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

2009

Annual Report

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

SUEN Ki

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

XI Yu
HON Wa Fai

COMPLIANCE OFFICER

XI Yu

COMPANY SECRETARY

HON Wa Fai

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

LEGAL ADVISER

Troutman Sanders

AUDITOR

CCIF CPA Limited

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
Standard Chartered Bank (Hong Kong) Limited
Bank of China Limited

STOCK CODE

8068

WEBSITE

www.nuigl.com

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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.

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This annual report, for which the directors (the "Directors") of NEW UNIVERSE INTERNATIONAL GROUP LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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.

ENVIRONMENTAL

NEW UNIVERSE

Dear shareholders

I hereby present 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 2009.

In 2009, the Group's operations continued to grow on a steady pace despite a global recession. The financial and business highlights of the Group are summarised as follows:

- Total turnover increased by 15.4% to HK$86,793,000 in 2009 from HK$75,194,000 in 2008.
- Total profit attributable to the Company's owners increased by 119.0% to HK$18,355,000 from HK$8,381,000 in the previous year.
- Total earnings per share attributable to the Company's owners were HK cents 1.01 compared to HK cents 0.46 in 2008.
- The Board resolved not to declare a final dividend for the year ended 31 December 2009 in order to conserve sufficient funds for sustainable growth.
- Cash and cash equivalents amounted to HK$42,823,000 at 31 December 2009 compared to HK$23,128,000 at 31 December 2008.
- Equity attributable to the Company's owners was HK$288,953,000 at 31 December 2009 versus HK$275,433,000 a year earlier.
- Total service income from environmental waste disposal operations increased by 2.4% to HK$39,094,000 in 2009 from HK$38,184,000 in 2008.
- Total revenue from sales of injection mold products decreased by 40.1% to HK$16,568,000 in 2009 from HK$27,670,000 in 2008.
- Total revenue from sales of plastic products increased by 32.3% to HK$12,355,000 in 2009 from HK$9,340,000 in 2008.
- Total revenue from sales of plastic materials amounted to HK$18,776,000 in 2009.
- Total dividends (before taxes) from available-for-sales equity investments and from the associate that principally engaged in plastic materials dyeing operations decreased by 10.0% to HK$1,822,000 in 2009 from HK$2,024,000 in 2008.
- A gain of HK$15,382,000 (net of taxes and expenses) relating to the disposal of subsidiaries engaged in the development of docks in Jingkou District, Jiangsu, was recorded in 2009.

- A goodwill impairment in the amount of HK$688,000 was recorded arising from the acquisition of three major environmental entities in 2007.

- The Group owns 38% equity interests of the associates principally engaged in the development and management of an eco-plating specialised zone in Zhenjiang, Jiangsu, and the Group's share of profits was HK$229,000 in 2009 compared to its share of losses of HK$153,000 in 2008.

Confronting the adverse impact of a dramatic export contraction on the economy in China amidst the global recession, the Group confined its efforts to further strengthening its liquidity and cash position 2009.

The Group's environmental subsidiaries handled in aggregate 1,383 metric tons of regulated medical wastes, 7,852 metric tons of general industrial waste, and 12,405 metric tons of hazardous industrial waste in 2009 compared to 1,623 metric tons, 8,170 metric tons, and 14,943 metric tons, respectively in 2008. To harness sustainable growth, the Group has commenced diligence studies on the expansion of waste processing capacity of its environmental entities in order to meet the increasing quantities and varieties of waste generated in their city. The Group's strategic efforts are focused on strengthening the waste processing capacity, creating new sources of revenue from environmental operations, and balancing the return on investment with the capital employed.

The Group's manufacturing operations have been significantly affected by slim demand for new injection mold products in the first three quarters of 2009 that resulted in a decrease of sales. On the other hand, stable demand from new and existing clients were key drivers in increasing sales of plastic products and plastic materials in 2009.

The Group considered its 38% equity interest in the development and operation of the eco-plating specialised zone in Zhenjiang would be an opportunity to broaden the Group's business scope in environmentally related operations. In 2009, the investment started contributing profits on an equity accounting basis. The eco-plating specialised zone covers a total area of 273 mu (approximately 183,521 square metres) for environmental recycling and treatment of electroplating sewage and sludge in Zhenjiang.

In 2009, the Group completed title transfer procedures for the disposal of its entire equity interests in two wholly owned subsidiaries that engaged in the construction of dock infrastructure and the development of warehouses and depot facilities in Xinminzhou, Zhenjiang. Up to the date of this report, out of a total consideration of RMB85,849,100 (approximately HK$97,696,000), deposit of RMB3,500,000 (approximately HK$3,983,000) and two instalments of RMB37,049,100 (approximately HK$42,162,000) have been settled by the purchaser pursuant to the dock disposal agreements. The net balance of RMB45,300,000 (approximately HK$51,551,000) is expected to be settled by the purchaser in due course. The Board and senior management of the Group have been monitoring the status of the final settlement and will consider taking further actions if necessary.

OUTLOOK

Looking forward to 2010, in view of the anticipated recovery of the global economy, we believe the operating environment will further improve. We shall expand our businesses in a proactive manner to capture the opportunities brought about by the economic recovery and contribute our efforts to environment protection.

We will prudently increase capital expenditure on environment operations and continue our efforts in improving efficiency to drive business growth. Moreover, we will consider consolidating the resources of manufacturing operations to increase their competitiveness. As to the dock disposal agreements, we believe the purchaser will settle the balance of the consideration timely.

With the support of our customers, business partners, financiers, shareholders and the dedication of our colleagues, the Group will remain healthy and profitable.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our customers, business partners, financiers and shareholders for their continued support, and to all our employees for their dedication in 2009. We are committed to the Group's growth and sustainable results, and look forward to sharing our progress with you in the upcoming challenging year.

XI Yu
Chairman

Hong Kong, 22 March 2010

BUSINESS REVIEW

Environmental Operations

The environmental operations represent diversification strategies undertook by the Group since 2007 and currently environmental operations become one of the key profit drivers of the Group. The three major environmental entities of the Group – 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") principally engages in environmental treatment and disposal of regulated medical waste, and general and hazardous industrial waste in three major cities of Jiangsu Province, China. They service various clinics, hospitals, and major industrial enterprises in the cities where they are situated. The companies have their own pyrolyzing incinerators, and Zhenjiang New Universe also has its specialised filtration facilities to handle industrial liquid waste and operates a landfill to handle general industrial solid waste.

Although the environmental entities of the Group were affected by the adverse situation of overall downsizing output of their surrounding manufacturing industries during the first two quarters of 2009, the total revenue from environmental operations increased by 2.4% to HK$39,094,000 for the year ended 31 December 2009 (2008: HK$38,184,000).

Manufacturing Operations

The manufacturing operations represent the origin of the Group's business before the Group's diversification plan has been carried out. Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe") is the production and outlet base of the Group's injection molds and plastic products in Mainland China. Suzhou New Universe is a mold and plastic manufacturer situated in the Yangtze River Delta, China, which owns its state-of-the-art digital control high speed molding machines and equipped with full range of conventional processing machines, and a variety of plastics injection machines. From conceptual mold prototype to final plastics product finishing, Suzhou New Universe provides complete value chain to satisfy variety of customers' needs.

To ensure a stable and reliable supply of plastic materials for Suzhou New Universe's production, the Group entered into a framework supply agreement with a related company, China (HK) Chemical & Plastics Co. Limited ("China (HK) Chemical") on 26 February 2009 ("Supply Contract"). Pursuant to the Supply Contract, Suzhou New Universe will purchase and China (HK) Chemical will supply plastic materials for three years ending 31 December 2011 on favorable terms that would not be available to Suzhou New Universe from other independent suppliers.

Under the impact of slim market demand, total revenue of mold sales decreased by 40.1% to HK$16,568,000 in 2009 (2008: HK$27,670,000), total sales of plastic products increased by 32.3% to HK$12,355,000 in 2009 (2008: HK$9,340,000), and total revenue of plastic materials trading amounted to HK$18,776,000 in 2009 (2008: Nil). The Directors believe the manufacturing operations performance will turn around in the future.

Plastics Dyeing Operations

The Group 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 engaged in plastic materials dyeing in Mainland China, which are considered to be the Group's strategic investments to enhance customer networks for both the manufacturing and environmental operations. For accounting purposes, the Company's equity interest in Qingdao Huamei is treated as an investment in an associate while the investments in Suzhou New Huamei and Danyang New Huamei are treated as available-for-sale equity investments.

Notwithstanding the fact that plastics dyeing operations were under similar impact of declining market demand during the year of 2009, the net profit margins of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei were 3.6%, 3.6% and 4.0% respectively in 2009 (2008: 3.2%, 7.8% and 4.6% respectively). According to the valuation report dated 22 March 2010 issued by an independent professional valuer, BMI Appraisals Limited ("BMI"), the total market value attributable to the Group was in aggregate of HK$53,900,000 for the available-for-sale equity investments in Suzhou New Huamei and Danyang New Huamei as at 31 December 2009 (2008: HK$48,900,000).

Eco-plating Specialised Zone

The Group owns 38% equity interests in New Sinotech Investments Limited ("New Sinotech") which in turn holds 100% direct equity interest in Fair Time International Limited ("Fair Time") and 100% indirect equity interest in Zhenjiang Sinotech Eco-electroplating Development Limited ("Zhenjiang Sinotech") (collectively referred to as the "New Sinotech Group"). Zhenjiang Sinotech principally engages in the development and operation of an eco-plating specialised zone with a total area of 183,521 square metres ("Eco-plating Specialised Zone"). Zhenjiang Sinotech provides management services and environmental facilities to clients entering the zone for their plating business. Zhenjiang Sinotech also provides environmental treatment of electroplating sewage and sludge, and recycling of metallic substances and resources using centralised discharge processing system which services the whole eco-plating specialised zone.

The Company's controlling shareholder, New Universe Enterprises Limited ("NUEL"), owns 53% direct controlling equity interest in New Sinotech Group. With the support of project term loans granted by major banks in Hong Kong, and guaranteed by the Company's chairman, Mr. XI Yu and a related company, New Universe Holdings Limited ("NUHL"), the first phase of the construction of the Eco-plating Specialised Zone has been completed, and approvals have been obtained from environmental authorities for carrying out operations within the zone. Various enterprises have entered the zone for plating business, and the specialised plating sewage discharge system is operative.

The Group shared net profits from the New Sinotech Group amounted to HK$229,000 in 2009 (2008: net losses of HK$153,000).

Disposal of Zhenjiang Dock Project

The Group discontinued the operations in relation to the co-operation between the Company and China parties (therein referred to as the "China Parties", comprising The District Government of Jingkou, Zhenjiang and the State-owned Gongqingtuan Farm in Jiangsu Province) for the investment and construction of dock infrastructure and the development of warehouses and depot facilities in Xinminzhou, Jingkou District, Zhenjiang City, Jiangsu, China ("Zhenjiang Dock Project") following the entering into of two sale and purchase agreements ("Dock Disposal Agreements") on 3 November 2008. The Dock Disposal Agreements were signed between the Group and an independent buyer for consideration of RMB84,951,300 (approximately HK$96,675,000) to dispose of the Group's entire 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") ("Disposal of Zhenjiang Dock WFOEs"). Zhenjiang Port Company and Zhenjiang Warehouses Company are collectively referred to as the Zhenjiang Dock WFOEs.

On 27 April 2009, the Group entered into a supplemental sale and purchase agreement with a party nominated by the buyer ("Purchaser", namely, Jiangsu Golden Coast Investment Construction Development Co., Limited江蘇金海岸投資建設發展有限公司) as witnessed by a representative of the China Parties ("First Supplemental Dock Disposal Agreement").

Pursuant to the First Supplemental Dock Disposal Agreement, the payment terms were re-scheduled as (i) a refundable deposit of RMB3,500,000 (approximately HK$3,983,000) paid by the Purchaser on 6 May 2009, and (ii) the total consideration for the Disposal of Zhenjiang Dock WFOEs was adjusted to RMB85,849,100 (approximately HK$97,696,000). The consideration would be settled by the Purchaser as to (i) RMB17,049,100 (approximately HK$19,402,000) after the termination of the approval certificates of Zhenjiang Dock WFOEs, (ii) RMB20,000,000 (approximately HK$22,760,000) after the change of business licenses of the Zhenjiang Dock WFOEs in favour of the Purchaser, and (iii) RMB48,800,000 (approximately HK$55,534,000 but before offsetting any deposit to be refundable) after the Purchaser obtains legal title to the land for the Zhenjiang Dock Project. Any outstanding payment in respect of any consideration due is subject to interest at a rate of 3.6% per annum payable by the Purchaser.

On 10 September 2009, the Group entered into a second supplemental sale and purchase agreement with the Purchaser as witnessed by a representative of the China Parties to confirm the resulting shareholding structure of the Purchaser's interest in the Zhenjiang Dock WFOEs ("Second Supplemental Dock Disposal Agreement"). Pursuant to the Second Supplemental Dock Disposal Agreement, the Purchaser and its related party agreed to assume the obligations jointly for due settlement of the consideration. In addition, the China Parties issued a guarantee letter to the Group to ensure payment by the Purchaser of the third instalment of RMB48,800,000 (approximately HK$55,534,000) (before the deposit of RMB3,500,000 is to be offset).

The Dock Disposal Agreements, the First Supplemental Dock Disposal Agreement and the Second Supplemental Dock Disposal Agreement in relation to the Disposal of Zhenjiang Dock WFOEs are collectively referred therein to as the "Zhenjiang Dock Disposal Agreements".

With the approval of PRC governmental authorities, the Purchaser has settled the first and second instalments of consideration in the aggregate amount of RMB37,049,100 (approximately HK$42,162,000) with: (i) RMB5,557,365 (approximately HK$6,324,000) on 29 December 2009, and (ii) RMB31,491,735 (approximately HK$35,838,000) on 21 January 2010.

The Disposal of Zhenjiang Dock WFOEs was completed and the control of the Zhenjiang Dock WFOEs was passed on 28 October 2009.

NUEL, being a controlling shareholder interested in 73.91% of the issued share capital of the Company, has approved the Disposal of Zhenjiang Dock WFOEs by a written resolution dated 3 November 2008.

Details of the disposal are set out in the announcements of the Company dated 5 November 2008, 4 December 2008, 7 May 2009, 11 September 2009, 31 December 2009 and 21 January 2010 respectively and the circular of the Company dated 18 November 2008.

FINANCIAL REVIEW

Turnover

Total turnover of the Group for the year ended 31 December 2009 was HK$86,793,000 representing an increase of 15.4% from HK$75,194,000 in 2008. Total revenue from environmental operations increased by 2.4% to HK$39,094,000 for the year ended 31 December 2009 compared to HK$38,184,000 in 2008. Total revenue from sales of mold products decreased by 40.1% to HK$16,568,000 for the year ended 31 December 2009 compared to HK$27,670,000 in 2008. Total revenue from sales of plastic products increased by 32.3% to HK$12,355,000 for the year ended 31 December 2009 compared to HK$9,340,000 in 2008. Total sales contributed by the new plastic materials trading segment were HK$18,776,000 in 2009.

Market momentum of both environmental operations and manufacturing operations has been picked up again since the third quarter of 2009, which resulted in an overall improvement of total revenue from environmental operations and sales of plastic materials and products in 2009.

Gross profit

Gross profit of the Group for the year ended 31 December 2009 was HK$27,150,000 representing a decrease of 5.1% from HK$28,600,000 in 2008. The overall gross profit margin of the Group was 31.3% in 2009 compared to 38.0% in 2008. The average gross profit margin of the Group's environmental operations was 61.6% in 2009 (2008: 57.7%). The average gross profit margin of the Group's manufacturing operations was 6.4% in 2009 (2008: 17.7%), and the average gross profit margins of mold sales, plastic product sales and plastic materials sales were 5.0%, 7.7% and 6.8% in 2009 respectively.

Other revenue

Other revenue of Group decreased by 24.9% to HK$3,370,000 in 2009 compared to HK$4,487,000 in 2008. The net decrease was mainly attributable to (i) a HK$202,000 decrease of dividend income from available-for-sale equity investments, and (ii) a HK$949,000 decrease of scrap sales.

Other net income

Other income of the Group increased to HK$489,000 in 2009 compared to HK$11,000 in 2008. The net increase was mainly attributable to increase in exchange gain in the current year.

Distribution and selling expenses

Distribution and selling expenses of the Group decreased by 11.1% to HK$5,098,000 in 2009 compared to HK$5,737,000 in 2008. The net decrease was mainly attributable to (i) a HK$368,000 decrease of commission paid external sales agency, and (ii) a HK$378,000 decrease of freight and transportation charges in the current year.

Administrative expenses

Administrative expenses of the Group increased by 20.6% to HK$14,323,000 in 2009 compared to HK$11,872,000 in 2008. The net increase was mainly attributable to a HK$2,255,000 increase of staff salaries and allowance in the current year.

Other expenses

Other expenses of the Group decreased by 40.2% to HK$3,123,000 in 2009 compared to HK$5,226,000 in 2008. The net decrease was mainly attributable to a HK$1,130,000 decrease of impairment to inventories.

Finance costs

Finance costs of the Group increased by 64.6% to HK$2,798,000 in 2009 compared to HK$1,700,000 in 2008. The net increase was mainly attributable to (i) a HK$1,368,000 increase of interest imputed on the promissory notes in 2009, while (ii) a HK$334,000 decrease of borrowing interest in the current year.

Share of profits of associates

Share of profits of associates increased by 41.3% to HK$1,303,000 in 2009 compared to HK$922,000 in 2008. The net increase was attributable to (i) a HK$229,000 increase of net profit shared from New Sinotech Group, and (ii) a HK$1,074,000 increase of net profit shared from Qingdao Huamei in the current year.

Income tax

The Group recorded an income tax expense of HK$1,210,000 in 2009 compared to Nil in 2008. Income tax expenses amounted to HK$1,491,000, which was offset by the deferred tax income of HK$281,000 in the current year.

Profit attributable to owners of the Company

Profit for the year of the Group amounted to HK$20,454,000 in 2009 compared to HK$10,450,000 in 2008, and profit attributable to owners of the Company amounted to HK$18,355,000 in 2009 compared to HK$8,381,000 in 2008.

Increase in profit for the year was mainly attributable to the record of net gain on disposal of the Zhenjiang Dock WFOEs amounted to HK$15,382,000 in 2009.

Segment results

The revenue distribution by environmental services segment, molds segment, plastic products segment, plastic materials trading segment and plastic materials dyeing segment was 44.3%, 18.9%, 14.0%, 20.8% and 2.0% respectively in 2009 compared to 48.5%, 37.0%, 12.0%, Nil and 2.5% respectively in 2008.

Liquidity and financial resources

The Group generally financed its operations activities with internally generated cash flows, banking facilities, and loans and advances from NUEL and China (HK) Chemical. The Group remained in a healthy financial position with total equity of HK$299,371,000 as at 31 December 2009 compared to HK$283,679,000 as at 31 December 2008, and with total assets amounted to HK$367,564,000 as at 31 December 2009 compared to HK$346,133,000 as at 31 December 2008.

The Group had cash and bank balances as follows:

	31 December 2009 HK$'000	31 December 2008 HK$'000
Cash and bank balances		
– Continuing operations	**42,823**	23,128
– Discontinued operation	**–**	23,258
	42,823	46,386

The Group had available unused standby general banking facilities as follows:

	31 December 2009 HK$'000	31 December 2008 HK$'000
Trust receipts financing facilities	**10,000**	10,000

The Group had outstanding interest bearing borrowings as follows:

	31 December 2009 HK$'000	31 December 2008 HK$'000
Bank borrowings – secured	**5,121**	10,170
Obligations under finance lease – secured	**–**	4
Loan from China (HK) Chemical – unsecured	**3,042**	–
	8,163	10,174

The Group had promissory notes with total par value amounted to HK$26,920,000 and with carrying fair value as follows:

	31 December 2009 HK$'000	31 December 2008 HK$'000
Promissory notes – unsecured	**22,185**	19,956

The Group had outstanding non-interest bearing borrowings due to the Group's related companies as follows:

	31 December 2009 HK$'000	31 December 2008 HK$'000
NUEL – unsecured	**–**	2,416
Beijing New Universe Mirai Environmental Engineering Company Limited – unsecured	**19**	19
	19	2,435

Capital structure

There was no change to the capital structure of the Group as at 31 December 2009 and compared with that as at 31 December 2008.

Material acquisitions and disposals of subsidiaries and affiliated companies

Pursuant to the performance of parties to Zhenjiang Dock Disposal Agreements, the Group recorded a gain on disposal of subsidiaries of HK$15,382,000 (net of tax and expenses) in 2009 with details set out in notes 11 and 37 to the financial statements.

Except for the aforementioned, 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 2009.

Investments held and their performance

In 2009, the boards of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei have declared dividends with the amounts of HK$1,262,000, HK$560,000 and HK$972,000 (before tax) respectively having been distributed to the Group (2008: HK$1,624,000, HK$400,000 and HK$648,000 respectively).

Based on the valuation report dated 22 March 2010 issued by BMI as to the market value attributable to the Group in respect of the available-for-sale equity investments in Suzhou New Huamei and Danyang New Huamei were HK$37,300,000 and HK$16,600,000 respectively as at 31 December 2009 (2008: HK$39,000,000 and HK$9,900,000 respectively).

The Group holds 28.67% equity interest in Qingdao Huamei as an associate. For the year ended 31 December 2009, the Group shared net profit of the Qingdao Huamei amounted to HK$1,074,000 (2008: HK$1,075,000).

The Group holds 38% equity interests in New Sinotech Group as associates. For the year ended 31 December 2009, the Group shared net profit of the New Sinotech Group amounted to HK$229,000 (2008: losses of HK$153,000).

Charges on the Group's assets

As at 31 December 2009, the Group pledged the land use rights together with its property, plant and equipment thereon owned by Suzhou New Universe with a carrying amount of HK$2,335,000 (2008: HK$2,373,000) and HK$9,228,000 (2008: HK$9,716,000) to a bank in China to secure bank loans of RMB4,500,000 (approximately HK$5,121,000) granted to the Suzhou New Universe (2008: RMB9,000,000 or approximately HK$10,170,000).

Capital expenditure

During the year ended 31 December 2009, the Group had capital expenditure to increase property, plant and equipment for its manufacturing operations amounted to HK$1,251,000 (2008: HK$2,084,000), and had capital expenditure to increase property, plant and equipment for its environmental operations amounted to HK$2,494,000 (2008: HK$10,458,000).

Commitments

As at 31 December 2009, the Group had the following commitments:

(i) Capital commitments

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

	31 December 2009 HK$'000	31 December 2008 HK$'000
Continuing operations		
Contracted for		
– Acquisition of property, plant and machinery	**23**	2,079
Authorised but not contracted for		
– Acquisition of property, plant and machinery	**7,760**	–
– Financial commitment to New Sinotech Group	**35,386**	35,568
Discontinued operation		
Contracted for		
– Zhenjiang Dock Project	**–**	153,783
Authorised but not contracted for		
– Zhenjiang Dock Project	**–**	63,761

(ii) Operating lease commitments

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

	31 December 2009 HK$'000	31 December 2008 HK$'000
Within one year	**187**	197
In the second to fifth years, inclusive	**366**	365
After five years	**80**	158
	633	720

Gearing ratio

The Group has a gearing ratio of 6.0% as at 31 December 2009 compared to 12.1% as at 31 December 2008. The ratio is calculated by net debt divided by total equity, and for which the net debt represent the total debts (which including current and non-current liabilities but excluding any deferred tax liabilities) net of cash and cash equivalents of the Group.

Exposure to exchange rate fluctuations

As most of the Group's monetary assets and liabilities were dominated in Renminbi, Hong Kong dollars, and US dollars, the exchange risks of the Group were considered to be minimal. During the year ended 31 December 2009, no related hedging has been arranged by the Group.

Contingent liabilities

There were no significant contingent liabilities of the Group as at 31 December 2009 (2008: Nil).

Employee information

As at 31 December 2009, the Group had 302 (2008: 312) full-time employees of which 13 (2008: 12) were based in Hong Kong, and 289 (2008: 300) in Mainland China. Staff costs, including directors' remuneration and amount capitalised as inventories was HK$19,153,000 for the year ended 31 December 2009 (2008: HK$16,362,000). Employees and directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, share options and necessary training.

DIRECTORS

XI Yu (Age 52)

Chairman, Executive Director and Compliance Officer

Mr. XI was appointed executive director of the Company on 7 June 2002. Mr. XI is the chairman of the Board, executive director and the compliance officer of the Company. Mr. XI is also the chairman of the boards of all principal subsidiaries of the Group. He is responsible for corporate strategic planning and development of the Group, and he has 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 NUHL and 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 48)

Executive Director

Ms. CHEUNG was appointed executive director of the Company on 1 April 2005. Ms. CHEUNG is the director of principal subsidiaries of the Group. She is responsible for business administration and human resources management of the Group. Ms. CHEUNG is currently the director of the Company's controlling shareholder, NUEL, NUHL 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 49)

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 56)

Non-executive Directors

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 56)

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 the 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 48)

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 with his own 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 52)

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 with his own 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 39)

Deputy General Manager

Ms. WONG was appointed deputy general manager of the Group in June 2007. Ms. WONG has worked for NUHL 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.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

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 summarised as follows:

(i) medical and industrial wastes environmental disposal services;

(ii) manufacture and sale of molds;

(iii) manufacture and sale of plastic products;

(iv) sale of plastic materials; and

(v) investment in plastic materials dyeing business.

The analysis of the principal activities by operating and reportable segments of the Group are set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 46 of this annual report.

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2009 (2008: Nil) and propose that the profit for the year be retained.

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 2009 is set out on pages 123 to 124 of this annual report.

RESERVES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2009, the Company's reserves available for distribution to its owners amounted to HK$226,754,000 (2008: HK$230,321,000). According to the articles and association of the Company, dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law (revised) of the Cayman Islands and every modification thereof.

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	
	2009	2008	**2009**	2008
The largest customer	**13.6%**	6.4%		
Five largest customers in aggregate	**35.2%**	24.5%		
The largest supplier			**27.8%**	6.7%
Five largest suppliers in aggregate			**41.5%**	15.9%

At 31 December 2009, Mr. XI Yu, Ms. CHEUNG Siu Ling, and Mr. SUEN Ki, being directors of the Company, had deemed beneficial interest in the largest supplier and also one of the five largest suppliers of the Group in the current year. All transactions between the Group and the supplier concerned were carried out on normal commercial terms.

Save as disclosed herein, 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 18 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2009 are set out in note 22 to the financial statements.

ASSOCIATES

Particulars of the Company's associates as at 31 December 2009 are set out in note 23 to the financial statements.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company and the Group as at 31 December 2009 are set out in notes 29 and 43 to the financial statements.

INTEREST CAPITALISED

The Group has not capitalised any interest during the year (2008: 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. XI Yu, Ms. CHEUNG Siu Ling and Mr. YUEN Kim Hung, Michael shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Emoluments of the directors and five highest paid individuals

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 13 and 14 of the financial statements, respectively.

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 17 to 18 of this annual report.

APPOINTMENT INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

The tenure of office of each of the non-executive director, Mr. SUEN Ki, and independent non-executive directors, Mr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael, Mr. HO Yau Hong, Alfred, is under contract for two years, and they are also subject to rotational retirement and re-election in accordance with the articles of association of the Company.

Save as disclosed herein, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company in respect of his service to the Company in the capacity of a director which is not determinable by the Company within one year without payment other than statutory compensation.

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 authorised, 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 on the date of grant; and

(3) the average closing price of the Company's shares on the Stock Exchange 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 2009 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 2009, no option has been granted or outstanding under the Company's Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31 December 2009, the interests and short positions of the directors and chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or which were required to be entered 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors, were as follows:

The Company

Long positions in ordinary shares

Name of director	Number of issued ordinary shares of HK$0.01 each: Personal/ beneficiary	Interest of children or spouse	Interest of controlled corporation	Number of shares held	% of total shares in issue
Mr. XI Yu*	–	–	1,349,649,115	1,349,649,115	73.91

Note:

* Mr. XI Yu is the shareholder of 16,732 shares of US$1.00 each in New Universe Enterprises Limited ("NUEL"), representing 83.66% of the issued share capital of NUEL, which in turn beneficially interested in 1,349,649,115 shares of the Company, representing approximately 73.91% of the issued share capital of the Company.

Associated corporation

Long positions in ordinary shares in NUEL

Name of director	Number of issued ordinary shares of US$1.00 each: Personal/ beneficiary	Interest of children or spouse	Interest of controlled corporation	Number of shares 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 2009, none of the directors and chief executives had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any director or chief executive of the Company, as at 31 December 2009, persons or corporations who have interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

	Number of issued ordinary shares of HK$0.01 each				
Name of shareholder	**Beneficial owner**	**Family interests**	**Interest of controlled corporation**	**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 2009, none of the directors were aware of any other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is interested in 10% 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 maintained by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

The following contracts or arrangements subsisted during the year ended 31 December 2009 of which certain directors of the Company had interests that were deemed significant to the business of the Group:

(i) A lease agreement dated 1 July 2007 was entered into between Zhenjiang Sinotech Eco-electroplating Development Company Limited ("Zhenjiang Sinotech", in which NUEL and the Company has 53% and 38% indirect equity interests respectively) as lessee and Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe", an indirect 82% owned subsidiary of the Company) as lessor, pursuant to which Zhenjiang New Universe leases an office unit located at Zhenjiang City to Zhenjiang Sinotech at the annual rental of RMB15,000. Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of the Company and NUEL. Mr. XI Yu is common director of Zhenjiang New Universe. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. HON Wa Fai are common directors of Zhenjiang Sinotech.

(ii) A loan agreement dated 12 October 2007 was entered into between the Company as borrower and NUEL as lender for a loan of HK$2,416,000 granted to the Company to settle the adjusted portion of the consideration in relation to the Group's disposal of its entire interests in Dongguan Smartech Tooling and Plastics Co. Limited, which was stipulated to be repayable on or before 12 October 2008 with extension granted to 12 January 2010. The loan was demanded and repaid on 6 November 2009. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors of the Company and NUEL.

(iii) Renewable rental agreements dated 1 August 2008 and 28 August 2009 were entered into between Smartech Services Limited ("Smartech Services", an indirectly wholly owned subsidiary of the Company) as tenant and Sun Ngai International Investment Limited ("Sun Ngai", a wholly owned subsidiary of New Universe Holdings Limited ("NUHL")) as landlord, pursuant to which Smartech Services rented an office unit located at Room 2109, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong from Sun Ngai at the monthly rental of HK$10,000 from 1 August 2008 to 30 September 2009, and at a monthly rental of HK$18,000 for the period from 1 October 2009 to 31 July 2010. Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of the Company, Smartech Services, NUHL and Sun Ngai.

(iv) A framework supply agreement dated 26 February 2009 (referred therein to as "Supply Contract") was entered into between Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe", an indirectly 97% owned subsidiary of the Company) and China (HK) Chemical and Plastics Company Limited ("China (HK) Chemical", a 97% owned subsidiary of NUHL) in relation to the supply of plastic materials to Suzhou New Universe by China (HK) Chemical. The term of the Supply Contract commenced 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 offers Suzhou New Universe payment term with credit period of 90 days from the shipment date of the plastic materials purchased without provision of any securities. 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 common directors of NUHL and Suzhou New Universe.

(v) A loan agreement dated 18 May 2009 was entered into between Bestwin (China) Limited ("Bestwin", an indirectly 97% owned subsidiary of the Company) as borrower and China (HK) Chemical as lender, pursuant to which China (HK) Chemical granted an unsecured loan of US$390,000 (approximately HK$3,042,000) to Bestwin on 15 June 2009. The loan bearing interest at 3% per annum is repayable by the end of third year after the date of drawdown. The loan was applied to on lending to Bestwin's wholly owned subsidiary in China, Suzhou New Universe as registered foreign shareholder's loan for its working capital purposes. Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of the Company, China (HK) Chemical, Bestwin, and Suzhou New Universe. Mr. SUEN Ki is common director of the Company and China (HK) Chemical.

(vi) A loan agreement dated 6 August 2009 was entered into between the Company as borrower and China (HK) Chemical as lender for a loan of HK$1,300,000 granted for general working capital purposes of the Company, which is unsecured, bearing interest at 3% per annum, and repayable within one year on demand. The loan was demanded and repaid on 22 December 2009. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors of the Company and China (HK) Chemical.

The above transactions were approved by the independent non-executive directors and were conducted on terms no less favourable then terms available from independent third parties, in the ordinary course of business of the Group and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as whole.

Save as disclosed herein, no 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

CONNECTED TRANSACTIONS

On 26 February 2009, the Supply Contract was entered into between Suzhou New Universe and China (HK) Chemical (a 97% owned subsidiary of NUHL) in relation to the supply of plastic materials to Suzhou New Universe by China (HK) Chemical, of which the term commenced from the date of Supply Contract and up to 31 December 2011 and might be renewed for three years by agreement of the parties to the Supply Contract. 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 common directors of Suzhou New Universe and NUHL. By virtue of the common directors who represent all members of the board of directors of China (HK) Chemical and through their directorship in NUHL control the board of directors of China (HK) Chemical, China (HK) Chemical is hence a connected person (as defined in the GEM Listing Rules) of the Company.

The total amounts of transactions in relation to the purchases of plastic materials from China (HK) Chemical by Suzhou New Universe pursuant to the Supply Contract ("Transactions") were initially estimated at an annual cap amount of US$1,280,000 (approximately HK$9,933,000) for each of the three financial years ending 31 December 2011 ("Annual Caps"). Transactions therefore constitute continuing connected transactions of the Company and are subject to the reporting and announcement requirements under the GEM Listing Rules.

Pursuant to an ordinary resolution duly passed under poll voting by the independent shareholders of the Company at an extraordinary general meeting held on 18 September 2009, the Company was approved to procure Suzhou New Universe to purchase plastic materials from China (HK) Chemical with the revised Annual Caps in the amounts of US$12,800,000 (approximately HK$99,328,000), US$14,080,000 (approximately HK$109,261,000) and US$15,488,000 (approximately HK$120,187,000) for the three financial years ending 31 December 2011 respectively ("Revised Annual Caps").

Pursuant to the Supply Contract and Revised Annual Caps, during the year ended 31 December 2009, Suzhou New Universe ordered plastic materials of 1,482 metric tons in an aggregate amount of HK$18,050,000 from China (HK) Chemical; and accordingly, China (HK) Chemical delivered 1,426 metric tons of plastic materials in an aggregate amount of HK$17,024,000 to Suzhou New Universe ("Continuing Connected Transactions").

Pursuant to Rule 20.38 of the GEM Listing Rules, the Board of directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the Continuing Connected Transactions of the Group. The auditor has reported the factual findings on these procedures to the Board of directors. The independent non-executive directors have reviewed the Continuing Connected Transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on terms no less favourable than terms available from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of the Supply Contract and Revised Annual Caps are set out in the announcements of the Company dated 27 February 2009, 14 August 2009 and 18 September 2009, and the circular of the Company dated 31 August 2009.

Particulars of the Continuing Connected Transactions are also disclosed in note 43 to the financial statements in accordance with HKAS 24 Related Party Disclosures.

COMPETING INTERESTS

Save as disclosed herein, the Board is not aware of any director or the management shareholder (as defined under the GEM Listing Rules) having any interests in a business which competes or may compete with the business of 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 Company'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 42 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

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

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

Neither the Company, nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the year ended 31 December 2009.

CORPORATE GOVERNANCE

The Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the GEM Listing Rules.

A report on the principal corporate practices adopted by the Company or deviations, if any, to the CG Code is set out in the Corporate Governance Report on pages 30 to 43 of this annual report.

AUDITOR

The financial statements have been audited by CCIF CPA Limited who retires and, being eligible, offers itself for re-appointment.

CCIF CPA Limited retires and a resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
XI Yu

Chairman
Hong Kong, 22 March 2010

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 maximised.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2009, the Company has complied with all code provisions of 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 Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM Listing Rules") except for the following deviations:

(i) 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 last managing director of the Group with effect from 1 February 2007. The Directors considered the deviation did not significantly affect the Group's operations. 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.

(ii) Code Provision E.1.2 of the CG Code requires that, amongst the others, the chairman of the Board should attend annual general meeting of the Company. The Company's chairman, Mr. XI Yu did not attend the Company's annual general meeting held on 30 April 2009 owing to his trip out of Hong Kong for the business of the Group. Failing his presence, Mr. XI Yu delegated the executive director of the Company, Ms. CHEUNG Siu Ling to chair the meeting and to arrange other directors, including the chairman of the audit committee, be available to answer any questions at the annual general meeting.

SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2009, the Company has applied the principals of the required standard of dealings set out in Rules 5.48 to 5.67 if the GEM Listing Rules ("Required Standard of Dealings").

Having made specific enquiry of all Directors of the Company, the Directors confirmed that they have complied with or they were not aware of any non-compliance with the Required Standard of Dealings during the year ended 31 December 2009.

BOARD OF DIRECTORS

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing Shareholders' value. The Board comprises three executive directors, one non-executive director, and three independent non-executive directors.

As at 31 December 2009, the Board of the Company comprises: –

Executive directors

Mr. XI Yu *(chairman of the Board and compliance officer)*
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 GEM Listing Rules require every listed issuer to have at least three independent non-executive directors, and at least one of whom must have the appropriate professional qualifications, or accounting or related financial management expertise. As at 31 December 2009, two of the independent non-executive directors of the Company have the appropriate professional qualifications, or accounting or related financial management expertise.

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

BOARD MEETINGS AND BOARD PRACTICES

The following table shows the attendance record of Board meetings held during the year ended 31 December 2009:

	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	12/12	–	–	16/16
Ms. CHEUNG Siu Ling	4/4	11/12	–	–	15/16
Mr. HON Wa Fai	4/4	12/12	1/1	–	17/17
Non-executive director					
Mr. SUEN Ki	4/4	12/12	–	–	16/16
Independent non-executive director					
Mr. CHAN Yan Cheong	4/4	11/12	–	1/1	16/17
Mr. YUEN Kim Hung, Michael	4/4	12/12	1/1	1/1	18/18
Mr. HO Yau Hong, Alfred	4/4	12/12	–	1/1	17/17

The Board conducts regularly scheduled meetings on quarterly basis. Ad-hoc meetings are convened when a board-level decision on a particular matter is required. The meetings are structured to allow open discussion. All Directors have participated in discussing the strategy, operational and financial performance and internal control of the Group.

The chairman of the Board ensures the Board works effectively and discharges its responsibilities, ensures that good corporate governance practices and procedures are established, encourages all directors to make full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Company and that all key and appropriate issues are discussed by the Board in a timely manner, all Directors have been consulted about any matters proposed for inclusion in the agenda.

Currently, the chairman of the Board is also taking up responsibility of chief executive officer for strategic planning and implementation, sourcing and meeting with potential business partners, looking for business opportunities for the Group, client development, recruiting of senior management, staff development, collaboration across the affiliated company network, looking for opportunities to enhance best practices, and timely reporting to the Board regarding the Group's overall progress.

The chairman of the Board has delegated the responsibility of preparing the agenda for each Board meeting to the company secretary. 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 and the director with a conflict of interests abstained from voting on the matter concerned). 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 Group is Mr. XI Yu. As the office of the Group's chief executive officer is still vacant, Mr. XI Yu has to share the responsibility and duties of the Group's chief executive officer.

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, all its subsidiaries and associates. 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 roles 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 non-executive director and the independent non-executive directors of the Company has entered into appointment contract with the Company for a term of two years and to be renewed from time to time, which is subject to termination by either party giving not less than three month's prior written notice. The latest renewable contracts commenced from 1 February 2009.

The Company has received annual 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 an independent non-executive director of the Company for more than 9 years since 17 November 1999, whose further 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 of independence and the undertaking of continuing to be independent given by Mr. CHAN Yan Cheong, 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 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.

Matters requiring the Board's approval include, amongst the others, review of overall policies and objectives for corporate capital contributions and approval of contributions budgets, corporate plans of the Company and any significant changes thereto, investment plans involving significant commitments of financial, technological and human resources, or involving significant risks for the Company, major sales, transfers, or other dispositions of property or assets of the Group, significant changes in the Board's policies, major organisation changes, approval of annual reports, review of semi-annual and quarterly financial and operating results, and other matters relating to the Group's business which in the judgement of the chairman (currently taking up roles of the chief executive office) are of such significance to merit the Board's consideration, and adoption of such policies or such actions taken as the Board considers to be in the best interests of the Company.

All executive directors, 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	Chairman, executive director, and compliance officer	• 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 that is beneficially interested in 73.91% of the Company's issued share capital and 53% equity interests in the Company's associates, New Sinotech Investments Limited, Fair Time International Limited and Zhenjiang Sinotech Eco-electroplating Development Company Limited.

Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are also directors of China (HK) Chemical and Plastics Company Limited that is currently one of the major plastics supplier for the Group's manufacturing operations.

To the best knowledge of the Company, save as disclosed herein, there is no other financial, business and family relationship among members of the Board despite a unique person taking up roles of the chairman and the chief executive officer. All of them are free to exercise their independent judgment.

SUPPLY OF AND ACCESS TO INFORMATION

The management of the Group and all its subsidiaries and associates are required to 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 of 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 and professional development to each of the Company's Directors to enhance their skills and to keep up with the updated applicable legal and regulatory developments.

BOARD COMMITTEES

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

	Committee membership		
	Audit Committee	Nomination Committee	Remuneration Committee
CHAN Yan Cheong	✔	✔	✔
YUEN Kim Hung, Michael	✔	✔	✔
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 of the Company, including but not limited to, draft annual reports, interim reports, and quarterly reports, before submission to, and providing advice and comments thereon on to, the Board of directors;

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

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

Meeting records

The audit committee had 4 meetings during the year ended 31 December 2009 mainly for the purposes as follows:

(i) reviewed the annual report for the year ended 31 December 2008,

(ii) reviewed the interim results for 6 months ended 30 June 2009 as reviewed by independent accountants, CCIF CPA Limited;

(iii) reviewed the quarterly reports for 3 months and 9 months respectively ended 31 March and 30 September 2009;

(iv) reviewed quarterly on the valuation reports and/or indications prepared by BMI Appraisals Limited in relation to the value of the available-for-sale equity investments and goodwill previously arisen on acquisition of environmental entities of the Group.

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 re-appointment 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 audit 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 audit committee meetings during the year:

Remuneration Committee	**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 Auditor's Acknowledgement

The Audit Committee and the Board have reviewed the Company's financial statements for the year ended 31 December 2009. 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 2009.

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

Auditor's Remuneration

During the year ended 31 December 2008 and 2009, the remuneration paid/payable to the auditors, CCIF CPA Limited in respect of their audit and non-audit services was as follows:

	2009	2008
	HK$'000	HK$'000
Audit services	**550**	550
Non-audit services	**15**	122

INTERNAL CONTROL

The Board has overall responsibilities for maintaining proper and effective systems of internal control of the Group. The Group's internal control system includes a defined management structure with specified limits of authority, is designed to achieve business objectives, safeguard assets against unauthorised use or disposition, control over capital expenditure, ensure the maintenance of proper books and records for providing reliable financial information used for internal or publication purposes, and ensure compliance with relevant legislation and regulations.

The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and to mange rather then eliminate risks of failure in operations systems achievement of the Group's objectives.

Qualified management throughout the whole Group maintains and monitors the internal control systems on an ongoing basis.

In 2009, the Company has engaged independent professional advisor, CCIF Corporate Consultancy Limited ("CCCL") to conduct review of the effectiveness of the internal control systems of the Group, covering all material controls, including financial, operation, compliance controls. For the year ended 31 December 2009, CCCL has made suggestions for continuous improvement to the Group's internal control systems though no material deficiencies of Group's internal control systems has been identified by CCCL which has to be brought to the attention of the Board or the Shareholders in their assessment reports. To further strengthen the internal control of the Group, ad hoc control team of the Company headed by the deputy general manager of the Company has been established 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.

The independent review of CCCL on the Group's internal control systems will be carried out continuously in 2010. The Audit Committee required that the internal control systems of the Company have to be improved continuously until any suggested improvement could be dealt with properly by the respective members of the Group. The ad hoc control team will conduct meeting regularly and work closely with CCCL to monitor the internal control system within the Group. In addition, they will carry out assessment in relation to the establishment of new company or entity and new product of the Company.

To enhance the knowledge of relevant staffs 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 RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining clear, timely and effective communication with shareholders of the Company and investors. The Board also recognises that effective communication with investors is the key to establish investor confidence and to attract new 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, public announcements and releases, and update and key information of the Group are available on the Company's website at www.nuigl.com.

The Company engaged with PRChina Limited as the advisor 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.

Media or potential investors could make necessary enquiry with the consultant through the following means: –

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

The Directors and the committee members are available to answer questions through the annual general meeting. Independent auditor is 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' interest. To do so, the Company maintains on-going dialogue with Shareholders – to communicate with them and encourage their participation – through annual general meetings or other general meetings.

Registered shareholders are notified by post for the shareholders' meetings. The notice of meeting contains 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 thereafter the meeting.

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

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

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 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 46 to 122, which comprise the consolidated and Company's statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2009 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, 22 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Turnover	5	**86,793**	75,194
Cost of sales		**(59,643)**	(46,594)
Gross profit		**27,150**	28,600
Other revenue	7	**3,370**	4,487
Other net income	8	**489**	11
Excess of fair value of net assets over the cost of acquisition of interests in associates	38	**–**	4,298
Impairment of goodwill	20	**(688)**	–
Impairment of available-for-sale equity investments	24	**–**	(4,012)
Distribution and selling expenses		**(5,098)**	(5,737)
Administrative expenses		**(14,323)**	(11,872)
Other expenses		**(3,123)**	(5,226)
Share of profits of associates, net	23	**1,303**	922
Finance costs	9	**(2,798)**	(1,700)
Profit before tax		**6,282**	9,771
Income tax	10	**(1,210)**	–
Profit for the year from continuing operations		**5,072**	9,771
Discontinued operation			
Profit for the year from discontinued operation, net	11	**15,382**	679
Profit for the year	12	**20,454**	10,450
Profit for the year attributable to:			
Owners of the Company		**18,355**	8,381
Minority interests		**2,099**	2,069
		20,454	10,450
Earnings per share for profit attributable to owners of the Company *(expressed in HK cents)*	16		
From continuing and discontinued operations			
Basic and diluted		**1.01**	0.46
From continuing operations			
Basic and diluted		**0.17**	0.42
From discontinued operation			
Basic and diluted		**0.84**	0.04

Consolidated Statement Of Comprehensive Income

Year ended 31 December 2009

	Notes	**2009 HK$'000**	2008 HK$'000
Profit for the year	12	**20,454**	10,450
Other comprehensive income			
Exchange differences			
– on translation of financial statements of overseas subsidiaries		**583**	15,358
– reclassification adjustments relating to disposal of foreign subsidiaries	37	**(10,257)**	–
Fair value gain/(loss) on available-for-sale equity investments, net		**4,637**	(4,110)
Share of other comprehensive income of associates	23	**275**	894
		(4,762)	12,142
Total comprehensive income for the year		**15,692**	22,592
Attributable to:			
Owners of the Company		**13,520**	19,763
Minority interests		**2,172**	2,829
		15,692	22,592

Consolidated Statement Of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	18	**60,348**	63,083
Prepaid lease payments	19	**21,819**	22,295
Goodwill	20	**33,000**	33,688
Interests in associates	23	**37,411**	36,962
Available-for-sale equity investments	24	**53,900**	48,900
		206,478	204,928
Current assets			
Inventories	25	**12,343**	10,052
Trade and bills receivables	26	**17,071**	13,811
Prepayments, deposits and other receivables	27	**952**	3,603
Consideration receivable on disposal of discontinued operation	37	**87,389**	–
Prepaid lease payments	19	**508**	508
Cash and cash equivalents	28	**42,823**	23,128
		161,086	51,102
Assets of disposal group classified as held for sale	11	**–**	90,103
		161,086	141,205
Current liabilities			
Interest-bearing bank borrowings	29	**5,121**	10,170
Trade payables	30	**10,614**	4,437
Accrued liabilities and other payables	31	**13,746**	12,209
Deposits received	32	**6,135**	8,177
Obligation under finance leases		**–**	4
Income tax payable	33(a)	**2,184**	–
Amount due to a related company	43(b)	**19**	19
		37,819	35,016
Liabilities associated with assets of disposal group classified as held for sale	11	**–**	1
		37,819	35,017
Net current assets		**123,267**	106,188
Total assets less current liabilities		**329,745**	311,116

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	34	**18,259**	18,259
Reserves	35	**270,694**	257,174
Equity attributable to owners of the Company		**288,953**	275,433
Minority interests		**10,418**	8,246
Total equity		**299,371**	283,679
Non-current liabilities			
Promissory notes	36	**22,185**	19,956
Deferred tax liabilities	33(b)	**5,147**	5,065
Loan from a related company	43(b)	**3,042**	–
Shareholder's loan	43(b)	**–**	2,416
		30,374	27,437
		329,745	311,116

XI Yu
Chairman

CHEUNG Siu Ling
Executive director

Consolidated Statement Of Changes In Equity

Year ended 31 December 2009

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000 *(note 35(i))*	**Translation reserve** HK$'000 *(note 35(ii))*	**Investment revaluation reserve** HK$'000 *(note 35(iii))*	**General reserve** HK$'000 *(note 35(iv))*	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 January 2008	18,259	206,488	3,600	4,110	31,929	(8,716)	255,670	5,417	261,087
Profit for the year	–	–	–	–	–	8,381	8,381	2,069	10,450
Other comprehensive income									
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	14,598	–	–	–	14,598	760	15,358
Fair value loss on available-for-sale equity investments	–	–	–	(4,110)	–	–	(4,110)	–	(4,110)
Share of other comprehensive income of associates	–	–	894	–	–	–	894	–	894
Total comprehensive income for the year	–	–	15,492	(4,110)	–	8,381	19,763	2,829	22,592
At 31 December 2008 and 1 January 2009	18,259	206,488	19,092	–	31,929	(335)	275,433	8,246	283,679
Profit for the year	–	–	–	–	–	18,355	18,355	2,099	20,454
Other comprehensive income									
Exchange differences									
– on translation of financial statements of overseas subsidiaries	–	–	510	–	–	–	510	73	583
– release on disposal of subsidiaries *(note 37)*	–	–	(10,257)	–	–	–	(10,257)	–	(10,257)
Fair value gain on available-for-sale equity investments, net of deferred tax	–	–	–	4,637	–	–	4,637	–	4,637
Share of other comprehensive income of associates	–	–	275	–	–	–	275	–	275
Total comprehensive income for the year	–	–	(9,472)	4,637	–	18,355	13,520	2,172	15,692
At 31 December 2009	18,259	206,488	9,620	4,637	31,929	18,020	288,953	10,418	299,371

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**6,282**	9,771
Profit for the year from discontinued operation, net	11	**15,382**	679
		21,664	10,450
Adjustments for:			
Finance costs		**2,798**	1,700
Interest income		**(184)**	(901)
Dividends from equity investments		**(1,822)**	(2,024)
Share of profits of associates, net		**(1,303)**	(922)
Depreciation and amortisation		**7,422**	6,531
Gain on disposal of property, plant and equipment		**–**	(1)
Write-down of inventories		**–**	1,130
Gain on disposal of subsidiaries	11	**(15,382)**	–
Impairment of goodwill		**688**	–
Excess of fair value of net assets over the cost of acquisition of interests in associates		**–**	(4,298)
Impairment of available-for-sale equity investments		**–**	4,012
Operating cash flows before movements in working capital		**13,881**	15,677
Increase in inventories		**(2,291)**	(476)
Increase in trade and bills receivables		**(3,260)**	(4,643)
Decrease/(increase) in prepayments, deposits and other receivables		**2,651**	(2,081)
Increase/(decrease) in trade payables		**6,177**	(229)
Increase in accrued liabilities and other payables		**119**	4,119
Decrease in deposits received		**(2,042)**	(782)
Decrease in amount due to a related company		**–**	(400)
Cash generated from operations		**15,235**	11,185
Income tax paid		**(1,177)**	–
Interest received		**184**	901
Interest paid		**(517)**	(838)
Interest element on finance lease rental paid		**(1)**	(1)
Net cash from operating activities		**13,724**	11,247

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Dividends and distribution received from associates		**1,129**	648
Dividends received from available-for-sale equity investments		**1,822**	2,024
Net cash outflow from disposal of subsidiaries	37	**(13,549)**	–
Payment for docks development costs		**–**	(1,118)
Proceeds from disposal of property, plant and equipment		**–**	228
Purchases of property, plant and equipment		**(2,378)**	(12,542)
Acquisition of associates	38	**–**	(607)
Capital contribution to associates		**–**	(2,015)
Net cash used in investing activities		**(12,976)**	(13,382)
FINANCING ACTIVITIES			
Repayment of interest-bearing bank borrowings		**(5,121)**	–
Repayment of obligation under finance leases		**(4)**	(5)
Loan from a related company		**3,042**	–
Repayment of loan from a shareholder		**(2,416)**	–
Net cash used in financing activities		**(4,499)**	(5)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,751)**	(2,140)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**46,386**	44,421
Effect of foreign exchange rate changes		**188**	4,105
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	28	**42,823**	46,386
CASH AND CASH EQUIVALENTS REPRESENTING:			
Cash and bank balances		**42,823**	46,386

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Interests in subsidiaries	22	**273,258**	269,577
Current assets			
Prepayments		**257**	633
Cash and cash equivalents	28	**12,183**	1,812
		12,440	2,445
Current liabilities			
Amounts due to subsidiaries	22	**17,998**	–
Accrued liabilities and other payables	31	**502**	1,070
		18,500	1,070
Net current (liabilities)/assets		**(6,060)**	1,375
Total assets less current liabilities		**267,198**	270,952
Capital and reserves			
Share capital	34	**18,259**	18,259
Reserves	35	**226,754**	230,321
Total equity		**245,013**	248,580
Non-current liabilities			
Promissory notes	36	**22,185**	19,956
Shareholder's loan	43(b)	**–**	2,416
		22,185	22,372
		267,198	270,952

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 and its 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 2009, 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.

The financial statements are presented in Hong Kong dollars ("HK$") which is also the functional currency of the Company while the functional currency of the subsidiaries in Mainland China is Renminbi ("RMB").

As the Company is listed in Hong Kong, the directors of the Company consider that it is more appropriate to present the financial statements in HK$, where most of its investors are located in Hong Kong.

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

(i) medical and industrial waste environmental disposal services;

(ii) manufacture and sale of molds;

(iii) manufacture and sale of plastic products;

(iv) sale of plastic materials; and

(v) investments in plastic materials dyeing business.

Details of the activities of its principal subsidiaries are set out in note 22 to the financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective or have become effective.

HKAS 1 (Revised 2007)	*Presentation of Financial Statements*
HKAS 23 (Revised 2007)	*Borrowing Costs*
HKAS 32 & 1 (Amendments)	*Puttable Financial Instruments and Obligations Arising on Liquidation*
HKFRS 1 & HKAS 27 (Amendments)	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 (Amendment)	*Vesting Conditions and Cancellations*
HKFRS 7 (Amendment)	*Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	*Embedded Derivatives*
HK (IFRIC) – Int 13	*Customer Loyalty Programmes*
HK (IFRIC) – Int 15	*Agreements for the Construction of Real Estate*
HK (IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK (IFRIC) – Int 18	*Transfers of Assets from Customers*
HKFRSs (Amendments)	*Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009*
HKFRSs (Amendments)	*Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39*

Except as described below, the application of the new HKFRSs had no material effect on these financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) *Presentation of Financial Statements*

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 *Operating Segments*

HKFRS 8 is a disclosure standard that has resulted in redesignation of the Group's reportable segments (note 6).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 7 (Amendment) *Improving Disclosures about Financial Instruments*

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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)	*Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008*[1]
HKFRSs (Amendments)	*Improvements to HKFRSs 2009*[2]
HKAS 24 (revised)	*Related Party Disclosures*[5]
HKAS 27 (revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 (Amendment)	*Classification of Rights Issues*[4]
HKAS 39 (Amendment)	*Eligible Hedged Items*[1]
HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 (Amendment)	*Additional Exemptions for First-time Adopters*[3]
HKFRS 2 (Amendment)	*Group Cash-settled Share-based Payment Transactions*[3]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[7]
HK (IFRIC) – Int 14 (Amendment)	*Prepayments of a Minimum Funding Requirement*[5]
HK (IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK (IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement to the Group's leasehold land at revalued amount.

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 statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Basic of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair value, as explained in the accounting policies set out below.

The financial statements of the Group have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the disclosure requirements of Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries", together referred to as the "Group") made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the activities.

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 and associates 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 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 recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the of acquisition, which is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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 recognised directly in profit and loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, 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 controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Minority interests at the reporting 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 statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners 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 owners 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries (continued)

In the Company's statement of financial position, 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 reporting date.

Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 statement of financial position at cost as 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 recognising its share of further losses. An additional share of losses is provided for and a liability is recognised 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 recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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 recognised immediately in profit or loss.

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.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sale of goods

Revenue from sale of goods is recognised when the goods are delivered and titled has passed.

Service income

Services income from rendering of environmental disposal services is recognised when services are provided.

Dividend income

Dividend income from investments is recognised the shareholders' rights to receive payment have been established.

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

When the leasehold land and buildings are in the course of development for the production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of building under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of building commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment after taking into account of their estimated residual value, using the straight-line method, over their estimated useful lives as follows:

Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease or their estimated useful lives, and 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit and loss in the period on which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange difference arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e., Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to stated-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisitions of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit and loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale investments. The accounting policies adopted in respect of which are set out below:

- Effective interest method

  The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

  Interest income is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

- Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, cash and cash equivalents) carried at amortised cost using the effective interest method, less any identified impairment losses.

- Available-for-sale investments
  Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit and loss, loans and receivables or held-to-maturity investments.

  At the end of the reporting period subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in investment revaluation reserve is reclassified to profit or loss.

  For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting date subsequent to initial recognition.

- Impairment of financial assets
  Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

  For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

  For all other financial assets, objective evidence of impairment could include:

  - significant financial difficulty of the issuer or counterparty; or

  - default or delinquency in interest or principal payments; or

  - it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

- Impairment of financial assets (continued)

  For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of over one year, observable changes in national or local economic conditions that correlate with default on receivables.

  For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

  For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

  The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

  For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

  Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

- Effective interest method
  The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

  Interest expense is recognised on an effective interest basis.

- Financial liabilities
  The Group's financial liabilities (including trade payables, loans and amounts due to related companies, shareholder's loan) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a results of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks on uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 co-ordinated plan to dispose of a separate major line of business or geographical area of operations, 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, if earlier. It also occurs if the operation is abandoned.

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 recognised 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.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

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

Share-based payment transactions

Equity-settled share-based payment transactions

- Share options granted to employees
  The fair value of services determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

- Share options granted to suppliers/consultants
  Share options issued in exchange for goods or services are measured at the fair values of the goods or services. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Cash-settled share-based payment transactions

For cash-settled based payments, the Group measures the goods and services acquired and the liability incurred at the fair value of the liability. At the end of the reporting period, the liability is re-measured at its fair value until the liability is settled, with any changes in fair value recognised in profit and loss.

Impairment losses on tangible and intangible assets other than goodwill

At the end of reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to it recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Related parties

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

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

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

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

(iii) the party is an associate;

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

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

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

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

Estimated impairment of receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Where the actual cash flows are less that expected, a material impairment loss may arise. As at 31 December 2009, the carrying amounts of trade receivables, and consideration receivable from disposal of subsidiaries are HK$17,071,000 and HK$87,389,000 respectively, which approximate the present value of their respective estimated future cash flows.

In respect of the outstanding consideration receivable arising from disposal of discontinued operation of HK$87,389,000 at 31 December 2009, HK$35,838,000 was received by the Group on 21 January 2010. The directors of the Company are of the view that the remaining balance of the consideration receivable will be fully settled by the purchaser in accordance with the Zhenjiang Dock Disposal Agreements as referred to note 11 and note 37.

Fair value of available-for-sale equity investments

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates. When the actual future cash flows are less than expected, a material impairment loss may arise. During the year, impairment loss for goodwill of HK$688,000 (2008: Nil) was recognised in the consolidated income statement. As at 31 December 2009, the carry amount of goodwill was HK$33,000,000 (2008: HK$33,688,000).

Estimate useful lives of property, plant and equipment

The Group is requires to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation for each reporting period.

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or make impairment provisions according to the results of the review.

Income taxes and deferred taxation

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for taxation. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred taxation provisions in the financial period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences will impact the recognition of deferred tax and tax in the periods in which such estimate is changed.

Functional currency of the Company

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

5. TURNOVER

An analysis of the Group's turnover for the year from continuing operations is as follows:

	2009 HK$'000	2008 HK$'000
Environmental service income	**39,094**	38,184
Sale of mold products	**16,568**	27,670
Sale of plastic products	**12,355**	9,340
Sale of plastic materials	**18,776**	–
	86,793	75,194

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standards (HKAS 14, *Segment Reporting*) required an entity to identify two segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments and geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit and loss.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

Continuing operations

(i) Waste disposal environmental services

(ii) Manufacture and sale of mold products

(iii) Manufacture and sale of plastic products

(iv) Sale of plastic materials

(v) Investments in plastic materials dyeing business

Discontinued operation

The Group involved in the investment and construction of dock infrastructure and the development of warehouses and depot facilities in Xinminzhou, Jingkou District, Zhenjiang City, Jiangsu, China. That operation was classified as held for sale since 3 November 2008, and discontinued with effect from 28 October 2009. Details of the discontinued operation are disclosed in note 11.

Information regarding the above segments is reported below. Amounts reported for the prior year have been re-stated to conform to the requirements of HKFRS 8.

6. SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

Continuing operations

For the year ended 31 December 2009

	Operating segments					
	Environmental services HK$'000	Mold products HK$'000	Plastic products HK$'000	Plastic materials trading HK$'000	Plastic materials dyeing investments HK$'000	Total HK$'000
Segment revenue:						
Revenue on external sales	39,094	16,568	12,355	18,776	–	86,793
Other revenue	1,103	312	133	–	1,822	3,370
Other net income	15	237	237	–	–	489
Total	40,212	17,117	12,725	18,776	1,822	90,652
Cost of sales and services	(15,013)	(15,733)	(11,400)	(17,497)	–	(59,643)
Distribution and selling expenses	(3,657)	(648)	(653)	(140)	–	(5,098)
Administrative expenses	(6,910)	(1,701)	(1,571)	–	–	(10,182)
Other expenses	(2,053)	(256)	(236)	–	–	(2,545)
Share of profits of associates, net	229	–	–	–	1,074	1,303
Impairment of goodwill	(688)	–	–	–	–	(688)
Finance costs	(2,229)	(553)	–	–	–	(2,782)
Segment results	9,891	(1,774)	(1,135)	1,139	2,896	11,017
Unallocated corporate items:						
Central administration costs						(3,631)
Directors' emoluments						(1,088)
Finance costs						(16)
Profit before tax						6,282

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Continuing operations (continued)

For the year ended 31 December 2008

	Operating segments					
	Environmental services HK$'000	Mold products HK$'000	Plastic products HK$'000	Plastic materials trading HK$'000	Plastic materials dyeing investments HK$'000	Total HK$'000
Segment revenue:						
Revenue on external sales	38,184	27,670	9,340	–	–	75,194
Other revenue	452	1,853	158	–	2,024	4,487
Other net income	1	–	10	–	–	11
Total	38,637	29,523	9,508	–	2,024	79,692
Cost of sales and services	(16,151)	(23,761)	(6,682)	–	–	(46,594)
Distribution and selling expenses	(3,399)	(1,669)	(669)	–	–	(5,737)
Administrative expenses	(5,213)	(3,349)	(1,605)	–	–	(10,167)
Other expenses	(2,342)	(683)	(1,495)	–	–	(4,520)
Share of profits of associates, net	(153)	–	–	–	1,075	922
Excess of fair value of net assets over cost of acquisition of interests in associates	4,298	–	–	–	–	4,298
Impairment of available-for-sale equity investments	–	–	–	–	(4,012)	(4,012)
Finance costs	(861)	(837)	–	–	–	(1,698)
Segment results	14,816	(776)	(943)	–	(913)	12,184
Unallocated corporate items:						
Central administration costs						(1,401)
Directors' emoluments						(1,010)
Finance costs						(2)
Profit before tax						9,771

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Segment results represents the profit earned by and loss from each segment without allocation of central corporate items including central administration costs, directors' emoluments and finance costs of the head office in Hong Kong. This is the measure reported to the chief operating decision maker, the Board of directors and the chairman of the Group, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2009	2008
	HK$'000	HK$'000
Segment assets		
Continuing operations:–		
Environmental services	**149,653**	142,474
Mold products	**30,628**	36,501
Plastic products	**17,785**	17,989
Plastic materials trading	**7,689**	–
Plastic materials dyeing investments	**59,757**	54,618
Total segment assets relating to continuing operations	**265,512**	251,582
Assets relating to discontinued operation	**87,389**	90,103
Central administration	**14,663**	4,448
Consolidated assets	**367,564**	346,133
Segment liabilities		
Continuing operations:–		
Environmental services	**38,525**	35,466
Mold products	**14,406**	21,587
Plastic products	**1,374**	1,126
Plastic materials trading	**7,169**	–
Plastic materials dyeing investments	**363**	–
Total segment liabilities relating to continuing operations	**61,837**	58,179
Liabilities relating to discontinued operation	**–**	1
Central administration	**6,356**	4,274
Consolidated liabilities	**68,193**	62,454

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments, and assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments, and liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

Continuing operations

For the year ended 31 December 2009

	Operating segments					
	Environmental services HK$'000	Mold products HK$'000	Plastic products HK$'000	Plastic materials trading HK$'000	Plastic materials dyeing investments HK$'000	Total HK$'000
Amounts included in the measure of segment results or segment assets:						
Additions to property, plant and equipment	2,494	730	386	135	–	3,745
Depreciation	3,375	2,415	1,112	12	–	6,914
Amortisation	454	54	–	–	–	508
Impairment of trade receivables	6	–	–	–	–	6
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:						
Income tax	1,084	–	–	–	126	1,210

6. SEGMENT INFORMATION (continued)

Other segment information (continued)

Continuing operations (continued)

For the year ended 31 December 2008

	Operating segments					
	Environmental services HK$'000	Mold products HK$'000	Plastic products HK$'000	Plastic materials trading HK$'000	Plastic materials dyeing investments HK$'000	Total HK$'000
Amounts included in the measure of segment results or segment assets:						
Additions to property, plant and equipment	10,458	270	1,814	–	–	12,542
Depreciation	2,687	2,452	884	–	–	6,023
Amortisation	453	55	–	–	–	508
Gain on disposal of property, plant and equipment	1	–	–	–	–	1
Reversal of impairment on trade receivables	–	–	(10)	–	–	(10)
Write-down of inventories	–	–	1,130	–	–	1,130
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:						
Income tax	–	–	–	–	–	–

Geographical information

The Group's operations are located at Hong Kong and Mainland China. The Group's total revenue and income and information about its total assets by geographical location of the assets are detailed below:

	Total revenue and income		Total assets	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Hong Kong	**477**	1,891	**14,663**	4,448
Mainland China	**90,175**	77,801	**352,901**	341,685
	90,652	79,692	**367,564**	346,133

6. SEGMENT INFORMATION (continued)

Information about major customers

Continuing operations

The Group has only one customer with whom transactions have exceeded 10% of the Group's total revenue for the year ended 31 December 2009 and the amount of sales to this customer amounted to HK$11,844,000. For the year ended 31 December 2008, there was no single customer with whom transactions exceeded 10% of the Group's total revenue.

7. OTHER REVENUE

	2009 HK$'000	2008 HK$'000
Continuing operations		
Bank interest income	**184**	150
Dividends from available-for-sale equity investments	**1,822**	2,024
Scrap sales	**1,364**	2,313
	3,370	4,487

8. OTHER NET INCOME

	2009 HK$'000	2008 HK$'000
Continuing operations		
Reversal of impairment on trade receivables	**–**	10
Net foreign exchange gain	**489**	–
Net gain on disposal of property, plan and equipment	**–**	1
	489	11

9. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Continuing operations		
Interest on:		
Bank loans wholly repayable within five years	**503**	837
Other borrowings	**65**	–
Finance leases	**1**	2
Imputed interest on promissory notes	**2,229**	861
Total borrowing costs	**2,798**	1,700

10. INCOME TAX

	2009 HK$'000	2008 HK$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**1,491**	–
	1,491	–
Deferred tax *(note 33)*	**(281)**	–
	1,210	–

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.

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year. No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong for both years.

Under the Law of The People's Republic of China ("PRC" or "China") on Enterprise Income Tax ("EIT") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Suzhou New Universe, Zhenjiang New Universe, Taizhou New Universe, and Yancheng New Universe are located and operated in the PRC.

10. INCOME TAX (continued)

Zhenjiang New Universe, Taizhou New Universe, and Yancheng New Universe are entitled to the exemptions from PRC Foreign Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. Yancheng New Universe and Taizhou New Universe would be subject to EIT of 12.5% for the years from 2009 to 2011. The first profit-making year of Zhenjiang New Universe was 2008, which was not subject to EIT in 2008 and 2009, but would be subject to EIT of 12.5% for the years from 2010 to 2012. Suzhou New Universe had no profit subject to EIT for the years of 2008 and 2009.

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

	2009 **HK$'000**	2008 HK$'000
Continuing operations		
Profit before tax	**6,282**	9,771
Tax at the average income tax rate	**2,026**	2,112
Tax effect of expenses not deductible for tax purpose	**1,145**	1,621
Tax effect of income not taxable for tax purpose	**(579)**	(2,043)
Tax effect of tax losses not recognised	**1,764**	683
Tax effect of tax losses utilised	**–**	(262)
Effect of temporary difference	**(281)**	–
Effect of tax exemptions granted to PRC subsidiaries	**(2,865)**	(2,111)
Tax charge and effective rate for the year	**1,210**	–

11. DISCONTINUED OPERATION

On 28 October 2009, the Company completed the disposal of the entire equity interests in New Universe International (Zhenjiang) Port Company Limited and New Universe International (Zhenjiang) Warehouses Company Limited (collectively referred to as the "Zhenjiang Dock Project") to an independent party at a consideration of RMB85,849,100 (approximately HK$97,696,000), based on an agreement dated 3 November 2008 as modified by two supplemental agreements dated 27 April 2009 and 10 September 2009 (collectively referred to as the "Dock Disposal Agreements").

The assets and liabilities attributable to the Zhenjiang Dock Project had been classified as disposal group held for sale and presented separately in the consolidated statement of financial position as at 31 December 2008.

11. DISCONTINUED OPERATION (continued)

(i) Profit from discontinued operation, net

The profit from the discontinued operation as a disposal group for the year is analysed as follows:

	2009 HK$'000	2008 HK$'000
Operating profit of the Zhenjiang Dock Project for the year	–	679
Gain on disposal of the Zhenjiang Dock Project, net *(note 37)*	15,382	–
	15,382	679

(ii) Operating profit from discontinued operation

Operating profit of the discontinued operation as a disposal group for the year is analysed as follows:

	2009 HK$'000	2008 HK$'000
Turnover	–	–
Cost of sales	–	–
Interest income	–	752
Other income	–	–
Distribution and selling expenses	–	–
Administrative expenses	–	(73)
Profit before tax	–	679
Income tax	–	–
Profit from discontinued operation after tax for the year	–	679

(iii) Cash flows on discontinued operation

During the year, Zhenjiang Dock Project had not contributed to the Group's net operating cash flows (2008: HK$679,000), had contributed to net cash outflow of HK$13,549,000 (2008: HK$1,118,000) in respect of the Group's investing activities, and had not contributed to the Group's financing activities.

12. PROFIT FOR THE YEAR

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

	2009 HK$'000	2008 HK$'000
Continuing operations		
Depreciation for property, plant and equipment		
– owned	**6,908**	6,016
– held under finance leases	**6**	7
Amortisation of land lease prepayments	**508**	508
	7,422	6,531
Impairment on financial assets		
– trade receivables	**6**	–
– available-for-sale equity investments	**–**	4,012
	6	4,012
Auditor's remuneration		
– audit service	**550**	550
– non-audit services	**15**	122
Net foreign exchange (gains)/losses	**(489)**	349
Research and development costs recognised as an expense	**231**	145
Gain on disposal of property, plant and equipment	**–**	(1)
Write-down of inventories	**–**	1,130
Cost of inventories consumed	**59,643**	46,594
Staff costs:		
(exclusive of directors' emoluments disclosed in *note 13*):		
Contributions to retirement benefits schemes	**1,759**	1,385
Salaries, wages and other benefits	**16,306**	14,977
	18,065	16,362

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2008: seven) directors of the Company were as follows:

	Fee HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Share-based payment HK$'000	Retirement scheme contribution HK$'000	2009 Total HK$'000
Executive directors						
XI Yu	–	–	–	–	–	–
CHEUNG Siu Ling	–	–	–	–	–	–
HON Wa Fai	–	716	–	–	12	728
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	716	–	–	12	1,088

	Fee HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Share-based payment HK$'000	Retirement scheme contribution HK$'000	2008 Total HK$'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

No directors waived any emoluments in the year ended 31 December 2009.

14. EMPLOYEES' EMULOMENTS

Of the five individuals with highest emoluments in the Group, one (2008: one) was director of the Company whose emoluments are disclosed in note 13 to the financial statements. The emoluments of the remaining four (2008: four) individuals were as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and other benefits	**722**	1,075
Retirement benefits scheme contribution	**–**	12
Performance related incentive payments	**1,750**	1,534
	2,472	2,621

Their emoluments were within the following band:

	2009 **Number of individuals**	2008 Number of individuals
HK$ nil to HK$1,000,000	**4**	4

15. DIVIDEND

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Number of shares

	2009 **'000**	2008 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,825,892**	1,825,892

16. EARNINGS PER SHARE (continued)

Earnings

	2009 HK$'000	2008 HK$'000
For continuing and discontinued operations		
Earnings for the purpose of basic earnings per share	**18,355**	8,381
For continuing operations		
Earnings for the purpose of basic earnings per share from continuing operations	**2,973**	7,702
For discontinued operation		
Earnings for the purpose of basic earnings per share from discontinued operation	**15,382**	679

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

17. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company includes a loss of HK$3,567,000 for the year ended 31 December 2009 (2008: loss of HK$2,143,000) which has been dealt with in the financial statements of the Company.

18. PROPERTY, PLANT AND EQUIPMENT

	Group						
	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 2008	23,244	209	32,242	2,157	165	2,177	60,194
Exchange adjustments	2,698	22	3,942	218	17	208	7,105
Additions	288	8,750	2,330	634	–	540	12,542
Disposals	(195)	–	(129)	(8)	–	(313)	(645)
Reclassification	451	(6,195)	5,639	105	–	–	–
At 31 December 2008 and at 1 January 2009	26,486	2,786	44,024	3,106	182	2,612	79,196
Exchange adjustments	201	29	345	21	1	20	617
Additions	80	2,567	400	244	–	454	3,745
Disposals	–	–	–	(52)	–	–	(52)
Reclassification	309	(5,039)	4,747	(17)	–	–	–
At 31 December 2009	**27,076**	**343**	**49,516**	**3,302**	**183**	**3,086**	**83,506**
Depreciation and impairment							
At 1 January 2008	1,602	–	5,154	1,037	116	989	8,898
Exchange adjustments	374	–	1,033	110	13	80	1,610
Charge for the year	1,335	–	3,972	410	20	286	6,023
Eliminated on disposals	(39)	–	(62)	(8)	–	(309)	(418)
At 31 December 2008 and at 1 January 2009	3,272	–	10,097	1,549	149	1,046	16,113
Exchange adjustments	41	–	120	12	1	9	183
Charge for the year	1,378	–	4,758	472	12	294	6,914
Eliminated on disposals	–	–	–	(52)	–	–	(52)
At 31 December 2009	**4,691**	**–**	**14,975**	**1,981**	**162**	**1,349**	**23,158**
Carrying amount							
At 31 December 2009	**22,385**	**343**	**34,541**	**1,321**	**21**	**1,737**	**60,348**
At 31 December 2008	23,214	2,786	33,927	1,557	33	1,566	63,083

The Group has pledged property, plant and equipment with a carrying amount of approximately HK$9,228,000 (2008: HK$9,716,000) to secure banking facilities granted to the Group *(note 29)*.

19. PREPAID LEASE PAYMENTS

	Group HK$'000
Cost	
At 1 January 2008	23,574
Exchange adjustments	550
At 31 December 2008 and at 1 January 2009	24,124
Exchange adjustments	40
At 31 December 2009	**24,164**
Amortisation and impairment	
At 1 January 2008	727
Exchange adjustments	86
Charge for the year	508
At 31 December 2008 and at 1 January 2009	1,321
Exchange adjustments	8
Charge for the year	508
At 31 December 2009	**1,837**
Carrying amount	
At 31 December 2009	**22,327**
At 31 December 2008	22,803

Analysed for reporting purposes as

	Group	
	2009 HK$'000	2008 HK$'000
Current asset	**508**	508
Non-current asset	**21,819**	22,295
	22,327	22,803

Prepaid lease payments are land use rights held by the Group in Jiangsu Province, the PRC which have remaining medium term leases from 43 to 44 years as at 31 December 2009.

As at 31 December 2009, the land use rights with a carrying amount of HK$2,335,000 (2008: HK$2,373,000) have been pledged to a bank to secure the banking facilities granted to the Group *(note 29)*.

20. GOODWILL

	Group	
	2009	2008
	HK$'000	HK$'000
Cost		
Carrying amount at 1 January	**33,688**	33,688
Impairment loss recognised in consolidated income statement	**(688)**	–
Carrying amount at 31 December	**33,000**	33,688

In the second quarter of 2009, due to the adverse effects of the global financial crisis, the Group recognised an impairment loss of HK$688,000 (2008: Nil) on the goodwill.

Particulars of impairment testing on goodwill are disclosed in note 21.

21. IMPAIRMENT TESTING ON GOODWILL

Goodwill set out in note 20 has been allocated to a subsidiary, the New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)"). 82% of the issued share capital NUET(JS) is held by New Universe Environmental Protection Investment Limited ("NUEPIL"). NUET(JS) directly owns 100% equity interests in Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe (collectively referred to as the "Environmental Group").

The goodwill arising from the acquisition of the 82% equity interest of the Environmental Group. The Environmental Group is principally engaged in waste disposal environmental services of the Group. Each of Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe has established its own (i) waste collection system, (ii) waste storage system, (iii) waste disposition system, (iv) waste management system, and (v) internal environmental management system, in compliance with the regulations. The tight government environmental compliance policies are the key barriers to market entry.

The key assumptions have been determined by the Group's management with reference to the valuation performed by BMI Appraisals Limited, an independent firm of professional valuers. The recoverable amount of the Environmental Group was determined based on income approach, which used discounted cash flow method and assumptions used for value-in-use-calculation: cashflows forecast covering a period of 10 years, sales growth rate of ranging from 0.1% to 5%, profit margin of 61.6% and discount rate of 15.26%.

Based on the assessment, the recoverable amount of the goodwill at 31 December 2009 is estimated to exceed its carrying value of HK$33,000,000 at that date and therefore, the directors of the Company consider that no further impairment is required at 31 December 2009.

22. SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Interests in subsidiaries:		
Unlisted shares, at cost	**58,078**	58,078
Amounts due from subsidiaries	**327,670**	342,189
Impairment loss recognised	**(112,490)**	(130,690)
	273,258	269,577
Amounts due to subsidiaries	**17,998**	–

Amounts due from subsidiaries are unsecured, equity in nature and interest-free, except for the amount of HK$7,427,000 as at 31 December 2009 (2008: HK$7,427,000) due from a subsidiary Bestwin (China) Limited, which bears interest at 5.25% per annum. In the opinion of the directors of the Company, these amounts due from subsidiaries will not be demanded for repayment as they represent in substance the capital contributions to the subsidiaries. Impairment was recognised for certain amounts due from subsidiaries because the estimated recoverable amounts of these balances were lower than their carrying amounts. During the year, a subsidiary, Smartech I-Network Limited was struck off on 1 May 2008 and the amount due from the subsidiary of HK$18,200,000, which was previously fully impaired, had been written off.

Amounts due to subsidiaries are unsecured, interest-fee and repayable on demand.

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place/ country of incorporation or registration/ operations	Form of legal entity	Paid up issued/ registered ordinary share capital	Proportion of ownership interest and voting power held by the Company				Principal activities
				Directly		Indirectly		
				2009 %	2008 %	**2009 %**	2008 %	
Smartech International Group Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$1,000,000	**100**	100	**–**	–	Investment holding
Smartech Manufacturing Limited	Hong Kong	Limited liability company	HK$5,000,000	**–**	–	**100**	100	Sale of molds and plastic products
Smartech Plastic Moulding Limited	Hong Kong	Limited liability company	HK$100	**–**	–	**100**	100	Sale of plastic products
Smartech Services Limited ("Smartech Services")	Hong Kong	Limited liability company	HK$2	**–**	–	**100**	100	Provision of management services
New Universe (China) Investment Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$1,800,000	**–**	–	**100**	100	Investment holding

22. SUBSIDIARIES (continued)

Name of subsidiary	Place/ country of incorporation or registration/ operations	Form of legal entity	Paid up issued/ registered ordinary share capital	Proportion of ownership interest and voting power held by the Company				Principal activities
				Directly		Indirectly		
				2009 %	2008 %	**2009 %**	2008 %	
New Universe (China) Limited	Hong Kong	Limited liability company	HK$1,000,000	**–**	–	**100**	100	Investment holding
Bestwin (China) Limited ("Bestwin")	Hong Kong	Limited liability company	HK$15,000,000	**–**	–	**97**	97	Investment holding
Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe")	PRC	WFOE*	US$4,600,000	**–**	–	**97**	97	Manufacture and sale of molds and plastic products
New Universe Environmental Protection Investment Limited ("NUEPIL")	British Virgin Islands/ Hong Kong	Limited liability company	US$4,000,000	**–**	–	**100**	100	Investment holding
New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)")	Hong Kong	Limited liability company	HK$10,000,000	**–**	–	**82**	82	Investment holding
Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe")	PRC	WFOE*	US$2,850,000	**–**	–	**82**	82	Environmental waste disposal services
Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe")	PRC	WFOE*	US$700,000	**–**	–	**82**	82	Environmental waste disposal services
Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe")	PRC	WFOE*	US$700,000	**–**	–	**82**	82	Environmental waste disposal services

* *Wholly foreign-owned enterprise ("WFOE")*

23. INTERESTS IN ASSOCIATES

	Group 2009 HK$'000	Group 2008 HK$'000
Share of net assets:		
At 1 January	**36,962**	4,778
Acquisition of associates *(note 38)*	**–**	28,867
Capital contribution to an associate	**–**	2,149
Share of post-acquisition profits, net	**1,303**	922
Share of other comprehensive income	**275**	894
Dividends and distribution received	**(1,129)**	(648)
At 31 December	**37,411**	36,962

In the opinion of the directors of the Company, there was no impairment on the investments in associates.

As at 31 December 2009 and 2008, the Group had interests in the following unlisted associates:

Name of associate	Form of legal entity	Place/country of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital held by the Group 2009 %	Proportion of nominal value of issued capital held by the Group 2008 %	Principal activities
Qingdao Zhongxin Huamei Plastics Co., Limited ("Qingdao Huamei")	Incorporated SFJE#	PRC	US$1,650,000	**28.67**	28.67	Plastic materials dyeing
New Sinotech Investments Limited ("New Sinotech")	Incorporated	British Virgin Islands/ Hong Kong	US$5,000,000	**38**	38	Investment holding
Fair Time International Limited ("Fair Time")	Incorporated	Hong Kong	HK$45,200,000 (31 December 2008: HK$39,300,000)	**38**	38	Investment holding
Zhenjiang Sinotech Eco-electroplating Development Limited ("Zhenjiang Sinotech")	Incorporated WFOE*	PRC	US$19,000,000 (31 December 2008: US$13,500,000)	**38**	38	Provision of sewage treatment and recycling services

* *Wholly foreign-owned enterprise ("WFOE")*

\# *Sino-foreign joint equity enterprise ("SFJE")*

23. INTERESTS IN ASSOCIATES (continued)

The summarised financial information in respect of the Group's associates is set out below:

Qingdao Huamei

	2009 HK$'000	2008 HK$'000
Total assets	**34,952**	23,804
Total liabilities	**(14,524)**	(3,860)
Net assets	**20,428**	19,944
Revenue	**93,733**	81,919
Profit before tax	**4,482**	3,750
Income tax	**(738)**	–
Profit for the year	**3,744**	3,750
Other comprehensive income	**130**	1,789

	Group	
	2009 HK$'000	2008 HK$'000
Group's share of net assets of the associate	**5,857**	5,718
Group's share of post-tax profits and other comprehensive income of the associate for the year	**1,111**	1,588

23. INTERESTS IN ASSOCIATES (continued)

New Sinotech Group comprises New Sinotech, Fair Time and Zhenjiang Sinotech

	2009 HK$'000	2008 HK$'000
Total assets	**218,089**	174,023
Total liabilities	**(135,052)**	(91,802)
Net assets	**83,037**	82,221
Revenue	**3,597**	351
Profit/(loss) before tax	**604**	(402)
Income tax	**–**	–
Profit/(loss) for the year	**604**	(402)
Other comprehensive income	**625**	1,002

	Group	
	2009 **HK$'000**	2008 HK$'000
Group's share of net assets of the associates	**31,554**	31,244
Group's share of post-tax profits and other comprehensive income of associates for the year	**467**	228

24. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2009 **HK$'000**	2008 HK$'000
Unlisted equity investments at fair value	**53,900**	48,900

The unlisted available-for-sale equity investments represent investments in entities in Mainland China.

The fair value of the unlisted equity investments at the end of each reporting date are determined by reference to the valuation carried out by BMI Appraisals Limited, an independent firm of professional valuers, using a market approach model based on the observable market data of the multiple of enterprise value to earnings before interest and tax ("EV/EBIT") of comparable listed companies in the same industry.

For the year ended 31 December 2008, due to the adverse effect of global financial crisis, these equity investments were written down by HK$8,122,000 of which HK$4,110,000 was charged to write off the previous revaluation surplus as an equity movement and the balance of HK$4,012,000 was recognised as impairment in the income statement.

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

As at 31 December 2009 and 2008, the Group has interests in the following available-for-sale equity investments:

Name of entity	Form of legal entity	Place/country of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital held by the Group		Principal activities
				2009	2008	
				%	%	
Suzhou New Huamei Plastics Co., Limited ("Suzhou New Huamei")	Incorporated SFJE #	PRC	US$5,000,000	**18.62**	18.62	Plastic materials dyeing
Danyang New Huamei Plastics Co., Limited ("Danyang New Huamei")	Incorporated SFJE #	PRC	US$1,600,000	**24.50**	24.50	Plastic materials dyeing

Sino-foreign joint equity enterprise ("SFJE")

The Group's investment in Danyang New Huamei represents a 24.5% holding of the registered paid up capital of Danyang New Huamei which is not regarded as an associate of the Group because the Group has appointed one out of the seven directors of the board of Danyang New Huamei and therefore, the Group is not in a position to exercise significant influence through participation in the making decisions on financial and operating policy of Danyang New Huamei.

25. INVENTORIES

	Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**6,201**	2,713
Work in progress	**5,086**	5,128
Finished goods	**1,056**	2,211
	12,343	10,052

26. TRADE AND BILLS RECEIVABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**15,766**	13,977
Less: allowance for doubtful debts	**(971)**	(977)
	14,795	13,000
Bills receivables	**2,276**	811
	17,071	13,811

The Group's trading terms with its customers are mainly on credit. The Group allows an average credit period of 90 days to its customers of the mold products segment, an average credit period of 60 days to its customers of the plastic products segment and the environmental services segment. The following is an ageing analysis of trade and bills receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period.

	Group	
	2009	2008
	HK$'000	HK$'000
0 day to 30 days	**9,452**	7,654
31 days to 60 days	**3,647**	2,045
61 days to 90 days	**1,318**	1,477
91 days to 180 days	**1,992**	1,775
181 days to 360 days	**538**	796
Over 360 days	**124**	64
Financial assets measured at amortised cost	**17,071**	13,811

Ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**14,417**	11,176
Less than 90 days past due	**1,992**	1,774
More than 90 days past due	**662**	861
	17,071	13,811

26. TRADE AND BILLS RECEIVABLES (continued)

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

Movement in the allowance for doubtful debts:

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**977**	987
Amounts written off as uncollectible	**(6)**	–
Amounts recovered during the year	**–**	(10)
At 31 December	**971**	977

At 31 December 2009, the Group's trade debtors of HK$971,000 (2008: HK$977,000) were individually determined to be impaired. The individually impaired receivables related to a number of customers and management assessed that the receivables are not recoverable. Consequently specific allowances for doubtful debts were recognised, the Group does not hold any collateral over these balances.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Deposits paid to suppliers	**180**	1,548
VAT refundable	**–**	664
Other receivables	**772**	1,391
	952	3,603

28. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**42,823**	23,128	**12,183**	1,812
Cash and bank balances included in disposal group held for sale *(notes 11 and 37)*	**–**	23,258	**–**	–
Cash and cash equivalents in the consolidated cash flow statement	**42,823**	46,386	**12,183**	1,812

Bank balances carry interest at market rates which range from 0.01% to 1.71% (2008: 0.01% to 1.35%) per annum for the year ended 31 December 2009.

29. INTEREST-BEARING BANK BORROWINGS

	Group	
	2009	2008
	HK$'000	HK$'000
Bank loans – secured	**5,121**	10,170
Repayable within one year	**5,121**	10,170

As at 31 December 2009 and 2008, all interest-bearing bank borrowings of the Group are denominated in Renminbi, which is the functional currency of the relevant subsidiary.

The Group's bank loans bear interest ranging from 5.84% to 8.59% per annum (2008: 6.43% to 8.59% per annum).

At 31 December 2009, the Group's bank loans were secured on land use rights and property, plant and equipment of a subsidiary (note 41).

30. TRADE PAYABLES

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

	Group	
	2009	2008
	HK$'000	HK$'000
0 day to 30 days	**2,883**	1,573
31 days to 60 days	**2,888**	846
61 days to 90 days	**3,897**	626
Over 91 days	**946**	1,392
Financial liabilities measured at amortised cost	**10,614**	4,437

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

31. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Salaries and bonuses payable	**4,331**	3,024	**–**	–
Amounts payable for acquisition of property, plant and equipment	**1,367**	–	**–**	–
Accrued interest	**51**	–	**–**	–
Other payables	**7,997**	9,185	**502**	1,070
	13,746	12,209	**502**	1,070

32. DEPOSITS RECEIVED

Deposits received represent deposits received from customers.

33. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position:

	2009 HK$'000	2008 HK$'000
Continuing operations *(note 10)*		
Provision for PRC income tax	**1,491**	–
Income tax paid	**(1,177)**	–
Discontinued operation *(note 37)*		
Provision for PRC income tax	**2,000**	–
Income tax paid	**(130)**	–
	2,184	–

(b) Recognised deferred tax liabilities

	2009 HK$'000	2008 HK$'000
At 1 January	**5,065**	5,065
Credited to profit or loss *(note 10)*	**(281)**	–
Charged to equity	**363**	–
At 31 December	**5,147**	5,065

The Group's provision for deferred tax liabilities represent the tax effect on temporary differences arising from the fair value adjustments on (a) land use rights of certain PRC subsidiaries acquired in 2007, amounted to HK$4,784,000 (2008: HK$5,065,000) and (b) available-for-sale investments amounted to HK$363,000 (2008: Nil) following the new pronouncement of Tax Circular No. 698 issued by the PRC tax authorities in December 2009.

33. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax assets not recognised:

At the end of the reporting period, the Group has unused tax losses of HK$42,969,000 (2008: HK$36,223,000) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams of the relevant group entities. The unused tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised:

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated income statement arising since 1 January 2008 because, the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

34. SHARE CAPITAL

Share capital of the Company comprises ordinary shares only. All ordinary shares rank pari passu to all rights therein, including dividend rights and repayment of capital.

	Number of shares		Share capital	
	2009	2008	**2009**	2008
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.01each				
Authorised				
At beginning and at end of year	**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid				
At beginning and at end of year	**1,825,892**	1,825,892	**18,259**	18,259

35. RESERVES

Group

	Share premium HK$'000 *(note (i))*	Translation reserve HK$'000 *(note (ii))*	Investment revaluation reserve HK$'000 *(note (iii))*	General reserve HK$'000 *(note (iv))*	Retained profits HK$'000	Total HK$'000
At 1 January 2008	206,488	3,600	4,110	31,929	(8,716)	237,411
Profit for the year	–	–	–	–	8,381	8,381
Other comprehensive income						
Exchange differences on translation of financial statements of overseas subsidiaries	–	14,598	–	–	–	14,598
Fair value loss on available-for-sale equity investments	–	–	(4,110)	–	–	(4,110)
Share of other comprehensive income of associates	–	894	–	–	–	894
Total comprehensive income for the year	–	15,492	(4,110)	–	8,381	19,763
At 31 December 2008 and 1 January 2009	206,488	19,092	–	31,929	(335)	257,174
Profit for the year	–	–	–	–	18,355	18,355
Other comprehensive income						
Exchange differences						
– on translation of financial statements of overseas subsidiaries	–	510	–	–	–	510
– release on disposal of subsidiaries *(note 37)*	–	(10,257)	–	–	–	(10,257)
Fair value gain on available-for-sale equity investments, net of deferred tax	–	–	4,637	–	–	4,637
Share of other comprehensive income of associates	–	275	–	–	–	275
Total comprehensive income for the year	–	(9,472)	4,637	–	18,355	13,520
At 31 December 2009	206,488	9,620	4,637	31,929	18,020	270,694

35. RESERVES (continued)

Company

	Share premium HK$'000 *(note (i))*	General reserve HK$'000 *(note (iv))*	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	206,488	58,078	(32,102)	232,464
Loss for the year	–	–	(2,143)	(2,143)
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	(2,143)	(2,143)
At 31 December 2008 and 1 January 2009	206,488	58,078	(34,245)	230,321
Loss for the year	–	–	(3,567)	(3,567)
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	(3,567)	(3,567)
At 31 December 2009	**206,488**	**58,078**	**(37,812)**	**226,754**

Nature and purpose of reserves and their movements are as follows:

(i) 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. The balance of this general reserve is distributable and for such use as permissible under the laws of Cayman Islands and the articles of association of the Company.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies of translation of foreign currencies. The balance of this general reserve is distributable and available for such use as permissible under the laws of Cayman Islands and the articles of association of the Company.

(iii) Investment revaluation reserve

Investment revaluation reserve represents changes in fair value of available-for-sales equity investments.

35. RESERVES (continued)

(iv) General reserve

The general reserve comprises transfers from capital reduction, cancellation of share premium as of 31 December 2005, and balance of contributed surplus as of 31 December 2005 immediately after the Capital Re-organisation of the Company became effective on 18 December 2006. The general reserve shall be applied to set off against the accumulated losses of the Company and may be applied in such manner as is permitted by, and subject always to, the laws of Cayman Islands and the articles of association of the Company.

(v) Distributability of reserves

At 31 December 2009, the Company has reserves available for distribution to its owners in the amount of HK$226,754,000 (2008: HK$230,321,000).

36. PROMISSORY NOTES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due over one year and within five years classified as non-current liabilities – Promissory notes – unsecured	**22,185**	19,956	**22,185**	19,956
	22,185	19,956	**22,185**	19,956

The promissory notes were issued with zero coupon rate in connection with the acquisition of 38% equity interests in New Sinotech Group (comprising New Sinotech, Fair Time and Zhenjiang Sinotech) was completed on 8 August 2008.

The promissory notes bearing aggregate nominal value of HK$26,920,000 are unsecured, registered in the name of an independent third party, comprising four promissory notes of HK$6,730,000 each at zero coupon rate and are repayable 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 as at the issue date on 8 August 2008, based on an independent valuation carried out by an independent valuer, BMI Appraisals Limited. The effective interest rates of the four promissory notes are determined to be within the range of 10.36% to 10.88% per annum. The imputed effective interest of the promissory notes amounting to HK$2,229,000 (2008: HK$861,000) was charged to the income statement of the Group at the end of the reporting period.

37. DISPOSAL OF SUBSIDIARIES – 2009

As referred to note 11, on 28 October 2009, the Group disposed of its equity interests of Zhenjiang Dock Project. The net assets of the Zhenjiang Dock Project at the date of disposal were as follows:

	2009 Group HK$'000
NET ASSETS DISPOSED OF:	
Deposits paid to the local government for the docks development (2008: HK$55,144,000)	55,144
Docks development costs (2008: HK$7,159,000)	7,197
Prepayments and other receivables (2008: HK$4,542,000)	4,559
Cash and bank balances (2008: HK$23,258,000)	23,202
Other payables (2008: HK$1,000)	–
	90,102
Direct costs relating to the disposal	469
Attributable PRC income tax	2,000
Release of translation reserve	(10,257)
	82,314
Gain on disposal, net	15,382
Total cash consideration	97,696
Consideration received in cash	10,307
Consideration receivable	87,389
Total	97,696
Net cash outflow for the year arising on disposal:	
Cash consideration settled during the year	10,307
Attributable PRC income tax paid	(130)
Direct costs and other cash outgoings	(524)
Cash and bank balances disposed of	(23,202)
	(13,549)
Cash consideration to be settled subsequent to year end date	87,389

Out of the total consideration, cash deposit of RMB3,500,000 (approximately HK$3,983,000) was received on 6 May 2009, instalments of (i) RMB5,557,365 (approximately HK$6,324,000) and (ii) RMB31,491,735 (approximately HK$35,838,000) were received on 29 December 2009 and on 21 January 2010 respectively, and the net balance of RMB45,300,000 (approximately HK$51,551,000), which has been guaranteed by the China Parties under the Dock Disposal Agreements, is expected to be settled in 2010 upon obtaining the land use rights certificates of the Zhenjiang Dock Project.

The impact of Zhenjiang Dock Project on the Group's results and cash flows in the current and prior period is disclosed in note 11.

38. ACQUISITION OF ASSOCIATES – 2008

On 8 August 2008, the Group completed the acquisition of 38% equity interests in New Sinotech Group, which is principally engaged in the provision of sewage treatment and recycling services in the Eco-plating Specialised Zone in Zhenjiang, Jiangsu Province. Details of the fair value of the net assets acquired and the excess of the fair value of net assets acquired over the cost of acquisition of the interests in New Sinotech Group are as follows:

	Carrying amount	**Fair value adjustments**	**Fair value**
	HK$'000	HK$'000	HK$'000
The assets and liabilities of the New Sinotech Group:			
Property, plant and equipment	9,375	–	9,375
Land use rights	20,644	49,945	70,589
Prepayments, deposits and other receivables	1,033	–	1,033
Cash and bank balances	11,022	–	11,022
Accrued and other payables	(1,575)	–	(1,575)
Deferred tax liabilities	–	(14,128)	(14,128)
Loan from a shareholder (the vendor)	(351)	–	(351)
100% of the fair value of net assets	40,148	35,817	75,965
38% of the fair value of net assets acquired			28,867
38% of the loan from a shareholder (the vendor) assigned			133
Excess of share of fair value of net assets over the cost of acquisition of interests in associates			(4,298)
Total consideration			24,702
Satisfied by:			
Offset against earnest money previously paid			5,000
Issue of promissory notes at fair value *(note 36)*			19,095
Direct expenses relating to the acquisition			607
			24,702

A gain representing the 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 had been recognised in the consolidated income statement for the year ended 31 December 2008.

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

39. OPERATING LEASES COMMITMENTS

The Group as lessee had the following minimum lease payments under operating leases during the year:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Office premises	**235**	166	**–**	–
Landfill	**398**	554	**–**	–
	633	720	**–**	–

As at 31 December 2009, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**187**	197	**–**	–
After 1 year but within 5 years	**366**	365	**–**	–
After 5 years	**80**	158	**–**	–
	633	720	**–**	–

40. CAPITAL COMMITMENTS

At 31 December 2009, the Group had the following capital commitments:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations:				
Contracted for but not provided for:				
Capital expenditure in respect of acquisition of property, plant and equipment	**23**	2,079	**–**	–
Authorised but not contracted for:				
Capital expenditure in respect of acquisition of property, plant and equipment	**7,760**	–	**–**	–
Financial commitment to New Sinotech Group *(note below)*	**35,386**	35,568	**–**	–
Discontinued operation:				
Zhenjiang Dock Project	**–**	217,544	**–**	–

40. CAPITAL COMMITMENTS (continued)

Note:

The total authorised cost of investment of 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 and guaranteed by Mr. XI Yu, a common director of the Company and his associate. The balance of authorised 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$35,386,000 as at 31 December 2009 (2008: US$4,560,000 or HK$35,568,000). Regarding 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, 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.

41. PLEDGE OF ASSETS

At 31 December 2009, the Group pledged certain property, plant and equipment and the land use rights with carrying amounts of HK$9,228,000 (2008: HK$9,716,000) and HK$2,335,000 (2008: HK$2,373,000) respectively to a bank to secure a bank loan of HK$5,121,000 (2008: HK$10,170,000) granted to the Group.

42. 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 authorised, 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 Share Option Scheme shall be valid and effective for a period of 10 years ending on 9 December 2013, after which no further options will be granted.

The total number of securities available for issue under the Share Option Scheme as at 31 December 2009 was 119,168,000 shares (2008: 119,168,000 shares) of the Company which represented the current scheme mandate limit given to the directors to issue 10 per cent. of the Company's shares as refreshed by the Company's shareholders on 27 April 2007.

During the years ended 31 December 2008 and 2009, no options have been granted or outstanding under the Company's Share Option Scheme.

43. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2009 and 2008, the directors are of the view that the following companies are related parties to the Group:

Name of the related party	Relationship
New Universe Holdings Limited ("NUHL")	Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors
China (HK) Chemical & Plastics Co. Limited ("China (HK) Chemical")	97% owned subsidiary of NUHL; Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors
Sun Ngai International Investment Limited ("Sun Ngai")	Wholly-owned subsidiary of NUHL; Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors
Beijing New Universe Mirai Environmental Engineering Company Limited ("Beijing New Universe")	Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors
NUEL	Ultimate holding company of the Group

(a) Transactions with related parties

	Note	**2009 HK$'000**	2008 HK$'000
Recurring transactions			
Purchases of raw materials			
– China (HK) Chemical	(i)	**17,024**	500
Rentals paid			
– Sun Ngai	(ii)	**192**	168
Non-recurring transaction			
Loan interest			
– China (HK) Chemical	(iii)	**65**	–

The directors of the Company are of the opinion that the above related parties transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business of the Group.

43. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) A framework supply agreement dated 26 February 2009 (referred therein to as "Supply Contract") was entered into between Suzhou New Universe (an indirectly 97% owned subsidiary of the Company) 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 commenced 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. Pursuant to the Supply Contract, during the year ended 31 December 2009, Suzhou New Universe ordered plastic materials of 1,482 metric tons for an aggregate amount of HK$18,050,000 from China (HK) Chemical; and accordingly, China (HK) Chemical delivered 1,426 metric tons of plastic materials for an aggregate amount of HK$17,024,000 to Suzhou New Universe.

(ii) Renewable rental agreements dated 1 August 2008 and 28 August 2009 were entered into between Smartech Services Limited ("Smartech Services", an indirectly wholly-owned subsidiary of the Company) as tenant and Sun Ngai as landlord, pursuant to which Smartech Services rented an office unit located at Room 2109, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong from Sun Ngai at the monthly rental of HK$10,000 for the period from 1 August 2008 to 30 September 2009 and at a monthly rental of HK$18,000 for the period from 1 October 2009 to 31 July 2010.

(iii) A loan agreement dated 18 May 2009 was entered into between Bestwin (an indirectly 97% owned subsidiary of the Company) as borrower and China (HK) Chemical as lender, pursuant to which China (HK) Chemical granted an unsecured loan of US$390,000 (approximately HK$3,042,000) to Bestwin on 15 June 2009. The loan bearing interest at 3% per annum is repayable by the end of third year after the date of drawdown.

(b) Balances due to related parties

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade balances				
– China (HK) Chemical	**7,169**	272	**–**	–
Other balances				
– Beijing New Universe	**19**	19	**–**	–
Loans				
– NUEL	**–**	2,416	**–**	2,416
– China (HK) Chemical	**3,042**	–	**–**	–

The amounts due to related parties are unsecured, interest-free and repayable on demand, except for loan from China (HK) Chemical, which bears interest at 3% per annum and is repayable on or before 15 June 2012.

Shareholder's loan from NUEL was unsecured, interest-free and repaid on 6 November 2009.

43. RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 13 and certain of the highest paid individual as disclosed in note 14, is as follows:

	2009	2008
	HK$'000	HK$'000
Short-term employees benefits	**5,600**	4,504
Post-employment benefits	**36**	36

44. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure entities in the Group will be able to continue as a going concern;

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

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

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

The Group reviews the capital structure regularly. As part of the review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new shares issues and share buy-backs and the issue of new debts or the redemption of existing debts. The Group's overall strategy remains unchanged from prior year.

The Group monitors its capital through gearing ratio. The Group expects to increase its gearing ratio as when necessary through issue of new debts to fulfill the Group's capital management objectives.

44. CAPITAL MANAGEMENT (continued)

The gearing ratios as at 31 December 2009 and 2008 were as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Continuing operations:		
Current liabilities		
Interest-bearing bank borrowings	**5,121**	10,170
Trade payables	**10,614**	4,437
Accrued liabilities and other payables	**13,746**	12,209
Deposits received	**6,135**	8,177
Obligation under finance leases	**–**	4
Amount due to a related company	**19**	19
	35,635	35,016
Non-current liabilities		
Promissory notes	**22,185**	19,956
Loan from a related company	**3,042**	–
Shareholder's loan	**–**	2,416
	25,227	22,372
Total debts	**60,862**	57,388
Less: Cash and cash equivalents	**42,823**	23,128
Net debt	**18,039**	34,260
Total equity	**299,371**	283,679
Gearing ratio	**6.0%**	12.1%

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

45. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include loans and receivables, available-for-sale equity investments, and liabilities measured at amortised cost. The carrying amount of each category of the Group's financial assets and liabilities recognised at 31 December 2009 and 2008 are as follows.

Summary of financial assets and liabilities of the Group by category:

Continuing operations:	**2009 HK$'000**	2008 HK$'000
(i) Financial assets		
Loans and receivables at amortised cost		
Trade and bills receivables	**17,071**	13,811
Other receivables	**772**	1,391
Consideration receivable on disposal of discontinued operation	**87,389**	–
Cash and cash equivalents	**42,823**	23,128
Available-for-sale financial assets at fair value		
Available-for-sale equity investments	**53,900**	48,900
	201,955	87,230
(ii) Financial liabilities		
At amortised cost		
Interest-bearing bank borrowings	**5,121**	10,170
Trade payables	**10,614**	4,437
Accrued liabilities and other payables	**13,746**	12,209
Deposits received	**6,135**	8,177
Obligation under finance leases	**–**	4
Amount due to a related company	**19**	19
Loan from a related company	**3,042**	–
Shareholder's loan	**–**	2,416
Promissory notes	**22,185**	19,956
	60,862	57,388

Details of the financial instruments are disclosed in the respective notes.

The Group is exposed to risks associated with the financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk, which result from both its operating and investing activities. The management of the Company and its subsidiaries coordinated with the board of directors at its headquarter in Hong Kong monitors and manages the risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

45. FINANCIAL RISK MANAGEMENT (continued)

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

Currency risk

The Group adopted Hong Kong dollars (HK$) as the currency for presentation purposes.

The functional currencies of the Company and its PRC subsidiaries are HK$ and RMB respectively.

Some of the trading transactions of the Group were denominated in foreign currencies, which are United States dollar (US$) and Euros (EUR). The Group's exposure to currency risk arises from financial instruments that are monetary items or from financial instruments denominated not in the functional currencies of the respective entities within the Group, which are HK$ and RMB. For the year ended 31 December 2009, approximately 16.0% and 9.9% of the Group's sales were denominated in US$ and EUR respectively.

At the reporting date, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities translated into Hong Kong dollars at the closing rate are as follows:

2009	**Group**		**Company**	
	US$'000	**EUR'000**	**US$'000**	**EUR'000**
Monetary financial assets				
Trade and bills receivables	**1,503**	**378**	**–**	**–**
Other receivables	**4**	**–**	**–**	**–**
Cash and cash equivalents	**1,628**	**18**	**1,460**	**–**
	3,135	**396**	**1,460**	**–**
Monetary financial liabilities				
Trade payables	**953**	**–**	**–**	**–**
Accrued liabilities and other payables	**15**	**–**	**–**	**–**
Deposits received	**271**	**52**	**–**	**–**
Loan from a related company	**390**	**–**	**–**	**–**
	1,629	**52**	**–**	**–**
Current net exposure	**1,506**	**344**	**1,460**	**–**

45. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

2008	Group		Company	
	US$'000	EUR'000	US$'000	EUR'000
Monetary financial assets				
Trade and bills receivables	521	55	–	–
Other receivables	33	–	–	–
Cash and cash equivalents	275	1	187	–
	829	56	187	–
Monetary financial liabilities				
Trade payables	74	–	–	–
Accrued liabilities and other payables	17	–	–	–
Deposits received	587	85	–	–
	678	85	–	–
Current net exposure	151	(29)	187	–

45. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

Sensitivity analysis

The management considered that the currency risk to be low as the exchange rates of US$ and EUR relative to HK$ or RMB were not significant for both 2009 and 2008. Therefore, no hedging or similar measures have been implemented by the Group.

At 31 December 2009 and 2008, the impact of the Group's and the Company's exposure to currency risk was minimal. Accordingly, no sensitivity analysis was presented.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (note 29 for details of these borrowings) and bank balances (note 28 for details of these deposits) and fair value interest rate risk in relation to fixed-rate borrowings from related parties (note 43(b)). It is the Group's policy to keep its borrowing at floating rate of interests so as to minimise fair value interest rate risk in relation to fixed-rate bank borrowing.

The Group has no significant interest-bearing assets apart from bank balances with their interest rate profile disclosed in note 28.

The interest rate profiles of the bank borrowings and loans from related parties are disclosed in note 29 and note 43(b) respectively.

Sensitivity analysis

The borrowings from a related company are bearing fixed interest rate and insensitive to any change in interest rates.

The following table details the Group's sensitivity to a 100 basis points ("bp") (2008: 100 bp) increase and decrease in interest rate as the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates, assuming that the financial instruments outstanding at the end of the reporting period had been outstanding for the whole year. A positive number below indicates an increase in post-tax profit and total equity where interest rates generally decreased by 100 bp. For an increase in 100 bp, there would be an equal and opposite impact on the profit and total equity and the balances below would be negative.

	Group			
	+ 100 bp impact		**– 100 bp impact**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
(Decrease)/increase in profit after tax	**(51)**	(102)	**51**	102
(Decrease)/increase in total equity	**(51)**	(102)	**51**	102

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate borrowings. The analysis is presented on the same basis for 2008.

45. FINANCIAL RISK MANAGEMENT (continued)

Other price risk

The Group is exposed to equity price risk through its equity investments classified as available-for-sale equity investments as set out in note 24 to the financial statements.

The Group's available-for-sale equity investments are unlisted equity investments held for long term strategic purposes, which are concentrated on equity ventures operating in plastic materials dyeing industry section in the Mainland China, and have risk and return profiles different from other operations of the Group. Their performance has been monitored by delegates of the directors of the board of the Company, and is assessed by independent professional valuer at least quarterly against performance of other listed entities with similar business operations, compared with the financial data of those investments available to the Group, and adjusted for the marketability of the Group's investments relative to the benchmark data available in the market.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The following table illustrates the sensitivity if the prices of the respective equity investments had been 5% (2008: 5%) higher/lower, as a result of the changes in the multiple of enterprise value to earnings before interest and tax of comparable listed companies in the same industry, at the reporting date. A positive number below indicates an increase in post-tax profit and total equity where price of the equity investments increased by 5%. For a decrease in 5%, there would be an opposite impact on the profit and total equity and the balances below would be negative.

	Group			
	+ 5% impact		– 5% impact	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase/(decrease) in profit after tax	**–**	2,445	**–**	(2,445)
Increase/(decrease) in total equity	**2,426**	2,445	**(2,426)**	(2,445)

The Group's sensitivity to available-for-sale equity investments has applied the same basis for both years.

45. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

As at 31 December 2009, the Group's exposure to credit risk which will cause a financial loss to the Group to failure to discharge an obligation by the counterparties is arising from the carrying amount the respective financial assets as stated in the consolidated statement of financial position as summarised below by key geographical locations:

	Group					
	By geographical locations					
	Mainland China		Other countries (including Hong Kong)		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Classes of financial assets						
Trade and bills receivables	**14,931**	9,182	**2,140**	4,629	**17,071**	13,811
Other receivables	**396**	1,500	**376**	712	**772**	1,391
Consideration receivable on disposal of discontinued operation	**87,389**	–	**–**	–	**87,389**	–
Cash and cash equivalents	**28,784**	19,573	**14,039**	3,555	**42,823**	23,128
Continuing operations	**131,500**	30,255	**16,555**	8,896	**148,055**	38,330
Financial assets of disposal group classified as held for sale						
Other receivables	**–**	4,542	**–**	–	**–**	4,542
– Cash and cash equivalents	**–**	23,258	**–**	–	**–**	23,258
Discontinued operation	**–**	27,800	**–**	–	**–**	27,800
	131,500	58,055	**16,555**	8,896	**148,055**	66,130

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

45. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Group's financial assets are secured by collateral or other credit enhancements. The District Government of Jingkon, Zhenjiang and the State-owned Gongqingtuan Farm in Jiangsu Province ("China Parties"), under the Zhenjiang Dock Disposal Agreements as referred to note 11, issued a guarantee letter to the Group to ensure payment of the third instalment of RMB48,800,000 (approximately HK$55,534,000) before offset the deposit of RMB3,500,000 by the purchaser. Subsequent to 31 December 2009 and up to approval date of the financial statements, the purchaser settled in aggregate RMB31,491,735 (approximately HK$35,838,000). In addition, a related party of the purchaser has agreed to assume the obligations for due settlement of the consideration under the Zhenjiang Dock Disposal Agreements, jointly with the purchaser.

The credit risk on cash and cash equivalents is limited because the counter parties are reputable banks with high quality external credit ratings.

The Group's concentration of credit risk by geographical locations is mainly in the Mainland China, which accounted for 100% (2008: Nil) of the consideration receivable on disposal of discontinued operation, 85.9% (2008: 70.3%) of the total receivables (being the total classified under "Trade and bills receivables" and "Other receivables") as at 31 December 2009.

The Group has concentration of credit risk by customers as for 19.8% (2008: 16.9%) of the total receivables classified under "Trade and bills receivables" were due from the Group's five largest customers and the largest customer respectively as at 31 December 2009.

Out of the HK$87,389,000 consideration receivable on disposal of discontinued operation as at 31 December 2009, HK$35,838,000 has been settled subsequent to the end of the reporting period, and the balance of HK$51,551,000 is under guarantee by the China Parties of the Zhenjiang Dock Project.

45. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The Group manages its liquidity through maintaining adequate level of cash and cash equivalents, bank borrowings, banking facilities, and loans and advances from related companies and the controlling shareholder. In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly. Funding for long-term liquidity needs will be considered when there is any potential investment identified.

The following table details the remaining contractual maturities at the end of the reporting periods for the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Group As at 31 December 2009						
	Carrying amount HK$'000	Total undiscounted cash flows HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000
Financial liabilities							
Bank borrowings – at variable rate	5,121	5,121	–	–	5,121	–	–
Trade payables	10,614	10,614	6,423	4,191	–	–	–
Accrued liabilities and other payables	13,746	13,746	13,746	–	–	–	–
Deposits received	6,135	6,135	6,135	–	–	–	–
Obligation under finance leases	–	–	–	–	–	–	–
Amount due to a related company	19	19	19	–	–	–	–
Loan from a related company	3,042	3,042	–	–	–	3,042	–
Shareholder's loan	–	–	–	–	–	–	–
Promissory notes	22,185	26,920	–	–	–	26,920	–
	60,862	65,597	26,323	4,191	5,121	29,962	–

45. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

	Group As at 31 December 2008						
	Carrying amount HK$'000	Total undiscounted cash flows HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000
Financial liabilities							
Bank borrowings – at variable rate	10,170	10,170	1,695	1,695	6,780	–	–
Trade payables	4,437	4,437	1,384	3,053	–	–	–
Accrued liabilities and other payables	12,209	12,209	12,209	–	–	–	–
Deposits received	8,177	8,177	8,177	–	–	–	–
Obligation under finance leases	4	6	1	1	4	–	–
Amount due to a related company	19	19	19	–	–	–	–
Loan from a related company	–	–	–	–	–	–	–
Shareholder's loan	2,416	2,416	–	–	–	2,416	–
Promissory notes	19,956	26,920	–	–	–	26,920	–
	57,388	64,354	23,485	4,749	6,784	29,336	–

Fair value

Financial instruments carried at amortised cost

The carrying amount of financial assets and financial liabilities at amortised cost of the Group is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable markets transactions. The directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Financial instruments carried at fair value

HKFRS 7 *Financial Instruments: Disclosures* ("HKFRS 7") defines three levels of the fair value hierarchy within which the fair value measurement is categorized in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 fair values measured using quoted prices (unadjusted) in active markets for identified financial instruments.

– Level 2 fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

– Lever 3 fair values measured using valuation techniques in which any significant input is not based on observable market data.

The consolidated financial statements include holdings in unlisted shares which are measured at Level 3 of the fair value hierarchy defined in HKFRS 7 *(note 24)*.

45. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments carried at fair value (continued)

Fair value of the available-for-sale equity investments with reference to the valuation provided by independent professional valuer is estimated using a market approach model based on some assumptions supportable by compatible and observable market value with a multiple of enterprise value to earnings before income and tax ("EV/EBIT") of 17.60 times (2008: 14.63 times) which are bench-marked to the average of the comparable listed companies in the same industry.

The movement of unlisted available-for-sale equity investments during the year in the balance of Level 3 fair value measurement is as follows:

	Group
	HK$'000
Unlisted available-for-sale equity investments	
At 1 January 2009	48,900
Net unrealised gains or losses recognised in other comprehensive income for the year (before attributable tax effect)	5,000
At 31 December 2009	53,900

46. OPERATION RISK MANAGEMENT

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

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2010.

RESULTS OF THE GROUP

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**86,793**	75,194	52,028	68,099	60,442
Cost of sales	**(59,643)**	(46,594)	(42,848)	(56,296)	(50,129)
Gross profit	**27,150**	28,600	9,180	11,803	10,313
Other revenue	**3,370**	4,487	3,096	1,139	791
Other net income	**489**	11	148	725	5,047
Excess of fair value of net assets over the cost of acquisition of interests in subsidiaries	**–**	–	6,057	–	–
Excess of fair value of net assets over the cost of acquisition of interests in associates	**–**	4,298	–	–	–
Gain on disposal of subsidiaries	**–**	–	4,042	–	–
Impairment of goodwill	**(688)**	–	–	–	–
Impairment of available-for-sale equity investments	**–**	(4,012)	–	–	–
Distribution and selling expenses	**(5,098)**	(5,737)	(3,551)	(5,306)	(5,499)
Administrative expenses	**(14,323)**	(11,872)	(11,832)	(13,271)	(12,292)
Other expenses	**(3,123)**	(5,226)	(4,793)	(5,884)	(4,180)
Finance costs	**(2,798)**	(1,700)	(785)	(1,046)	(793)
Share of profits of associates, net	**1,303**	922	90	–	–
Profit/(loss) before tax	**6,282**	9,771	1,652	(11,840)	(6,613)
Income tax	**(1,210)**	–	–	–	930
Profit/(loss) for the year from continuing operations	**5,072**	9,771	1,652	(11,840)	(5,683)
Profit for the year from discontinued operation, net	**15,382**	679	536	18	–
Profit/(loss) for the year	**20,454**	10,450	2,188	(11,822)	(5,683)
Other comprehensive income for the year	**(4,762)**	12,142	2,239	(523)	1,450
Total comprehensive income for the year	**15,692**	22,592	4,427	(12,345)	(4,233)
Profit/(loss) for the year attributable to:					
Owners of the Company	**18,355**	8,381	1,873	(11,210)	(5,683)
Minority interests	**2,099**	2,069	315	(612)	–
	20,454	10,450	2,188	(11,822)	(5,683)
Total comprehensive income attributable to:					
Owners of the Company	**13,520**	19,763	4,116	(11,719)	(4,233)
Minority interests	**2,172**	2,829	311	(626)	–
	15,692	22,592	4,427	(12,345)	(4,233)

ASSETS AND LIABILITIES OF THE GROUP

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total Assets	**367,564**	346,133	299,896	127,108	91,296
Total Liabilities	**(68,193)**	(62,454)	(38,809)	(102,621)	(54,464)
	299,371	283,679	261,087	24,487	36,832
Equity attributable to					
Owners of the Company	**288,953**	275,433	255,670	24,187	35,906
Minority interests	**10,418**	8,246	5,417	300	926
	299,371	283,679	261,087	24,487	36,832

The summary financial information of the Group for the prior financial years were extracted from the published audited financial statements and have been reclassified and adjusted to reflect the change in accounting policies effective from 1 January 2009 as appropriate.