inventories recognized as expense	**30,444**	40,669	**–**	–	**30,444**	40,669
Direct costs of waste treatement	**16,150**	2,179	**–**	–	**16,150**	2,179
Cost of sales*	**46,594**	42,848	**–**	–	**46,594**	42,848

* Amount included in staff cost of HK$10,233,000 (2007: HK$9,251,000).

9. PROFIT FOR THE YEAR (continued)

Profit for the year has been arrived at after charging: (continued)

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Net foreign exchange loss	349	1,018	–	184	349	1,202
Operating lease charges: minimum lease payments – land and buildings	168	2,900	–	–	168	2,900
Write-down of inventory	1,130	766	–	–	1,130	766
Impairment loss of trade receivables	–	33	–	–	–	33
Loss on fair value of shareholder's loans	–	846	–	–	–	846

10. DIRECTORS' EMOLUMENTS

Directors' emoluments paid or payable to each of the seven directors (2007: eight) disclosed pursuant to the GEM Listing Rules of The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance, were as follows:

Group – 2008

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Discretionary and performance related incentive payments HK$'000	Share-based payments HK$'000	Total 2008 HK$'000
Executive directors						
XI Yu	–	–	–	–	–	–
CHEUNG Siu Ling	–	–	–	–	–	–
HON Wa Fai	–	638	12	–	–	650
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	638	12	–	–	1,010

10. DIRECTORS' EMOLUMENTS (continued)

Group – 2007

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Discretionary and performance related incentive payments HK$'000	Share-based payments HK$'000	Total 2007 HK$'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.

Notes:

1. Any performance related incentive payment is determined by reference to the individual performance of the directors and approved by the Remuneration Committee of the Company.

2. 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.

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

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with highest emoluments in the Group, one (2007: one) was director of the Company whose emoluments are disclosed in note 10 to the financial statements. The emoluments of the remaining four (2007: four) individuals were as follows:

	Group	
	2008 **HK$'000**	2007 HK$'000
Salaries and other benefits in kind	**1,075**	917
Retirement benefits scheme contributions	**12**	31
Discretionary and performance related incentive payments	**1,534**	–
	2,621	948

The emoluments of the four (2007: four) individuals with the highest emoluments are within the following band:

	2008 **Number of individuals**	2007 Number of individuals
HK$1 – HK$500,000	**1**	4
HK$500,001 – HK$1,000,000	**2**	–
HK$1,000,001 – HK$1,500,000	**1**	–
	4	4

The employees, whose employments are disclosed above, included senior executives who were also directors of the Group's subsidiaries in China during the years. No directors of the subsidiaries waived any emoluments.

12. DISCONTINUED OPERATION

On 3 November 2008, the Company entered into two Dock Disposal Agreements to dispose of the entire equity interests in Zhenjiang Port Company and Zhenjiang Warehouses Company to an independent third party, at an aggregate consideration of RMB84,951,300 (approximately HK$95,995,000) (referred herein as the Disposal of Zhenjiang Docks Project). The Disposal of Zhenjiang Docks Project constituted a major transaction of the Company and for which the controlling shareholder of the Company, NUEL has issued a written approval of the transaction as contemplated.

12. DISCONTINUED OPERATION (continued)

The results and cash flows of the discontinued operation of the disposal group included in the consolidated income statement and the consolidated cash flow statement are set out below:

	2008 HK$'000	2007 HK$'000
Profit for the year from discontinued operation		
Interest income	**751**	865
Expenses	**(72)**	(329)
Profit before income tax	**679**	536
Income tax	**–**	–
Profit for the year from discontinued operation	**679**	536
Analysis of cash flows from discontinued operation		
Net cash inflows from operating activities	**679**	536
Net cash outflows from investing activities	**(1,118)**	(31,118)
Net decrease in cash flows for the year	**(439)**	(30,582)

The assets attributable to docks project have been classified and accounted for at 31 December 2008 as assets of disposal group held for sale (note 13).

13. ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE

	Notes	2008 HK$'000	2007 HK$'000
Deposits paid for docks development	18	**55,144**	–
Docks development costs	18	**7,159**	–
Prepayments, deposits and other receivables	25(b)	**4,542**	–
Cash and bank balances	26	**23,258**	–
Assets of disposal group classified as held for sale		**90,103**	–
Accrued liabilities and other payables		**1**	–
Liabilities directly associated with assets of disposal group classified as held for sale		**1**	–

As described in note 12, the Group entered into two Docks Disposal Agreements dated 3 November 2008 with an independent third party for the disposal of the docks project which is held through the Group's 100% interests in Zhenjiang Port Company and Zhenjiang Warehouses Company.

In the opinion of the directors of the Company, the Dock Disposal Agreements are expected to be completed in the next 12 months.

As the expected disposal proceeds are to exceed their carrying amounts of the assets and liabilities of the disposal group, no impairment loss has been recognized immediately before the re-classification of the assets of the disposal group held for sale as at 31 December 2008.

14. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company includes a loss of HK$2,143,000 (2007: HK$1,277,000) which has been dealt with in the financial statements of the Company.

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the years ended 31 December 2008 and 2007 and the weighted average number of ordinary shares in issue during these years.

There were no dilutive events in the two years ended 31 December 2008 and 2007 and therefore, the diluted earnings per share is same as basic earnings per share for both years.

The calculation of basic earnings per share is based on the following data:

From continuing and discontinued operations

	2008 HK$'000	2007 HK$'000
Earnings		
Profit for the year attributable to equity holders of the Company used in the basic earnings per share calculation	**8,381**	1,873

	2008	2007
Number of shares		
Weighted average number of ordinary shares in issue during the year	**1,825,891,681**	1,285,329,000

From continuing operations

	2008 HK$'000	2007 HK$'000
Earnings		
Profit for the year attributable to equity holders of the Company used in the basic earnings per share calculation	**7,702**	1,337

	2008	2007
Number of shares		
Weighted average number of ordinary shares in issue during the year	**1,825,891,681**	1,285,329,000

15. EARNINGS PER SHARE (continued)

From discontinued operation

	2008 HK$'000	2007 HK$'000
Earnings		
Profit for the year attributable to equity holders of the Company used in basic earnings per share calculation	**679**	536

	2008	2007
Number of shares		
Weighted average number of ordinary shares in issue during the year	**1,825,891,681**	1,285,329,000

16. PROPERTY, PLANT AND EQUIPMENT

Group – 2008

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Computers and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 January 2008	23,244	209	32,242	2,157	165	2,177	60,194
Additions	288	8,750	2,330	634	–	540	12,542
Disposals/write-off	(195)	–	(129)	(8)	–	(313)	(645)
Transfer	451	(6,195)	5,639	105	–	–	–
Exchange adjustments	2,698	22	3,942	218	17	208	7,105
At 31 December 2008	**26,486**	**2,786**	**44,024**	**3,106**	**182**	**2,612**	**79,196**
Accumulated depreciation and impairment:							
At 1 January 2008	1,602	–	5,154	1,037	116	989	8,898
Charge for the year	1,335	–	3,972	410	20	286	6,023
Disposals/write-off	(39)	–	(62)	(8)	–	(309)	(418)
Exchange adjustments	374	–	1,033	110	13	80	1,610
At 31 December 2008	**3,272**	**–**	**10,097**	**1,549**	**149**	**1,046**	**16,113**
Net book value:							
At 31 December 2008	**23,214**	**2,786**	**33,927**	**1,557**	**33**	**1,566**	**63,083**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Group – 2007

	Buildings	Construction in progress	Plant and machinery	Computers and equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
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 (note 36(d))	(3,475)	–	(53,735)	–	–	(520)	(57,730)
Transfer	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
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 (note 36(d))	(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 net book value of the property, plant and equipment of the Group held under finance leases as at 31 December 2008 amounted to HK$6,000 (2007: HK$13,000).

As at 31 December 2008, property, plant and equipment with a carrying value of HK$9,716,000 (2007: HK$9,234,000) were pledged to a bank to secure the banking facilities granted to the Group (note 38).

17. LAND LEASE PREPAYMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Cost		
At beginning of year	**23,574**	2,658
Acquisitions of subsidiaries (note 36(b))	**–**	20,767
Exchange adjustment	**550**	149
	24,124	23,574
Accumulated amortization		
At beginning of year	**727**	536
Charge for the year	**508**	161
Exchange adjustment	**86**	30
	1,321	727
Net book value		
At end of the year	**22,803**	22,847
Classified as		
Non-current assets	**22,295**	22,349
Current assets	**508**	498
	22,803	22,847

The Group's land lease prepayments for land use rights represent the Group's interest in lands in Jiangsu Province, the PRC which are held on leases of 50 years.

As at 31 December 2008, certain land use rights with a carrying value of HK$2,373,000 (2007: HK$2,192,000) were pledged to a bank to secure the banking facilities granted to the Group (note 38).

18. DOCKS UNDER DEVELOPMENT/DEPOSITS PAID FOR DOCKS DEVELOPMENT

Docks development costs and deposits paid for docks under development are major outgoings relating to the development of the Zhenjiang Docks Project in Zhenjiang Xinminzhou, Jiangsu, China. Details of the Zhenjiang Docks Project are set out in the Company's circular dated 25 August 2006.

(a) Docks under development

	Group	
	2008	2007
	HK$'000	HK$'000
Opening carrying amount	**5,550**	3,617
Exchange adjustments	**491**	–
Project professional cost capitalized	**68**	977
Development costs capitalized	**1,050**	956
Assets of disposal group classified as held for sale (note (13))	**(7,159)**	–
Closing carrying amount	**–**	5,550

Docks development costs represent preliminary expenses, professional and consultancy costs incurred relating to the development of the Zhenjiang Docks Project in Zhenjiang Xinminzhou, the PRC.

(b) The deposits paid for docks development of HK$55,144,000 (equivalent to RMB48,800,000) (2007: HK$49,796,000) 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 financing for the docks project upon 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 37(a) to the financial statements.

19. GOODWILL

	Group	
	2008	2007
	HK$'000	HK$'000
As at 1 January	**33,688**	–
Acquisition of subsidiaries (note 36(b))	**–**	33,688
As as 31 December	**33,688**	33,688

19. GOODWILL (continued)

In 2007, the Group acquired from NUEL and others 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") which are principally engaged in medical and industrial hazardous waste treatment and disposal in Mainland China. The goodwill represented the excess of the consideration over the fair value of net assets of Environmental Group of approximately HK$33,688,000 ("Environmental Acquisitions") on the completion date as referred to in note 36(b) to the financial statements.

Impairment test for goodwill

BMI Appraisals Limited, an independent professional valuer ("BMI"), was engaged by the Company to conduct the assessment of the carrying value of the goodwill at 31 December 2008.

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 2009 to 2018
Sales growth rate	48% to 8%
Profit margin (before interest and tax)	34.1% to 23.5%
Discount rate (pre-tax)	17.56%

The management has forecasted that the sales will grow at the rate of 3% beyond 2018.

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 DCF. WACC comprises of two components: cost of equity and cost of debt. The WACC adopted in the DCF as the discount rate was 17.56%.

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. The yield rate of 4.16% being the 10-year Chinese Government Bond Yield was taken 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 adopted in the DCF model was 9.07%.

19. GOODWILL (continued)

Impairment test for 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 estimated to be 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.

In the opinion of the directors of the Company, its is justifiable to use a ten-year period business plan to determine the recoverable amount of the goodwill allocated to the cash generating units of environmental acquisitions. Based on the assessment, recoverable amount of the goodwill at 31 December 2008 is estimated to exceed its carrying value and therefore, the directors of the Company consider that no impairment is required at 31 December 2008.

20. SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**58,078**	58,078
Due from subsidiaries	**342,189**	320,453
	400,267	378,531
Provision for impairment loss	**(130,690)**	(130,690)
Interests in subsidiaries	**269,577**	247,841
Due to a subsidiary	**–**	(6,083)
	269,577	241,758

The amounts due from subsidiaries are unsecured and interest-free and equity in nature, except for an amount of HK$7,427,000 as at 31 December 2008 (2007: HK$5,087,000) due from a 97% owned subsidiary, Bestwin (China) Limited, which bears interest at a rate of 5.25% per annum and has no fixed repayment terms.

20. SUBSIDIARIES (continued)

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

Particulars of the principal subsidiaries are as follows:

Name of Subsidiary	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share/ paid up registered capital	Percentage of equity interest attributable to the Company 2008	2007	Principal activity
Smartech International Group Limited	British Virgin Islands/ Hong Kong^Δ	US$1,000,000	**100**	100	Investment holding
Smartech Manufacturing Limited ("HK Smartech")	Hong Kong^Δ	HK$5,000,000	**100**	100	Sale of molds and plastic products
Smartech Plastic Moulding Limited	Hong Kong^Δ	HK$100	**100**	100	Sale of plastic products
Smartech Services Limited ("Smartech Services")	Hong Kong^Δ	HK$2	**100**	100	Provision of management services
New Universe International (China) Limited	Hong Kong^Δ	HK$10,000,000	**100**	100	Dormant
New Universe (China) Investment Limited ("NUCIL")	British Virgin Islands/ Hong Kong^Δ	US$1,800,000	**100**	100	Investment holding
New Universe (China) Limited ("NUCL")	Hong Kong^Δ	HK$1,000,000	**100**	100	Investment holding
New Universe International (Zhenjiang) Port Company Limited ("Zhenjiang Port Company")	PRC*^Δ	US$8,500,000	**100**	100	Docks development (deport facilities)
New Universe International (Zhenjiang) Warehouses Company Limited ("Zhenjiang Warehouses Company")	PRC*^Δ	US$1,500,000	**100**	100	Docks development (depot and logistics facilities)
New Universe Environmental Protection Investment Limited ("NUEPIL")	British Virgin Islands/ Hong Kong^Δ	US$4,000,000	**100**	100	Investment holding
Bestwin (China) Limited ("Bestwin")	Hong Kong^Δ	HK$15,000,000	**97**	97	Investment holding

20. SUBSIDIARIES (continued)

Company name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share/ paid up registered capital	Percentage of equity interest attributable to the Company		Principal activity
			2008	2007	
Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe")	PRC *Δ	US$4,600,000	**97**	97	Manufacture and sale of molds and plastic products
New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)")	Hong KongΔ	HK$10,000,000	**82**	82	Investment holding
Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe")	PRC *Δ	US$2,850,000	**82**	82	Environmental waste disposal services
Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe")	PRC *Δ	US$700,000	**82**	82	Environmental waste disposal services
Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe")	PRC *Δ	US$700,000	**82**	82	Environmental waste disposal services

* Wholly foreign owned enterprise

Δ Limited liability company

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

The above-listed 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 provide details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

21. INTERESTS IN ASSOCIATES

	Group 2008 HK$'000	Group 2007 HK$'000
Share of net assets:		
As at 1 January	**4,778**	–
Cost of investments in associates (note 36(a),(c))	**28,867**	5,858
Share of net profits of associates	**922**	90
Share of exchange reserve	**894**	–
Dividends received from an associate	**(648)**	(1,170)
Loan to an associate	**2,149**	–
As at 31 December	**36,962**	4,778

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

The loan to an associate is unsecured, interest-free and equity in nature as capital contribution to the associate in proportion to the equity interest held by the Group.

(a) Particulars of the associates are as follows:

Name	Form of legal entity	Place of incorporation	Nominal value of authorized share capital or registered capital	Nominal value of issued ordinary share or paid up capital	Percentage of equity interest attributable to the Group 2008	Percentage of equity interest attributable to the Group 2007	Principal activities
Qingdao Zhongxin Huamei Plastics Co., Limited ("Qingdao Huamei")	Incorporated#Δ	PRC	US$1,650,000	US$1,650,000	**28.67**	28.67	Plastic materials dyeing
New Sinotech Investments Limited ("New Sinotech")	IncorporatedΔ	British Virgin Islands	US$5,000,000	US$5,000,000	**38**	–	Investment holding
Fair Time International Limited ("Fair Time")	IncorporatedΔ	Hong Kong	HK$100,000,000	HK$39,300,000	**38**	–	Investment holding
Zhenjiang Sinotech Eco-Electroplating Development Limited ("Zhenjiang Sinotech")	Incorporated*Δ	PRC	US$31,000,000	US$13,500,000	**38**	–	Provision of sewage treatment and recycling services

* Wholly foreign owned enterprise
\# Sino-foreign joint equity enterprise
Δ Limited liability company

Fair Time, a direct wholly-owned subsidiary of New Sinotech, holds the entire paid up capital of Zhenjiang Sinotech.

21. INTERESTS IN ASSOCIATES (continued)

Regarding the contribution to the unpaid registered capital of Zhenjiang Sinotech by the Company, NUEL has undertaken to the Company on 8 August 2008 that NUEL will grant shareholder's loan(s), which will be unsecured and on normal commercial terms, to the Company to enable it to fulfil its obligation to make payment of the unpaid registered capital of Zhenjiang Sinotech of USD6,650,000 (2007: Nil) in proportion to the Group's shareholding in New Sinotech, if necessary.

(b) The Group's share of the results of the associates, all of which are unlisted, and its aggregated assets and liabilities are as follows:

Group	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Results HK$'000
2008				
Qingdao Zhongxin Huamei Plastics Co., Limited	**6,824**	**1,106**	**23,486**	**1,075**
New Sinotech Investments Limited and its subsidiaries	**66,129**	**34,885**	**133**	**(153)**
	72,953	**35,991**	**23,619**	**922**
2007				
Qingdao Zhongxin Huamei Plastics Co., Limited	6,217	1,439	4,955	90

22. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	2008 HK$'000	2007 HK$'000
Unlisted equity investments at fair value	**48,900**	57,022

The fair values of the unlisted equity investments at the balance sheet date are determined by the directors of the Company by reference to the professional valuation report prepared by BMI Appraisals Limited, independent professional valuer, dated 17 March 2009, using the market approach.

The impairment of these investments of HK$8,122,000 was recognized first to write off the previous revaluation surplus of HK$4,110,000 as an equity movement and the balance of HK$4,012,000 was charged to the income statement for the year ended 31 December 2008.

22. AVAILABLE-FOR-SALE EQUITY INVESTMENTS (continued)

Particulars of the available-for-sale equity investments are as follows:

Name	Form of legal structure	Place of incorporation	Paid up registered capital	Percentage of equity interest attributable to the Group 2008	2007	Principal activities
Suzhou New Huamei Plastics Co., Limited ("Suzhou New Huamei")	Incorporated#Δ	People's Republic of China	US$5,000,000	**18.62**	18.62	Plastic materials dyeing
Danyang New Huamei Plastics Co., Limited ("Danyang New Huamei")	Incorporated#Δ	People's Republic of China	US$1,600,000	**24.50**	24.50	Plastic materials dyeing

\# Sino-foreign joint equity enterprise
Δ Limited liability company

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 is one of the seven 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.

23. INVENTORIES

	Group 2008 HK$'000	2007 HK$'000
Raw materials	**2,713**	1,868
Work in progress	**5,128**	7,620
Finished goods	**2,211**	1,218
	10,052	10,706

24. TRADE AND BILLS RECEIVABLES

	Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**14,788**	10,155
Less: allowance for doubtful debts	**(977)**	(987)
	13,811	9,168

All trade receivables are expected to be recovered or recognized as expense within one year.

Impairment losses of trade receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the 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	
	2008	2007
	HK$'000	HK$'000
At 1 January	**987**	954
Amounts recovered during the year	**(10)**	–
Impairment loss recognized	**–**	33
31 December	**977**	987

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.

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	
	2008	2007
	HK$'000	HK$'000
Within 1 month	**7,654**	2,860
1 to 2 months	**2,045**	1,503
2 to 3 months	**1,477**	2,451
4 to 6 months	**1,775**	1,369
7 to 12 months	**796**	877
Over 12 months	**64**	108
	13,811	9,168

24. TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**11,176**	6,814
Less than 3 months past due	**1,774**	1,257
More than 3 months past due	**861**	1,097
	2,635	2,354
	13,811	9,168

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.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) As at 31 December 2007, included in prepayments, deposits and other receivables was a refundable deposit of HK$5,000,000 paid for the proposed acquisition of 38% equity interest in an environmental electroplating recycling project under a non-binding letter of intent dated 15 October 2007 made with a third party (with details set out in the Company's announcement dated 15 October 2007). During the year, the deposit of HK$5,000,000 was used to offset against part of the consideration payable for the acquisition of 38% equity interests in New Sinotech upon the completion on 8 August 2008 (note 36(a)).

(b) As at 31 December 2008, there were two loans previously classified as prepayments, deposits and other receivables in the amounts of HK$1,130,000 (2007: HK$1,020,000) and HK$3,390,000 (2007: HK$3,061,000) due from 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, which have been re-classified as assets of disposal group held for sale as referred to in note 13 to the financial statements.

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.

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year as shown in the consolidated cash flow statement can be reconciled to the related items in the consolidated balance sheet as follows:

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Cash and bank balances	**23,128**	44,421	**1,812**	6,326
Cash and cash equivalents included in a disposal group held for sale (note 13)	**23,258**	–	**–**	–
Cash and cash equivalents at 31 December	**46,386**	44,421	**1,812**	6,326

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposits with creditworthy banks with no recent history of default.

27. DEFERRED TAX

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

	Group	
	2008 HK$'000	2007 HK$'000
Net deferred tax liabilities recognized in the consolidated balance sheet	**5,065**	5,065

The Group's provision for deferred tax liabilities represent tax effect on timing differences arising from the fair value adjustment on land use rights of the PRC subsidiaries upon acquisition by the Group in 2007, based on their applicable tax rates (note 36(b)).

Deferred tax assets not recognized:

In accordance with the accounting policy of the Group, the Group has not recognized deferred tax assets in respect of cumulated tax losses of HK$36,223,000 (2007: HK$29,323,000) for certain subsidiaries in Hong Kong as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The assessed tax losses do not expire under current tax legislation.

Deferred tax liabilities not recognized:

At 31 December 2008, temporary differences relating to the undistributed profits of subsidiaries amounted to HK$5,941,000 (2007: HK$3,927,000). Deferred tax liability of HK$1,485,000 (2007: HK$589,000) has not been recognized 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 and it is probable that profits will not be distributed in the foreseeable future to trigger realization of the deferred tax liability.

28. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans – secured	**10,170**	9,184	**–**	–
Amounts due within one year classified as current liabilities	**10,170**	9,184	**–**	–

All of the interest-bearing bank borrowings are denominated in Renminbi and bore interest ranging from 6.4350% to 8.5906% per annum in 2008 (2007: 4.785% to 6.633% per annum).

At the balance sheet dates, all the above bank loans were payable on demand or not exceeding one year, and were secured by (i) property, plant and equipment with a carrying value of HK$9,716,000 and (ii) land use rights with a carrying value of HK$2,373,000 of a subsidiary in the PRC (note 38).

29. 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	
	2008	2007
	HK$'000	HK$'000
Within 1 month	**1,573**	1,544
1 to 2 months	**846**	1,184
2 to 3 months	**626**	673
Over 3 months	**1,392**	1,265
	4,437	4,666

30. OBLIGATIONS UNDER FINANCE LEASE

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

At 31 December 2008, 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	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**5**	6	**4**	5
In the second year	**–**	5	**–**	4
In the third to fifth years, inclusive	**–**	–	**–**	–
Total minimum finance lease payments	**5**	11	**4**	9
Future finance charges	**(1)**	(2)		
Total net finance lease payables	**4**	9		
Portion classified as current liabilities	**(4)**	(5)		
Long term portion	**–**	4		

31. AMOUNT DUE TO A RELATED COMPANY

Amount due to a related company is non-trading in nature, unsecured, interest-free and repayable on demand. The amount due to the related company constitutes a connected transaction in kind of financial assistance and, in the opinion of the directors, is an exempted connected transaction under the GEM Listing Rules.

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due to Beijing New Universe Mirai Environmental Engineering Co. Ltd.	**19**	419	**–**	–
Amounts due within one year classified as current liabilities	**19**	419	**–**	–

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").

32. PROMISSORY NOTES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Promissory notes payable, unsecured	**19,956**	–	**19,956**	–
Amounts due after one year classified as non-current liabilities	**19,956**	–	**19,956**	–

As disclosed in note 36(a), on 8 August 2008, the Company as purchaser and an independent third party as vendor entered into and completed at the same date a sale and purchase agreement for the acquisition of 38% equity interest in New Sinotech, pursuant to which the Company acquired from the vendor 1,900,000 issued shares of US$1 each (representing 38%) of the issued share capital of New Sinotech, and the beneficial interest in a loan amounting to HK$133,223.44 (representing 38%) of the then outstanding shareholder's loan of New Sinotech for an aggregate consideration of HK$31,920,000, of which HK$5,000,000 was set off against the earnest money paid upon signing of the initial letter of intent and the balance consideration of HK$19,095,000 was settled by issuing four promissory notes of HK$6,730,000 each in an aggregate nominal value of HK$26,920,000, at zero coupon rate, repayable by the respective maturity dates on 9 February 2011, 8 August 2011, 9 February 2012 and 8 August 2012. The fair value of the promissory notes was determined at HK$19,095,000 at the date of issue by an independent professional valuer, BMI Appraisal Limited, using discount rates ranging from 10.361% to 10.881% (based on the Exchange Fund rates ranging from 2.361% to 2.881% with same maturities of the individual promissory notes, plus a credit spread of 8% to reflect the credit risk of unsecured borrowings of the Company). The difference of HK$7,825,000 between the fair value of HK$19,095,000 and the nominal value of HK$26,920,000 is treated as interest expenses of the Group to be amortized over the terms of the promissory notes, using the effective interest rate method. The amortized and imputed effective interest expenses of the promissory notes amounting to HK$861,000 was charged to the income statement for the year ended 31 December 2008 based on the applicable aggregate future value of HK$26,920,000 and discount rates of 10.361% per annum to 10.881% for the 4 promissory notes according to their respective maturities.

33. SHAREHOLDER'S LOAN

The shareholder's loan from NUEL is unsecured, interest-free and repayable within one year. The loan constitutes a connected transaction in kind of financial assistance and, in the opinion of the directors of the Company, is an exempted connected transaction under the GEM Listing Rules.

Upon the completion of the equity interest transfer agreement dated 23 August 2007 entered into between HK Smartech, a wholly owned subsidiary of the Company as the vendor and Sky Sight International Limited ("SSIL", the then wholly owned subsidiary of NUEL) as the purchaser in relation to the disposal of the entire equity interest of Dongguan Smartech Tooling and Plastics Limited ("Dongguan Smartech") for a consideration of HK$24,161,603 (note 36(d)), a downward adjustment of 10% amounting to HK$2,416,160 was finally agreed. On 12 October 2007, NUEL granted the Company an unsecured interest free loan of HK$2,416,160 to finance HK Smartech for settlement of the consideration adjustment.

33. SHAREHOLDER'S LOAN (continued)

On 13 October 2008, NUEL confirmed that it agreed to grant a further extension of the due date of this loan to 12 January 2010. The directors of the Company consider that this loan is of revolving nature and therefore, it has been classified under non-current liabilities.

34. SHARE CAPITAL

The share capital of the Company consists ordinary shares only. All ordinary shares ranked pari passu in respect of dividend rights and the repayment of capital.

		Number of shares of HK$0.01 each		Share capital	
	Notes	**2008 '000**	2007 '000	**2008 HK$'000**	2007 HK$'000
Authorized:					
Ordinary shares at beginning and at end of year		**100,000,000**	100,000,000	**1,000,000**	1,000,000

		Number of shares of HK$0.01 each		Share capital	
	Notes	**2008 '000**	2007 '000	**2008 HK$'000**	2007 HK$'000
Issued and fully paid:					
Ordinary shares at beginning of year		**1,825,892**	148,960	**18,259**	1,490
Rights issue	(a)	**–**	1,042,720	**–**	10,427
Issue of new shares	(b)	**–**	634,212	**–**	6,342
Ordinary shares at end of year		**1,825,892**	1,825,892	**18,259**	18,259

(a) 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.

(b) On 12 October 2007, the Company issued 366,515,787 and 267,695,894 new shares at a price of HK$0.19 each, approved by the independent shareholders of the Company at an extraordinary general meeting ("EGM") held on 8 October 2007, as partial settlement of the fair value consideration for the acquisition of 100% equity interests of NUEPIL and NUCIL as referred to in notes 36(b) and 36(c), respectively.

35. RESERVES

Group

	Attributable to equity holders of the Company					
	Share premium HK$'000	Exchange fluctuation reserve HK$'000	Investments revaluation reserve HK$'000	General reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	–	1,357	–	31,929	(10,589)	22,697
Fair value gain on available for sale equity investments	–	–	4,110	–	–	4,110
Exchange differences arising on translation of foreign operations	–	5,827	–	–	–	5,827
Net income/(expense) recognized directly in equity	–	5,827	4,110	–	–	9,937
Profit for the year	–	–	–	–	1,873	1,873
Total recognized income/(expense) for the year	–	5,827	4,110	–	1,873	11,810
Rights issue (note 34(a))	93,845	–	–	–	–	93,845
Issue of new shares (note 34(b))	114,158	–	–	–	–	114,158
Share issue expenses	(1,515)	–	–	–	–	(1,515)
Disposal of a subsidiary	–	(3,584)	–	–	–	(3,584)
At 31 December 2007 and 1 January 2008	206,488	3,600	4,110	31,929	(8,716)	237,411
Impairment of available-for-sale equity investments	–	–	(4,110)	–	–	(4,110)
Exchange differences arising on translation of foreign operations	–	14,598	–	–	–	14,598
Net income/(expense) recognized directly in equity	–	14,598	(4,110)	–	–	10,488
Profit for the year	–	–	–	–	8,381	8,381
Total recognized income/(expense) for the year	–	14,598	(4,110)	–	8,381	18,869
Share of reserves of associates	–	894	–	–	–	894
At 31 December 2008	206,488	19,092	–	31,929	(335)	257,174

35. RESERVES (continued)

Company

	Note	**Share premium** HK$'000	**General reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 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 and 1 January 2008		206,488	58,078	(32,102)	232,464
Loss for the year		–	–	(2,143)	(2,143)
At 31 December 2008		206,488	58,078	(34,245)	230,321

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) General reserve

Pursuant to a capital reorganization of the Company with effect on 18 December 2006 comprising share consolidation, share subdivision, capital reduction and share premium cancellation, all the balances of the then share premium account in the amount of HK$27,847,000 of the Group and Company, the then contributed surplus in the amounts of HK$31,929,000 and HK$58,078,000 of the Group and Company respectively brought forward as at 31 December 2005, and the amount of capital reduction of HK$72,990,000 were transferred to this designated reserve as distributable reserve account of the Company, out of which, HK$100,837,000 was applied to write off the then accumulated losses of HK$100,837,000 of the Group and Company brought forward as at 31 December 2006. The balance of this general reserve is distributable and for such use as permissable under the laws of Cayman Islands and the articles of association of the Company.

35. RESERVES (continued)

(d) Distributability of reserves

At 31 December 2008, the Company has reserves available for distribution to its equity shareholders amounting to HK$230,321,000 (2007: HK$232,464,000). According to the articles and association of the Company, dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law (revised) of the Cayman Islands and every modification thereof.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of 38% equity interest in New Sinotech in 2008

On 8 August 2008, the Company as purchaser and an independent third party as vendor entered into a sales and purchase agreement which was completed on the same date for the acquisition of 38% equity interests in New Sinotech, pursuant to which the Company acquired from the vendor 1,900,000 issued shares of US$1 each (representing 38%) of the issued share capital of New Sinotech, and the beneficial interest in a loan amounting to HK$133,223.44 (representing 38%) of the then outstanding shareholder's loan of New Sinotech for an aggregate consideration of HK$24,095,000, of which HK$5,000,000 was set off against the earnest money paid in 2007 upon signing of the initial letter of intent and the balance consideration of HK$19,095,000 was settled by the issue of four promissory notes of HK$6,730,000 each in an aggregate nominal value of HK$26,920,000, at zero coupon rate, repayable by four equal installments of HK$6,730,000 each on 9 February 2011, 8 August 2011, 9 February 2012 and 8 August 2012, respectively. The fair value of the promissory notes was determined at HK$19,095,000 at the date of issue by an independent professional valuer, BMI Appraisal Limited, using discount rates ranging from 10.361% to 10.881% (based on the Exchange Fund rates ranging from 2.361% to 2.881% with same maturities of the individual promissory notes, plus a credit spread of 8% to reflect the credit risk for unsecured borrowings of the Company). The difference of HK$7,825,000 between the fair value of HK$19,095,000 and the nominal value of HK$26,920,000 is treated as interest expenses of the Group to be amortized over the terms of the promissory notes, using the effective interest rate method. The amortized and imputed effective interest expenses of the promissory notes amounting to HK$861,000 was charged to the income statement for the year ended 31 December 2008 based on the applicable aggregate principal amount of HK$19,095,000 and discount rates of 10.361% per annum to 10.881% for the 4 promissory notes according to their respective maturities and estimated credit risk spread for unsecured borrowings of the Company. After the completion on 8 August 2008, the Company has 38% equity interest in New Sinotech which has two wholly-owned subsidiaries, namely Fair Time and Zhenjiang Sinotech (collectively referred to as the "New Sinotech Group").

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

(a) Acquisition of 38% equity interest in New Sinotech in 2008 (continued)

Details of the fair value of the net assets acquired at the date of completion on 8 August 2008 and the excess of fair value of net assets acquired over the cost of acquisition of the interests in New Sinotech Group are as follows:

	Carrying value HK$'000	Fair value adjustments HK$'000	**Fair value HK$'000**
Fair value of net assets of the New Sinotech Group			
Property, plant and equipment	467	–	**467**
Land lease prepayments	20,644	49,945	**70,589**
Construction in progress	8,908	–	**8,908**
Prepayments, deposits and other receivables	1,033	–	**1,033**
Cash and bank balances	11,022	–	**11,022**
Accruals and other payables	(1,575)	–	**(1,575)**
Deferred tax liabilities	–	(14,128)	**(14,128)**
Loan from a shareholder (vendor)	(351)	–	**(351)**
100% of the fair value of net assets	40,148	35,817	**75,965**
38% of net fair value of assets acquired			**28,867**
38% of the loan from a shareholder (vendor) assigned			**133**
Legal and professional fees directly incurred on acquisition			**(607)**
Excess of share of fair value of net assets over the cost of acquisition of interests in associates			**(4,298)**
Consideration			**24,095**

	2008 HK$'000
Satisfied by:	
Offset against earnest money previously paid (note 25(a))	**5,000**
Issue of promissory notes at fair value	**19,095**

The land lease prepayments as at 8 August 2008 was revalued by BMI Appraisals Limited, independent qualified professional valuer, on an open market basis by the comparison approach assuming sale in its existing state by making reference to comparable sales evidence available in the market. The deferred tax liabilities were related to the fair value adjustment gain for the land lease prepayments, on completion date, determined based on the applicable income tax of New Sinotech Group.

The directors of the Company had conducted detailed assessment of assets and liabilities of New Sinotech Group at the completion date. The directors of the Company considered that there were no material omission and mis-statement of assets and liabilities of New Sinotech Group at 8 August 2008.

The acquisition of the 38% equity interest in New Sinotech Group contributed a share of net operating loss of HK$153,000 to the Group for the period from the date of completion on 8 August 2008 to 31 December 2008 and a gain of excess of share of the fair value of net assets over the cost of acquisition upon completion of the acquisition of HK$4,298,000 has been credited immediately to the consolidated income statement for the year ended 31 December 2008.

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

(a) Acquisition of 38% equity interest in New Sinotech in 2008 (continued)

If the acquisition were completed on 1 January 2008, New Sinotech Group would have contributed a share of net operating loss of approximately HK$300,000 attributable to the equity holders of the Company for the year ended 31 December 2008.

(b) Acquisition of 100% equity interest in NUEPIL in 2007

At the EGM held on 8 October 2007, the independent shareholders of the Company approved the acquisition (the "Environmental Acquisitions"), from NUEPGL and others, of the entire issued share capital of NUEPIL for a total consideration of HK$56,862,220, based on various agreements dated 23 August 2007. The consideration of the acquisition was satisfied by the payment of cash of HK$9,000,000 and the issue of 366,515,787 shares of the Company of HK$0.01 each to the vendors upon completion. The said shares were issued at the price of HK$0.19 each as approved by the independent shareholders of the Company at the EGM held on 8 October 2007.

Upon completion, NUEPIL, which principal assets are 82% equity interests in NUET(JS) which holds 100% equity interests in each of Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe, all engaged in medical and industrial hazardous waste treatment and disposal in Mainland China, became a wholly-owned subsidiary of the Group.

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

	2007		
	Carrying value HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Fair value of net assets acquired:			
Property, plant and equipment	22,298	–	22,298
Land lease prepayments	2,143	18,626	20,769
Trade and bill receivables	2,360	–	2,360
Prepayments and other receivables	417	–	417
Due from related companies	3,265	–	3,265
Cash and bank balances	13,303	–	13,303
Accruals and other payables	(5,425)	–	(5,425)
Due to related companies	(786)	–	(786)
Deferred tax liabilities	–	(5,065)	(5,065)
	37,575	13,561	51,136
100% of fair value 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

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

(b) Acquisition of 100% equity interest in NUEPIL in 2007 (continued)

	2008 HK$'000	2007 HK$'000
Satisfied by:		
Cash paid	–	9,000
Issue of consideration shares of the Company	–	69,638

Taizhou New Universe, Yancheng New Universe and Zhenjiang New Universe are the only enterprises authorized to collect and dispose of regulated medical and industrial waste in Taizhou, Yancheng and Zhenjiang, respectively. 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 relevant regulations as are required for renewal of the licences concerned.

The directors of the Company had conducted detailed assessment of assets and liabilities of NUEPIL and its subsidiaries at the completion date. The directors of the Company considered that there were no material omission and mis-statement of assets and liabilities of NUEPIL and its subsidiaries at the completion date of the acquisition.

The goodwill on acquisition, being the excess of the consideration over the fair value of net assets of NUEPIL and its subsidiaries, 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 details were set out in the Company's circular dated 21 September 2007 and note 19 to the financial statements.

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

	2008 HK$'000	2007 HK$'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

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.

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

(c) Acquisition of 100% equity interest in NUCIL in 2007

At the EGM held on 8 October 2007, the independent shareholders of the Company approved the acquisition of 100% equity interests of New Universe (China) Investment Limited ("NUCIL") (the "Dyeing Acquisition") from NUEL based on an agreement dated 23 August 2007 for a consideration of HK$56,862,220 and the benefit of a shareholder's loan of HK$51,216,430 for a consideration of HK$1.00. The consideration of the acquisition was satisfied by the payment of cash of HK$6,000,000 and the issue by the Company of 267,695,894 of its shares of HK$0.01 each at the price of HK$0.19 each approved by the independent shareholders of the Company at the EGM held on 8 October 2007.

Upon completion, NUCIL, which principal assets are equity interests in three companies engaged in plastic materials dyeing in Mainland China, became a wholly-owned subsidiary of the Group.

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 on completion date, upon completion of acquisition, were as follows:

	2008	2007
	HK$'000	HK$'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
Satisfied by		
Cash	–	6,000
Issue of consideration shares of the Company	–	50,862
	–	56,862

The directors of the Company had conducted detailed assessment of assets and liabilities of NUCIL at the completion date. The directors of the Company considered that there were no material omission and mis-statement of assets and liabilities of NUCIL at the completion date of the acquisition.

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

(c) Acquisition of 100% equity interest in NUCIL in 2007 (continued)

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

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

	2008	2007
	HK$'000	HK$'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)

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.

(d) Disposal of 100% equity interest in Dongguan Smartech in 2007

At the extraordinary general meeting held on 8 October 2007, the Company's independent shareholders approved an equity interest transfer agreement dated 23 August 2007 entered into between HK Smartech, a wholly owned subsidiary of the Company as the vendor and SSIL as the purchaser, the then wholly owned subsidiary of NUEL, relating to the disposal of the entire equity interest of Dongguan Smartech in the PRC for a consideration of HK$24,161,603 (subject to and being finally executed with a downward adjustment of 10% upon completion amounting to HK$2,416,160) (the "Disposal of Dongguan Smartech").

Upon the completion of the Disposal of Dongguan Smartech on 12 October 2007, the Group disposed of 100% of the equity investment interest of Dongguan Smartech, which was 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 approximately HK$6,451,000 to the Group from its operations.

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

(d) Disposal of 100% equity interest in Dongguan Smartech in 2007 (continued)

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

	2008 HK$'000	2007 HK$'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
Realization 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

	2008 HK$'000	2007 HK$'000
Satisfied by:		
Cash received	–	11,804
Assignment of loans due to NUEL by the Company to the acquirer	–	9,941

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

	2008 HK$'000	2007 HK$'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

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

(e) Non-cash transaction

During the year ended 31 December 2007, the Company completed the Rights Issue of its new shares of HK$0.01 each at the subscription price of HK$0.10 each. The pro-rata entitlement of NUEL in the aggregate of 461,240,000 shares was settled on a dollar-to-dollar basis by applying against shareholder's loan amounting to HK$46,124,000 due by the Company.

37. COMMITMENTS

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

(a) Capital commitments

At 31 December 2008, the Group had capital commitments not provided for in the financial statements as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Continuing operations		
Contracted for		
– Plant and machinery	**46**	242
– Construction in progress	**2,033**	–
	2,079	242
Discontinued operation		
Contracted for		
– Zhenjiang Docks Project	**153,783**	153,783
Authorized but not contracted for		
– Zhenjiang Docks Project	**63,761**	63,761
	217,544	217,544
	219,623	217,786

In respect of the Zhenjiang Docks Project, a PRC bank has provided a letter of intent under which this PRC bank has agreed in principle to provide financing for the docks project upon the necessary approvals to be obtained from the PRC authorities. In addition, 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. Details of the Zhenjiang Docks Project are set out in notes 12, 13 and 18 to the financial statements.

37. COMMITMENTS (continued)

(a) Capital commitments (continued)

The total authorized cost of investment of the associates, the New Sinotech Group, is estimated to be US$31,000,000, of which US$5,000,000 was paid up by the original shareholder of New Sinotech by the end of 31 December 2007. The banks of New Sinotech Group had granted syndicated banking facilities to Fair Time International Limited, a wholly owned subsidiary of New Sinotech in the amount of US$14,000,000 guaranteed by Mr. XI Yu, a common director of the Company and his associate. The balance of authorized cost of investment in the amount of US$12,000,000 shall be funded by the shareholders of New Sinotech in proportion to their respective shareholdings in New Sinotech and, therefore, the Group's financial commitments to the New Sinotech Group is approximately US$4,560,000 or HK$35,568,000 as at 31 December 2008 (2007: Nil). Regarding to the further contribution to the unpaid registered capital of Zhenjiang Sinotech by the Group, NUEL has undertaken to the Company on 8 August 2008 that NUEL will grant shareholder's loan(s), which will be unsecured on normal commercial terms, to the Company to enable the Group to fulfil its obligation to make payment of the unpaid registered capital of Zhenjiang Sinotech proportional to the Group's shareholding in New Sinotech Group, if necessary.

(b) Operating leases commitments

At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**197**	121
In the second to fifth year inclusive	**365**	204
After five years	**158**	153
	720	478

As at 31 December 2008, 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.

38. PLEDGE OF ASSETS

At 31 December 2008, the Group pledged certain land use rights with a carrying value of HK$2,373,000 (2007: HK$2,192,000) and property, plant and equipment with a carrying value of HK$9,716,000 (2007: HK$9,234,000) to a bank to secure banking facilities to the extent of HK$10,170,000 (2007: HK$9,184,000) granted to the Group.

39. 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.

39. SHARE OPTION SCHEME (continued)

Under the rules of the Share Option Scheme:

(a) 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

(b) 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% 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 2008 was 182,589,168 shares of the Company which represented the current scheme mandate limit given to the directors to issue in aggregate not exceeding 182,589,168 shares of the Company as refreshed by the Company's shareholders on 28 April 2008 and approved by the Stock Exchange on 23 May 2008.

During the year and as at 31 December 2008, no options have been granted or outstanding under the Company's Share Option Scheme.

40. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed therein these financial statements, the following material related party transactions subsisted during the years ended 31 December 2008 and 2007.

(a) Continuing transactions involving provision of goods or services

(i) During the year, the Group purchased raw materials in an aggregate amount of HK$500,000 from China (HK) Chemical at normal commercial terms in the ordinary and usual course of business of the Group. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors of the Company and China (HK) Chemical.

(ii) On 1 August 2008, a renewed 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 2008. 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 exempt de minimis connected transactions under the GEM Listing Rules.

40. RELATED PARTY TRANSACTIONS (continued)

(b) Financial assistance

The following financial assistance provided by the related parties to the Group were connected transactions exempt from disclosure and independent shareholders' approval requirements under the GEM Listing Rules:

(i) 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.

(ii) 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.

(iii) 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. The loan was being assigned to SSIL upon the completion of the Disposal of Dongguan Smartech.

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

(v) 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-owned 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, but was capitalized as issued share capital of the Company upon completion of the Rights Issue on 17 January 2007.

(vi) 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.

(vii) 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, but was capitalized as issued share capital of the Company upon completion of the Rights Issue on 17 January 2007.

(viii) 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, but was capitalized as issued share capital of the Company upon completion of the Rights Issue on 17 January 2007.

40. RELATED PARTY TRANSACTIONS (continued)

(b) Financial assistance (continued)

(ix) 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, but was capitalized as issued share capital of the Company upon completion of the rights issue on 17 January 2007.

(x) 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, but was capitalized as issued share capital of the Company upon completion of the rights issue on 17 January 2007.

(xi) On 29 December 2006, NUEL granted an unsecured interest-free loan of HK$5,300,000 to the Company for working capital purposes of Dongguan Smartech, which was repayable on demand. The loan was being assigned to SSIL upon the completion of the Disposal of Dongguan Smartech.

(xii) On 20 June 2007, NUEL granted an unsecured interest-free loan of US$348,000 (equivalent to HK$2,714,000) to the Company for working capital purposes of Dongguan Smartech, which was repayable on demand. The loan was being assigned to SSIL upon the completion of the Disposal of Dongguan Smartech.

(xiii) 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. On 13 October 2008, NUEL further confirmed to extend this loan to 12 January 2010. Further details are disclosed in note 33.

40. RELATED PARTY TRANSACTIONS (continued)

(c) Connected transactions

Pursuant to the EGM held on 8 October 2007 at which the independent shareholders of the Company approved four agreements dated 23 August 2007 entered into between the Company and New Universe Environmental Protection Group Limited ("NUEPGL", a wholly-owned subsidiary of NUEL) and other vendors, the Company acquired the entire issued capital of New Universe Environmental Protection Investment Limited ("NUEPIL") at a total consideration of approximately HK$78,638,000 which was satisfied in cash of HK$9,000,000 and issue of 366,515,787 new shares at a par value of HK$0.01 each of the Company at the price of HK$0.19 per share as approved by the independent shareholders of the Company on 8 October 2007.

Pursuant to the EGM held on 8 October 2007 at which the independent shareholders of the Company approved an agreement dated 23 August 2007 entered into between the Company and NUEL, the Company acquired the entire issued capital of NUCIL and a shareholder loan of HK$51,216,430 at a total consideration of approximately HK$56,862,000 which was satisfied in cash of HK$6,000,000 and 267,695,894 new shares at a par value of HK$0.01 each of the Company at the price of HK$0.19 per share as approved by the independent shareholders of the Company on 8 October 2007.

At the EGM held on 8 October 2007, the independent shareholders of the Company approved an agreement dated 23 August 2007 for the disposal of the entire equity interest of a former subsidiary to the then subsidiary of NUEL at an adjusted consideration of HK$21,745,000 as referred to note 36(d).

Each of the Company's directors, Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are deemed interested in these transactions that being constituted connected transactions of the Company in 2007.

40. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

(d) Summary of related party transactions

(i) Transactions with related parties

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Transactions with its subsidiaries				
Loan interest income from Bestwin	**–**	–	**217**	79
Loan interest income from NUET (JS)	**–**	–	**5**	–
Management fee income from HK Smartech	**–**	–	**–**	242
Transactions with related companies				
Purchases of raw materials from China (HK) Chemical	**500**	1	**–**	–
Rental paid to Sun Ngai	**168**	98	**–**	–

(ii) Outstanding balances with related parties

	Group At 31 December		Company At 31 December	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due to related company				
Beijing New Universe	**19**	419	**–**	–
Loans from controlling shareholder				
– Current	**–**	2,416	**–**	2,416
– Non-current	**2,416**	–	**2,416**	–

(iii) Compensation of key management personnel

	Group At 31 December		Company At 31 December	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Salaries and short-term employee benefits	**4,504**	1,405	**–**	–
Total compensation paid to key management personnel	**4,504**	1,405	**–**	–

Key management personnel includes directors, general managers, and deputy general managers of the Company and its subsidiaries, to whom the compensation paid disclosed above include amounts paid to the Company's directors as disclosed in note 10 and the highest paid employees of the Group as disclosed in note 11 to the financial statements.

41. 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 minimizing 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 related 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 2008, approximately 73.9%, 13.2% and 12.9% of the Group's sales are denominated in Renminbi, United States dollars and Euros respectively. The sales carried out in United States dollars and Euros were mainly made by Suzhou New Universe, a subsidiary in China. The effect of the fluctuations among Hong Kong dollars, Renminbi and United States dollars is mostly of capital nature to the Group arisen on contribution to or distribution from investments in China that the currency risk does not have material effects to the Group's results. The Group considered the currency risk between Renminbi, United States dollars and Euros to be moderately low, and currency risk arisen from changes in official rates of United States dollars and Euros relative to Renminbi were not significant in the year 2008. As such, no hedging or similar measures have been implemented by the Group. As at 31 December 2008, the Group was not exposed to risks under foreign exchange contracts, interest or currency swaps or other financial derivatives.

41. 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 2008		**Company 2008**	
	US$'000	**Euro'000**	**US$'000**	**Euro'000**
Trade and bills receivables	**521**	**55**	**–**	**–**
Cash and cash equivalents	**275**	**1**	**187**	**–**
Current financial assets	**796**	**56**	**187**	**–**
Trade and bills payables				
Interest bearing bank borrowings	**–**	**–**	**–**	**–**
Shareholder's loans	**–**	**–**	**–**	**–**
Current financial liabilities	**–**	**–**	**–**	**–**
Current net exposure	**796**	**56**	**187**	**–**

	Group 2007		Company 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 exposure	824	134	551	–

As at 31 December 2008 and 2007, the impact of the Group's and Company's exposure to currency risk to its profit and loss for the years was minimal.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group has no significant interest-bearing assets apart from bank balances. The Group currently have bank borrowings with floating interest rate as disclosed in note 28 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 basis 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 rate	Increase/ (decrease) in profit/(loss) before tax HK$'000	Increase/ (decrease) in total equity HK$'000
2008			
Hong Kong dollars	**+100 bp**	**(102)**	**(102)**
Hong Kong dollars	**–100 bp**	**102**	**102**
2007			
Hong Kong dollars	+100 bp	(132)	(132)
Hong Kong dollars	–100 bp	132	132

As at 31 December 2008, the Company was exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates. Given all other variables being 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 investment recognized at the balance sheet date, as summarized below:

	Group	
	2008 HK$'000	2007 HK$'000
Classes of financial assets		
Cash and cash equivalents	**23,128**	44,421
Trade and bills receivables	**13,811**	9,168
Prepayment, deposits and other receivables	**3,603**	10,624
	40,542	64,213
Assets of disposal group classified as held for sale		
Cash and cash equivalents	**23,258**	–
Prepayments, deposits and other receivables	**4,542**	–
	27,800	–

41. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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 China, which accounted for 69.3% (2007: 58.7%) of the total receivables (being the total classified under "Trade and bills receivables" and "Prepayments, deposits and other receivables") as at 31 December 2008. The Group has concentration of credit risk by customers as for 16.9% (2007: 12.2%) and 9.8% (2007: 4.0%) 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 2008.

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 in day-today 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.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

As at 31 December 2008 and 31 December 2007, the Group's financial liabilities have contractual maturities which are summarized below:

	2008				2007			
	Carry amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year and on demand HK$'000	More than 1 year HK$'000	Carry 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	10,170	10,170	10,170	–	9,184	9,184	9,184	–
Trade and bills payables	4,437	4,437	4,437	–	4,666	4,666	4,666	–
Deposit received	8,177	8,177	8,177	–	8,959	8,959	8,959	–
Accrued liabilities and other payables	12,209	12,209	12,209	–	8,091	8,091	8,091	–
Obligations under finance leases	4	6	6	–	9	11	6	5
Amount due to a related company	19	19	19	–	419	419	419	–
Shareholder's loan	2,416	2,416	–	2,416	2,416	2,416	2,416	–
Promissory notes	19,956	26,920	–	26,920	–	–	–	–
	57,388	64,354	35,018	29,336	33,744	33,746	33,741	5

Operation risk

Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe mainly provide regulated medical and industrial waste disposal services to hospitals, medical clinics as well as chemical industries in the cities of Zhenjiang, Yancheng and Taizhou respectively. Their operations require the Operating Licence for Dangerous Waste and Operating Licence for Medical Waste issued by Environmental Protection Bureau of Jiangsu Province, China and the corresponding district environmental protection departments. Each of Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe are under strict supervision of their top management to ensure compliance with the relevant regulations for continuous renewal of the licences 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 and industrial benchmark information and specific information about the financial assets and liabilities. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and determined with precision at acceptable confidence level. 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, and other short-term borrowings are approximate their fair values due to their short term maturities as at 31 December 2008 and 2007.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Estimation of fair values

The major methods and assumptions used in estimating the fair values of the following financial instruments are summarized as follows:

i) *Short term loans and borrowings*

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

ii) *Available-for-sale equity investments*

The available-for-sale equity investments, which are unquoted, have been valued by reference to the professional valuation reports prepared by independent professional valuer(s) using the market approach.

iii) *Promissory notes*

The fair value is estimated as the present value of future cash flows discounted at factors comprising 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 22 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 with reference to the performance of listed entities with similar business operations, compared with the financial data of the investments available to the Group, and lack of marketability of the Group's investments relative to the benchmark data being adopted.

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
2008				
Fair value	**48,900**	**+5%**	**2,445**	**2,445**
Fair value	**48,900**	**-5%**	**(2,445)**	**(2,445)**
2007				
Fair value	57,022	+5%	–	2,851
Fair value	57,022	–5%	–	(2,851)

41. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognized at 31 December 2008 and 2007 may be 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

Continuing operations:	**2008 HK$'000**	2007 HK$'000
Non current assets		
Available-for-sale equity investments	**48,900**	57,022
Current assets		
Cash and cash equivalents	**23,128**	44,421
Loans and receivables		
Trade and bills receivables	**13,811**	9,168
Prepayments, deposits and other receivables	**3,603**	10,624
	17,414	19,792
	89,442	121,235

At 31 December, cash and cash equivalents of HK$23,258,000 and prepayments, deposits and other receivables of HK$4,542,000 were grouped in one line as assets of disposal group held for sale as referred to note 13.

(ii) Financial liabilities

Continuing operations:	**2008 HK$'000**	2007 HK$'000
Current liabilities		
Financial liabilities at amortized cost		
Interest-bearing bank borrowings	**10,170**	9,184
Trade and bills payables	**4,437**	4,666
Deposits received	**8,177**	8,959
Accrued liabilities and other payables	**12,209**	8,091
Obligations under finance leases	**4**	5
Amounts due to a related company	**19**	419
Shareholder's loan	**–**	2,416
	35,016	33,740
Non-current liabilities		
Financial liabilities at amortized cost		
Obligations under finance leases	**–**	4
Promissory notes	**19,956**	–
Shareholder's loan	**2,416**	–
	57,388	33,744

42. CAPITAL MANAGEMENT

The Group's capital management objectives are:

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

(ii) to maximize return to shareholders through the optimization 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.

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

The Group's strategy was to maintain the gearing ratio at a level of around 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 China bank which has agreed in principle to provide necessary financing subject to all the necessary approvals to be obtained from the relevant China authorities. 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.

42. CAPITAL MANAGEMENT (continued)

The gearing ratios as at 31 December 2008 and 2007 were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current liabilities		
Interest-bearing bank borrowings	**10,170**	9,184
Trade and bills payables	**4,437**	4,666
Deposits received	**8,177**	8,959
Accrued liabilities and other payables	**12,209**	8,091
Obligations under finance leases	**4**	5
Amounts due to a related company	**19**	419
Shareholder's loan	**–**	2,416
	35,016	33,740
Liabilities directly associated with assets of disposal group classified as held for sale	**1**	–
	35,017	33,740
Non-current liabilities		
Promissory notes, unsecured	**19,956**	–
Obligations under finance leases	**–**	4
Shareholder's loan	**2,416**	–
Deferred tax liabilities	**5,065**	5,065
	27,437	5,069
Total borrowings	**62,454**	38,809
Total equity	**283,679**	261,087
Gearing ratio	**22.0%**	14.9%

Except for the commitments disclosed in note 37 to the financial statements, neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

43. POST BALANCE SHEET EVENT

On 26 February 2009, a framework supply agreement ("Supply Contract") was entered into between Suzhou New Universe and China (HK) Chemical, in relation to the supply of plastic materials to Suzhou New Universe by China (HK) Chemical. The term of the Supply Contract shall commence from the date of the Supply Contract and up to 31 December 2011 which term may be renewed for three years by agreement of the parties to the Supply Contract. China (HK) Chemical will offer Suzhou New Universe payment term with credit period of 90 days from the shipment date of the plastic materials purchased without provision of securities. It is expected that Suzhou New Universe will purchase and China (HK) Chemical will supply plastic materials with an estimated annual cap amount of US$1,280,000 (approximately HK$9,984,000) for each of the three financial years ending 31 December 2011. Such estimate is determined with reference to the existing average unit price range of US$1,100 per metric ton to US$2,500 per metric ton for different grades and different types of plastic materials offered to the Group by independent suppliers and the estimated annual consumption of plastic materials of approximately 1,000 metric tonnes to be supplied under the Supply Contract for the purposes of production of Suzhou New Universe. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors of China (HK) Chemical and the Company. Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of Suzhou New Universe.

44. COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified as a result of the adoption of HKFRS 5 to account for the disposal of Zhenjiang Docks Project as referred in notes 12 and 13.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors of the Company on 18 March 2009.

RESULTS

	Year ended 31 December				
	2008 HK$'000	2007 HK$'000 (restated)	2006 HK$'000 (restated)	2005 HK$'000	2004 HK$'000
Continuing operations					
Turnover	**75,194**	52,028	68,099	60,442	85,741
Cost of sales	**(46,594)**	(42,848)	(56,296)	(50,129)	(71,316)
Gross profit	**28,600**	9,180	11,803	10,313	14,425
Other revenue and income	**4,498**	3,244	1,864	5,838	4,153
Gain on disposal of subsidiaries	**–**	4,042	–	–	–
Excess of fair value of net assets over the cost of acquisition of interests in associates	**4,298**	–	–	–	–
Excess of fair value of net assets over the cost of acquisition of interests in subsidiaries	**–**	6,057	–	–	–
Impairment of available-for-sale equity investments	**(4,012)**	–	–	–	–
Impairment of property, plant and equipment	**–**	–	–	–	(24,863)
Selling and distribution costs	**(5,737)**	(3,551)	(5,306)	(5,499)	(5,028)
Administrative expenses	**(11,872)**	(11,832)	(13,271)	(12,292)	(13,259)
Other operating expenses	**(5,226)**	(4,793)	(5,884)	(4,180)	(7,499)
Share of profits of associates, net	**922**	90	–	–	–
Finance costs	**(1,700)**	(785)	(1,046)	(793)	(827)
Profit/(loss) before income tax	**9,771**	1,652	(11,840)	(6,613)	(32,898)
Income tax	**–**	–	–	930	50
Profit/(loss) for the year from continuing operations	**9,771**	1,652	(11,840)	(5,683)	(32,848)
Discontinued operation					
Profit for the year from discontinued operation	**679**	536	18	–	–
	10,450	2,188	(11,822)	(5,683)	(32,848)
Attributable to:					
Equity holders of the Company					
Continuing operations	**7,702**	1,337	(11,228)	(5,683)	(32,814)
Discontinued operation	**679**	536	18	–	–
	8,381	1,873	(11,210)	(5,683)	(32,814)
Minority interests					
Continuing operations	**2,069**	315	(612)	–	(34)
Discontinued operation	**–**	–	–	–	–
	2,069	315	(612)	–	(34)
	10,450	2,188	(11,822)	(5,683)	(32,848)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total Assets	**346,133**	299,896	127,108	91,296	96,552
Total Liabilities	**(62,454)**	(38,809)	(102,621)	(54,464)	(55,487)
	283,679	261,087	24,487	36,832	41,065
Equity attributable to equity holders of the Company	**275,433**	255,670	24,187	35,906	40,139
Minority Interests	**8,246**	5,417	300	926	926
	283,679	261,087	24,487	36,832	41,065

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