



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

2 0 1 0

Third Quarterly Report



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This 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Xi Yu (*Chairman*)
CHAN Chun Hing (*Chief Executive Officer*)*
CHEUNG Siu Ling
HON Wa Fai

Non-Executive Directors

SONG Yuqing (*Vice-Chairman*)*
SUEN Ki

Independent Non-Executive Directors

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

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

AS TO HONG KONG LAWS

Troutman Sanders

AUDITOR

CCIF CPA Limited

SHARE REGISTRAR AND TRANSFER OFFICES

Principal

Bank of Bermuda (Cayman) Limited
36C Bermuda House, 3rd Floor
P.O. Box 513 G.T.
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

* Note: Mr. CHAN Chun Hing was appointed executive director and chief executive officer of the Company with effect from 3 May 2010. Mr. SONG Yuqing was appointed non-executive director and vice-chairman of the Company with effect from 15 June 2010. Mr. LEE Kwan Hung was appointed independent non-executive director of the Company with effect from 15 June 2010.

FINANCIAL HIGHLIGHTS

- Total turnover increased by 70.9% to HK\$93,255,000 for 9 months ended 30 September 2010 as comparing to HK\$54,567,000 for 9 months ended 30 September 2009.
- Total profit attributable to the Company's owners was HK\$7,955,000 for 9 months ended 30 September 2010 as comparing to a loss of HK\$573,000 for 9 months ended 30 September 2009.
- Earnings per share amounted to HK cents 0.42 for 9 months ended 30 September 2010 as comparing to a loss per share of HK cents 0.03 for 9 months ended 30 September 2009.
- Cash and cash equivalents of the Group amounted to HK\$71,351,000 at 30 September 2010 (31 December 2009: HK\$42,823,000).
- Equity attributable to the Company's owners was HK\$334,194,000 at 30 September 2010 (31 December 2009: HK\$288,953,000).
- The Directors resolved not to declare a dividend for the 9 months ended 30 September 2010.

The board of Directors (the "Board") of New Universe International Group Limited hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 30 September 2010, and the comparative unaudited figures for the corresponding period in 2009.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Continuing operations					
Turnover	5	37,657	22,233	93,255	54,567
Cost of sales		(26,372)	(15,401)	(63,099)	(38,897)
Gross profit		11,285	6,832	30,156	15,670
Other revenue	6	319	284	4,120	2,260
Other net income	7	711	121	734	335
Loss on redemption of promissory notes		-	-	(1,316)	-
Impairment of goodwill		-	-	-	(688)
Distribution and selling expenses		(1,992)	(991)	(4,351)	(3,092)
Administrative expenses		(4,744)	(3,406)	(12,864)	(9,493)
Other expenses		(1,274)	(933)	(2,972)	(2,519)
Share of profits of associates, net		181	130	493	659
Finance costs	8	(121)	(667)	(1,291)	(2,110)
Profit before tax		4,365	1,370	12,709	1,022
Income tax	9	(772)	(228)	(2,154)	(384)
Profit for the period from continuing operations		3,593	1,142	10,555	638
Discontinued operation					
Profit/(loss) for the period from discontinued operation		-	1	-	(16)
Profit for the period	10	3,593	1,143	10,555	622
Profit/(loss) for the period attributable to:					
Owners of the Company		2,741	475	7,955	(573)
Minority interests		852	668	2,600	1,195
		3,593	1,143	10,555	622
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in HK cents per share)	12				
From continuing and discontinued operations					
Basic and diluted		0.14	0.03	0.42	(0.03)
From continuing operations					
Basic and diluted		0.14	0.03	0.42	(0.03)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Profit for the period	3,593	1,143	10,555	622
Other comprehensive income:				
Exchange differences on translation of financial statements of overseas subsidiaries	860	–	1,639	(28)
Fair value loss on available-for-sale equity investments, net of deferred tax	–	–	(540)	(9,700)
Share of other comprehensive income of associates	745	(90)	1,206	(166)
Other comprehensive income for the period	1,605	(90)	2,305	(9,894)
Total comprehensive income for the period	5,198	1,053	12,860	(9,272)
Total comprehensive income attributable to:				
Owners of the Company	4,216	384	10,035	(10,467)
Minority interests	982	669	2,825	1,195
	5,198	1,053	12,860	(9,272)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Investments	General reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	
				revaluation reserve HK\$'000					
At 1 January 2009 (audited)	18,259	206,488	19,092	-	31,929	(335)	275,433	8,246	283,679
Changes in equity for 9 months ended 30 September 2009:									
(Loss)/profit for the period	-	-	-	-	-	(573)	(573)	1,195	622
Other comprehensive income for the period	-	-	(194)	(9,700)	-	-	(9,894)	-	(9,894)
Total comprehensive income for the period	-	-	(194)	(9,700)	-	(573)	(10,467)	1,195	(9,272)
At 30 September 2009 (unaudited)	18,259	206,488	18,898	(9,700)	31,929	(908)	264,966	9,441	274,407
At 1 January 2010 (audited)	18,259	206,488	9,620	4,637	31,929	18,020	288,953	10,418	299,371
Changes in equity for 9 months ended 30 September 2010:									
Profit for the period	-	-	-	-	-	7,955	7,955	2,600	10,555
Other comprehensive income for the period	-	-	2,845	(540)	-	-	2,305	225	2,530
Total comprehensive income for the period	-	-	2,845	(540)	-	7,955	10,260	2,825	13,085
New shares issued	1,860	34,320	-	-	-	-	36,180	-	36,180
Transaction costs attributable to issue of new shares	-	(1,199)	-	-	-	-	(1,199)	-	(1,199)
Capital contribution by minority equity holders of subsidiaries	-	-	-	-	-	-	-	2,095	2,095
At 30 September 2010 (unaudited)	20,119	239,609	12,465	4,097	31,929	25,975	334,194	15,338	349,532

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

1 General Information

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

At 30 September 2010, the Directors of the Company consider the ultimate parent of the Group to be New Universe Enterprises Limited ("NUEL"), which is a limited liability company incorporated in the British Virgin Islands.

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

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

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

- (i) environmental disposal services for medical and industrial wastes;
- (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.

2 Basis of preparation

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2009. The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2009.

3 Adoption of new and revised Hong Kong Financial Reporting Standards

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for the available-for-sale equity investments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation in the Group's annual financial statements for the year ended 31 December 2009, except for described below.

In the current period, the Group has applied, for the first time, the following new and revised standards of the Hong Kong Financial Reporting Standards ("HKFRSs"), their amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners

The application of these new and revised HKFRSs had no material effect on the unaudited condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ⁴
HKAS 32 (Amendment)	Classification of rights issues ²
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ³
HKFRS 9	Financial instruments ⁵
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement ⁴
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 or 1 January 2010, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

4 Review of unaudited results for nine months ended 30 September 2010

The audit committee of the Company has reviewed the condensed consolidated financial statements for the 9 months ended 30 September 2010, which does not constitute an audit.

5 Turnover

	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Environmental service income	14,422	10,213	39,849	24,035
Sale of mold products	5,975	3,262	11,109	11,723
Sale of plastic products	4,771	3,066	13,270	7,602
Sale of plastic materials	12,489	5,692	29,027	11,207
	37,657	22,233	93,255	54,567

6 Other revenue

	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Bank interest income	211	71	1,625	109
Dividends from available-for-sale equity investments	–	–	2,042	1,640
Scrap sales	108	213	453	511
	319	284	4,120	2,260

7 Other net income

	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Exchange gain	711	121	734	335
	711	121	734	335

8 Finance costs

	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Interest expenses on:				
Bank loans wholly repayable				
within five years	117	73	316	426
Loan from a related party wholly				
repayable within 5 years	4	29	44	33
Finance lease	–	–	–	1
Imputed interest on promissory notes	–	565	931	1,650
	121	667	1,291	2,110

9 Income tax

	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Current tax:				
Hong Kong Profits Tax	–	–	–	–
PRC Income Tax	799	255	2,235	637
	799	255	2,235	637
Deferred tax	(27)	(27)	(81)	(253)
	772	228	2,154	384

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% (2009: 16.5%) of the estimated assessable profits for the period. No provision for Hong Kong profits has been made as the Group did not have any assessable profits arising in Hong Kong for the period under review (2009: Nil).

Under the Law of The People's Republic of 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.

Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe"), Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe"), Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe"), Zhenjiang New Universe Recyclables Company Limited ("Zhenjiang Recyclables"), and Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe") are subsidiaries of the Group located and operated in the PRC.

Zhenjiang New Universe, Yancheng New Universe, and Taizhou New Universe are entitled to the exemptions from PRC Foreign Enterprise Income Tax for two financial years starting from their first profit-making, followed by a 50% tax relief for the next three financial years. Yancheng New Universe and Taizhou New Universe would be subject to EIT of 12.5% for the years from 2009 to 2011. Zhenjiang New Universe 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. Zhenjiang Recyclables and Suzhou New Universe had no profits subject to EIT for the periods under review (2009: Nil).

10 Profit for the period

Profit for the period is stated after charging the following:

	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Cost of inventories consumed	26,372	15,401	63,099	38,897
Amortisation of land lease prepayments	128	127	383	381
Depreciation of property, plant and equipment	1,946	1,679	5,607	5,061
Impairment of goodwill	-	-	-	688

11 Dividend

The Directors do not recommend the payment of a dividend for the 9 months ended 30 September 2010 (2009: Nil).

12 Earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share for profit/(loss) attributable to the owners of the Company is based on the following data:

Number of shares:

	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	2,011,891,681	1,825,891,681	1,901,518,055	1,825,891,681

Earnings/(loss):

	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
From continuing and discontinued operations				
Earnings/(loss) for the purpose of basic earnings/(loss) per share	2,741	475	7,955	(573)
From continuing operations				
Earnings/(loss) for the purpose of basic earnings/(loss) per share	2,741	474	7,955	(557)
From discontinued operation				
Earnings/(loss) for the purpose of basic earnings/(loss) per share	-	1	-	(16)

There were no dilutive ordinary shares in existence during the periods under review; therefore, diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

13 Movement of reserves

	Share premium HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2009 (audited)	206,488	19,092	–	31,929	(335)	257,174
Changes in equity for 9 months ended 30 September 2009:						
Loss for the period	–	–	–	–	(573)	(573)
Other comprehensive income for the period	–	(194)	(9,700)	–	–	(9,894)
Total comprehensive income for the period	–	(194)	(9,700)	–	(573)	(10,467)
At 30 September 2009 (unaudited)	206,488	18,898	(9,700)	31,929	(908)	246,707
At 1 January 2010 (audited)	206,488	9,620	4,637	31,929	18,020	270,694
Changes in equity for 9 months ended 30 September 2010:						
Profit for the period	–	–	–	–	7,955	7,955
Other comprehensive income for the period	–	2,845	(540)	–	–	2,305
Total comprehensive income for the period	–	2,845	(540)	–	7,955	10,260
New shares issued	34,320	–	–	–	–	34,320
Transaction costs attributable to issue of new shares	(1,199)	–	–	–	–	(1,199)
At 30 September 2010 (unaudited)	239,609	12,465	4,097	31,929	25,975	314,075

At 30 September 2010, the Company has reserves available for distribution to its owners amounting to HK\$257,087,000 (31 December 2009: HK\$226,754,000). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Environmental operations

The Group's major environmental subsidiaries – Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe are principally engaged in environmental treatment and disposal of regulated medical waste, and general and hazardous industrial wastes in three major cities of Jiangsu Province, Mainland China. They service various clinics, hospitals, and major industrial enterprises in the cities where they are situated. All of them have their own pyrolyzing incinerators, with Zhenjiang New Universe also has its specialised filtration facilities to handle industrial liquid waste and operates a landfill to handle general industrial solid waste. During the period under review, they sustained growth in revenue and handled an aggregate of 1,670 metric tons of regulated medical waste, 4,890 metric tons of general industrial waste, and 13,590 metric tons of hazardous industrial waste. The environmental operations remain the core business and key driver of the Group's performance.

In the second quarter of 2010, the registered capital of Zhenjiang New Universe was increased to US\$6,850,000 from US\$2,850,000. Zhenjiang New Universe has invested US\$1,500,000 to increase its recycling and disposal capacity.

During the second quarter of 2010, the Company entered into various co-operative agreements for an aggregate financial commitment of approximately HK\$15,476,000 on different equity investments for the further development of environmental operations in Jiangsu Province, China.

In the third quarter of 2010, the Company entered into a co-operative agreement for financial commitment of approximately HK\$3,760,000 on equity investment for development of environmental waste disposal operation in Nanjing, China.

Eco-plating Specialised Zone

The Group owns 38% equity interest in New Sinotech Investments Limited ("New Sinotech") which in turn holds 100% direct equity interest in Fair Time International Limited and 100% indirect equity interest in Zhenjiang Sinotech Eco-electroplating Development Limited ("Zhenjiang Sinotech") (collectively referred to as the "New Sinotech Group"). Zhenjiang Sinotech is a wholly foreign owned enterprise established in Zhenjiang City, Jiangsu Province of the Mainland China, which is principally engaged 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 owns a centralised discharge processing system for filtration and purification of electroplating sewage and sludge, and recycling facilities servicing the Eco-plating Specialised Zone. Zhenjiang Sinotech provides management services and environmental facilities to clients carrying out plating business in the zone under the centralised and environmentally friendly sewerage system.

The Company's controlling shareholder, NUEL, owns 53% direct 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 together with a related company, New Universe Holdings Limited ("NUHL"), construction of the first phase of the Eco-plating Specialised Zone was completed. Development of the second phase has been commenced in 2010.

Manufacturing operations

Suzhou New Universe is the production and outlet base of the Group's injection molds, plastic products and plastic materials in the Mainland China. To ensure a stable and reliable supply of plastic materials for production and to meet the demand from the customers within the Yangtze River Delta, 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") to ensure stable supply of plastic materials to Suzhou New Universe for the three years ending 31 December 2011 on favourable terms that would not be available from other independent suppliers.

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 principally engaged in plastic materials dyeing in the Mainland China. They are strategic investments made by the Group to enhance its customer networks for both manufacturing and environmental operations in the Mainland China.

Disposal of Zhenjiang Docks Project

The disposal of the Group's equity interests in New Universe International (Zhenjiang) Port Company Limited and New Universe International (Zhenjiang) Warehouses Company Limited (collectively referred to as the "Zhenjiang Docks Project") was completed with the control of the Zhenjiang Docks Project passed on 28 October 2009. During the current period under review, the outstanding balance of consideration amounted to RMB48,800,000 (approximately HK\$56,510,000) has not yet been settled by the purchaser. Pursuant to the guarantee letter dated 3 September 2009 jointly issued by 鎮江市京口區人民政府 (The District Government of Jingkou, Zhenjiang City) and 江蘇省國營共青團農場 (Stated Owned Gongqingtuan Farm of Jiangsu Province) ("China Parties") to undertake the settlement of the outstanding balance had the purchaser defaulted, senior management of the Company has followed up with the purchaser and the China Parties to pursue for settlement of the consideration balance.

Details of the disposal were 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.

Fund raising exercise

On 18 June 2010, the Company completed a top-up placement of 150,000,000 new shares to independent strategic investors at a price of HK\$0.212 per placing share. Net proceeds of capital raised was HK\$30,688,000 after payment of attributable transaction costs. The share placement widened the shareholders' base and share capital base of the Company, and provided the Group with additional working capital and funding for the development of environmental operations. The shares placed represented 7.46% of the enlarged issued share capital of the Company.

Business outlook

Environmental operations continue to be the Group's core business, of which the Company will make further efforts by enhancing the facilities and introducing new technologies. The Company is also exploring investment opportunities in new areas of environmental business within Jiangsu Province as well as other major cities in the Yangtze River Delta.

Commencing the second quarter of 2010, the Company introduced experienced new members into the Board of Directors and the senior management team. Leveraging their expertise and extensive market experience, the Company will continue to enhance efforts on improving the Group's operating efficiency and corporate governance. With the continuous support from customers and business partners, the Company will strive hard to maximise value for its shareholders.

FINANCIAL REVIEW

Turnover

Total turnover of the Group for 9 months ended 30 September 2010 was HK\$93,255,000 representing an increase of 70.9% from HK\$54,567,000 for 9 months ended 30 September 2009. Total revenue from environmental operations increased by 65.8% to HK\$39,849,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$24,035,000). Total revenue from sales of mold products decreased by 5.2% to HK\$11,109,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$11,723,000). Total revenue from sales of plastic products increased by 74.6% to HK\$13,270,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$7,602,000). Total revenue from sales of plastic materials increased by 159.0% to HK\$29,027,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$11,207,000).

Gross profit

Gross profit of the Group for 9 months ended 30 September 2010 was HK\$30,156,000 representing an increase of 92.4% from HK\$15,670,000 for 9 months ended 30 September 2009. Overall gross profit margin of the Group was 32.3% for 9 months ended 30 September 2010 (9 months ended 30 September 2009: 28.7%). The average gross profit margin of environmental operations was 64.7% for 9 months ended 30 September 2010 (9 months ended 30 September 2009: 59.6%). The average gross profit margin of manufacturing operations was 8.2% for 9 months ended 30 September 2010 (9 months ended 30 September 2009: 4.4%), whereas the average gross profit margins of mold sales, plastic product sales and plastic materials sales were 10.9%, 13.2% and 4.8% respectively for the 9 months ended 30 September 2010 (9 months ended 30 September 2009: 0.9%, 10.9% and 8.0% respectively).

Other revenue

Other revenue of Group increased by 82.3% to HK\$4,120,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$2,260,000). The net increase was mainly attributable to increase in interest income.

Other net income

Other net income of the Group increased by 119.1% to HK\$734,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$335,000). The net increase was mainly attributable to exchange gain arisen on operations.

Distribution and selling expenses

Distribution and selling expenses of the Group increased by 40.7% to HK\$4,351,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$3,092,000). The net increase was mainly attributable to increase in incentive payments motivating increase in sales of various operations in the period.

Administrative expenses

Administrative expenses of the Group increased by 35.5% to HK\$12,864,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$9,493,000). The net increase was mainly attributable to increase in head count to strengthen the senior management at the head office in Hong Kong and for the environmental operations in Mainland China.

Other expenses

Other expenses of the Group increased by 18.0% to HK\$2,972,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$2,519,000). The net increase was mainly attributable to increase in research and development cost and payment of PRC tax on dividends distributed by PRC subsidiaries to head office in Hong Kong.

Finance costs

Finance costs of the Group decreased by 38.8% to HK\$1,291,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$2,110,000). The net decrease was mainly attributable to the early redemption of the promissory notes completed on 18 May 2010.

Share of net profits of associates

Share of net profit of associates amounted to HK\$493,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$659,000). The net profits shared by the Group for 9 months ended 30 September 2010 comprised (i) net loss shared from New Sinotech Group amounted to HK\$965,000 (9 months ended 30 September 2009: HK\$181,000), and (ii) net profit shared from Qingdao Huamei amounted to HK\$1,458,000 (9 months ended 30 September 2009: HK\$840,000).

Income tax

The Group recorded an income tax expense of HK\$2,154,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$384,000). Income tax expenses arisen from environmental operations amounted to HK\$2,235,000, which was offset by deferred tax credit of HK\$81,000 for 9 months ended 30 September 2010.

Profit/(loss) attributable to owners of the Company

Total profit of the Group amounted to HK\$10,555,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$622,000), and profit attributable to owners of the Company amounted to HK\$7,955,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: loss of HK\$573,000). Increase in profit for 9 months ended 30 September 2010 was mainly attributable to sustained growth in environmental operations of the Group in current period as comparing to the previous corresponding period.

Liquidity and financial resources

During the current period, the Group financed its operations activities with internally generated cash flows, banking facilities, and fund raising exercise. The Group remained in a satisfactory financial position with total equity attributable owners of the Company amounted to HK\$334,194,000 as at 30 September 2010 (31 December 2009: HK\$288,953,000) with total assets amounted to HK\$407,819,000 as at 30 September 2010 (31 December 2009: HK\$367,564,000).

(i) *The Group had cash and bank balances as follows:*

	30 September 2010 HK\$'000	31 December 2009 HK\$'000
Cash and bank balances		
– Continuing operations	71,351	42,823
– Discontinued operation	–	–
	71,351	42,823

(ii) *The Group had available unused standby general banking facilities as follows:*

	30 September 2010 HK\$'000	31 December 2009 HK\$'000
Trust receipts financing facilities	10,000	10,000

(iii) *The Group had outstanding interest bearing borrowings as follows:*

	30 September 2010 HK\$'000	31 December 2009 HK\$'000
Bank borrowings – secured	10,422	5,121
Loan from China (HK) Chemical – unsecured*	–	3,042
	10,422	8,163

Note:

* The Group has fully repaid the loan due to China (HK) Chemical on 23 July 2010.

Capital structure

On 18 May 2010, upon the completion of the redemption deed dated 31 March 2010 entered into between the Company and the registered holder of the promissory notes with total par value of HK\$26,920,000, pursuant to which the Company issued 36,000,000 new shares (under the share issue mandate given to the Directors at the annual general meeting of the Company held on 30 April 2009) to redeem portion of the promissory notes from the registered holder. The fair value of the 36,000,000 shares issued (which are subject to one year's lock-up period) was determined to be HK\$4,380,000 in accordance with the valuation report dated 30 July 2010 prepared by an independent professional valuer, RHL Appraisal Limited.

On 18 June 2010, upon the completion of a top-up placing exercise, the Company issued 150,000,000 new shares (under the share issue mandate given to the Directors at the annual general meeting of the Company held on 30 April 2010) to raise funds amounted to approximately HK\$30,688,000 (net of attributable transaction costs) for general working capital of the Company and further development of the Group's environmental operations in Mainland China.

Save as disclosed therein, there was no other material change to the capital structure of the Group as at 30 September 2010 compared to that as at 31 December 2009.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 24 May 2010, the Company acquired 9% indirect equity interest in New Proficient Limited ("New Proficient"). On 29 June 2010, the Company acquired 9% indirect equity interest in Fair Waste Disposal Limited ("FWDL") and 4% indirect equity interest in Fair Industry Waste Recyclables Limited ("FIWRL"). On 30 September 2010, the Company acquired 4% indirect equity interest in Ever Champ (China) Limited ("Ever Champ"). The aggregate cost of the Group's equity investments in New Proficient, FWDL, FIWRL and Ever Champ amounted approximately to HK\$20,000 as at 30 September 2010. Those companies are investment holding companies incorporated to explore for new environmental business in Mainland China.

Save as disclosed therein, there were no other significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the 9 months ended 30 September 2010.

Charges on Group assets

As at 30 September 2010, the Group pledged the land use rights together with its property, plant and equipment owned by Suzhou New Universe with a carrying amount of HK\$2,335,000 (31 December 2009: HK\$2,335,000) and HK\$9,119,000 (31 December 2009: HK\$9,228,000) respectively to a bank in China to secure bank loans of HK\$10,422,000 or equivalent to RMB9,000,000 (31 December 2009: HK\$5,121,000 or equivalent to RMB4,500,000) granted to the Suzhou New Universe.

Gearing ratio

The Group monitors its capital through gearing ratio. The gearing ratio at the end of the reporting period was as follows:

	30 September 2010 HK\$'000	31 December 2009 HK\$'000
Continuing operations		
Current liabilities	53,280	37,819
Non-current liabilities (excluding deferred taxes)	–	25,227
<hr/>		
Total debts	53,280	63,046
Less: cash and cash equivalents	71,351	42,823
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(Net cash)/net debts	(18,071)	20,223
<hr/>		
Total equity	349,532	299,371
<hr/>		
Gearing ratio	N/A	6.8%
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Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

Investments held and their performance

According to a letter dated 29 October 2010 issued by an independent professional valuer, BMI Appraisals Limited, after their review, there was no significant change to the aggregate market value of the available-for-sale equity investments attributable to the Group as at 30 September 2010 as comparing to HK\$53,300,000 being reported as at 30 June 2010 (31 December 2009: HK\$53,900,000).

At 30 September 2010, the carrying amount of the available-for-sale equity investments in Suzhou New Huamei attributable to the Group was HK\$37,500,000 (31 December 2009: HK\$37,300,000) and in Danyang New Huamei attributable to the Group was HK\$15,800,000 (31 December 2009: HK\$16,600,000). The dividends declared by Suzhou New Huamei and Danyang New Huamei in April 2010 and attributable to the Group were HK\$1,536,000 and HK\$506,000 respectively (2009: HK\$1,136,000 and HK\$504,000 respectively).

The Group holds 28.67% equity interest in Qingdao Huamei as an associate. For the 9 months ended 30 September 2010, the Group shared net profit of Qingdao Huamei amounted to HK\$1,458,000 (9 months ended 30 September 2009: shared net profit of HK\$840,000). The dividends declared by Qingdao Huamei in April 2010 and attributable to the Group were HK\$887,000 (2009: HK\$875,000).

For the 9 months ended 30 September 2010, the profit margins of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei were 3.2%, 1.4% and 4.0% respectively (9 months ended 30 September 2009: 3.1%, 3.8% and 4.5% respectively).

The Group holds 38% equity interests in New Sinotech Group as associates. For the 9 months ended 30 September 2010, the Group shared net loss of New Sinotech Group amounted to HK\$965,000 (9 months ended 30 September 2009: shared net loss of HK\$181,000). No dividend has been declared by New Sinotech Group for the 9 months ended 30 September 2010 (2009: Nil).

On 24 May 2010, the Group acquired 9% equity interest in New Proficient. On 29 June 2010, the Group acquired 9% and 4% equity interests in FWDL and FIWRL respectively. On 30 September 2010, the Group acquired 4% equity interest in Ever Champ. The Group's financial commitments for business development in environmental operations of New Proficient, FWDL, FIWRL and Ever Champ were in aggregate approximately to HK\$19,236,000 as at 30 September 2010. The Directors opined that the cost of investments in New Proficient, FWDL, FIWRL and Ever Champ approximated to their fair value as at 30 September 2010.

Goodwill

Goodwill of the Group arisen in 2007 from the acquisitions of 100% interest in New Universe Environmental Protection Investment Limited which in turn holds 82% direct equity interests in New Universe Environmental Technologies (Jiang Su) Limited, and 82% indirect equity interests in each of Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe with a carrying amount of HK\$33,000,000 as at 30 September 2010 (31 December 2009: HK\$33,000,000), which based on a letter dated 29 October 2010 given by an independent professional valuer, BMI Appraisals Limited after carrying out their assessment on the impairment of recoverable amount of the goodwill, confirmed that there was no significant change to the value of the goodwill as they reported as of 30 June 2010 (9 months ended 30 September 2009: impairment of HK\$688,000).

Capital expenditure

For the 9 months ended 30 September 2010, the Group had incurred capital expenditure to increase property, plant and equipment for the environmental operations amounted to HK\$13,086,000 (9 months ended 30 September 2009: HK\$2,539,000), and for the manufacturing operations amounted to HK\$98,000 (9 months ended 30 September 2009: HK\$1,230,000).

Commitments

At the end of the reporting periods, the Group had the following commitments:

(i) Capital commitments

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

	Notes	30 September 2010 HK\$'000	31 December 2009 HK\$'000
Continuing operations			
Contracted for			
– Acquisition of property, plant and equipment	(a)	26,435	23
Authorised and not contracted for			
– Acquisition of property, plant and equipment		–	7,760
– Financial commitments to New Sinotech Group	(b)	23,651	35,386
– Financial commitments on equity investments in environmental operations	(c)	19,236	–

Notes:

- (a) Capital commitments in relation to contracted acquisitions from independent third parties of property, plant and equipment in the ordinary and usual course of business of the Group but not yet provided for in the financial statements as at 30 September 2010 comprised (1) construction works to build a new rotary kiln with a capacity to handle 30 metric tons of industrial solid waste a day for Zhenjiang New Universe in the amount of approximately HK\$24,906,000; (2) construction works to improve warehousing facilities of Zhenjiang New Universe in the amount of HK\$158,000; and (3) research and development works on industrial waste recycling for Zhenjiang Recyclables in the amount of approximately HK\$1,371,000, all of which will be funded by the Group's internal resources.

- (b) Financial commitments in relation to capital contribution to the Group's 38% equity interest in New Sinotech Group amounted to US\$3,040,000 (approximately HK\$23,651,000) as of 30 September 2010.
- (c) Financial commitments in relation to capital contributions for the development of environmental operations in Mainland China through various equity investments of the Group as of 30 September 2010 comprised (1) committed investment to the Group's 9% equity interest in New Proficient amounted to HK\$7,200,000; (2) committed investment to the Group's 9% equity interest in FWDL amounted to HK\$3,276,000; (3) committed investment to the Group's 4% equity interest in FIWRL amounted to HK\$5,000,000; and (4) committed investment to the Group's 4% equity interest in Ever Champ amounted to HK\$3,760,000.

(ii) *Operating lease commitments*

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

	30 September 2010 HK\$'000	31 December 2009 HK\$'000
Continuing operations		
Within 1 year	391	187
After 1 year but within 5 years	363	366
After 5 years	–	80
	754	633

At the end of the reporting period, the Group as lessee had minimum lease payments under operating lease for office premises in Hong Kong amounted to HK\$349,000 (31 December 2009: HK\$235,000) and for landfill in PRC amounted to HK\$405,000 (31 December 2009: HK\$398,000).

Contingent liabilities

There were no significant contingent liabilities of the Group as at 30 September 2010 (31 December 2009: Nil).

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 risk of the Group were considered to be minimal. During the 9 months ended 30 September 2010, no related hedging has been arranged by the Group.

Employee information

As at 30 September 2010, the Group had 364 (31 December 2009: 302) full-time employees of which 18 (31 December 2009: 13) were based in Hong Kong and 346 (31 December 2009: 289) in the Mainland China. Staff costs, including directors' remuneration and amount capitalised as inventories was HK\$9,864,000 for 9 months ended 30 September 2010 (9 months ended 30 September 2009: HK\$7,070,000). Directors and employees of the Group 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.

DIVIDEND

The Directors resolved not to declare a dividend for the 9 months ended 30 September 2010 in order to conserve funds for further development of the Group's operations.

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

As at 30 September 2010, the interests and short positions of the Directors and chief executives of the Company 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 of the Company

Name of director	Number of ordinary shares of HK\$0.01 each				% of total shares in issue
	Personal/beneficial	Interest of children or spouse	Interests of controlled corporation	Number of shares held	
Mr. XI Yu *	–	–	1,249,649,115	1,249,649,115	62.11

Note:

- * Mr. XI Yu is the shareholder of 16,732 shares of US\$1.00 each in NUEL, representing 83.66% of the issued share capital of NUEL, which in turn beneficially interested in 1,249,649,115 shares of the Company, representing approximately 62.11% of the issued share capital of the Company.

Associated corporation

Long positions in ordinary shares of NUEL

Name of director	Number of ordinary shares of US\$1.00 each				% of total shares in issue
	Personal/beneficial	Interest of children or spouse	Interests of controlled corporation	Number of shares held	
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 30 September 2010, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or 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.

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 30 September 2010 was 182,589,168 shares of the Company, which represented the current scheme mandate limit given to the Directors as refreshed by the Company's shareholders on 28 April 2008 and approved by the Stock Exchange on 23 May 2008.

As at 30 September 2010 and during the 9 months then ended, no option has been granted or outstanding under the Company's Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed therein, at no time during the period 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.

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

As at 30 September 2010, so far as is known to any Director or chief executive of the Company, persons or corporations who had interests or short positions in the shares, and underlying shares, or debentures 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

Name of shareholder	Number of ordinary shares of HK\$0.01 each			Number of shares held	% of total shares in issue
	Beneficial owner	Family interests	Interests of controlled corporation		
NUEL	1,249,649,115	–	–	1,249,649,115	62.11
Mr. XI Yu *	–	–	1,249,649,115	1,249,649,115	62.11

Note:

- * The interest in 1,249,649,115 shares of the Company disclosed by Mr. XI Yu is the same as those disclosed as held by NUEL.

Save as disclosed above, as at 30 September 2010, none of the Directors were aware of any other persons who had an interest or short position in the shares, underlying shares or debentures 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.

DIRECTOR'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

The following contracts or arrangements subsisted during the 9 months ended 30 September 2010 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 (in which NUEL and the Company has 53% and 38% indirect equity interests respectively) as lessee and 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 renewable rental agreement dated 28 August 2009 was 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 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 a monthly rental of HK\$10,000 from 1 August 2009 to 30 September 2009, and at a monthly rental of HK\$18,000 for the period from 1 October 2009 to 31 July 2010. A renewed rental agreement was signed on 26 July 2010 at a monthly rental of HK\$20,000 for a rental period from 1 August 2010 to 31 July 2011. Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of the Company, Smartech Services, NUHL and Sun Ngai.
- (iii) 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 (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 requirement of providing any collateral. 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.
- (iv) 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. The loan was fully repaid in the current period under review. 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.

The above transactions were reviewed by the independent non-executive directors that were conducted on terms no less favourable than terms available from independent third parties, in the ordinary and usual 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 a whole.

Save as disclosed therein, 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 reporting period or any time during that period.

CONTINUING CONNECTED TRANSACTIONS

On 26 February 2009, the Supply Contract was entered into between Suzhou New Universe and China (HK) Chemical in relation to the supply of plastic materials to Suzhou New Universe by China (HK) Chemical. 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 China (HK) Chemical's holding company, 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.

Pursuant to the requirements of the GEM Listing Rules, an ordinary resolution duly passed under poll voting by the independent shareholders of the Company at the 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 at the 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 ("Annual Caps").

Details of the Supply Contract and 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.

Pursuant to the Supply Contract, during the 9 months ended 30 September 2010, Suzhou New Universe ordered plastic materials of 948 metric tons for an aggregate amount of HK\$18,581,000 from China (HK) Chemical; and accordingly, China (HK) Chemical delivered 903.5 metric tons of plastic materials for an aggregate amount of HK\$17,567,000 to Suzhou New Universe ("Continuing Connected Transactions").

The independent non-executive directors of the Company have reviewed the Continuing Connected Transactions and have confirmed that the transactions have been entered into were in the ordinary and usual course of business of the Company, on normal commercial terms or on terms no less favourable to the Company than terms available from independent third parties, and in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

COMPETING INTERESTS

Save as disclosed therein, the Board is not aware of any Director having any interests in a business which competes or may compete with the business of the Group.

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

Neither of the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the 9 months ended 30 September 2010.

CORPORATE GOVERNANCE PRACTICES

Throughout the 9 months ended 30 September 2010, the Company complied with 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 except for the following deviation:

- (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. Until the appointment of the Company's chief executive officer, Mr. CHAN Chun Hing was effected on 3 May 2010, the Company's chairman, Mr. XI Yu has shared the responsibilities of the vacant office of the Group's chief executive officer since 1 February 2007. The Directors considered the deviation did not significantly affect the Group's operations. During the period when Mr. XI Yu took the roles of both chairman and chief executive officer, he was able to lead 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 2010 owing to his trip out of Hong Kong for business of the Group. Failing his presence, Mr. XI Yu delegated the non-executive director of the Company, Mr. SUEN Ki 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.

DIRECTORS' SECURITIES TRANSACTIONS

During the 9 months ended 30 September 2010, the Company has applied the principals of the required standard of dealings set out in Rules 5.48 to 5.67 of 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 9 months ended 30 September 2010.

AUDIT COMMITTEE

The Company's Audit Committee has been established since May 2000 with written terms of reference in compliance with the GEM Listing Rules, which members comprise three independent non-executive directors, Dr. CHAN Yan Cheong (Committee Chairman), Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred. The Audit Committee reviewed with management on the accounting principles and practices adopted by the Group and discussed on the internal controls and financial reporting matters including a review of these unaudited financial statements of the Company for the 9 months ended 30 September 2010.

By order of the Board
New Universe International Group Limited
CHAN Chun Hing
Chief Executive Officer

Hong Kong, 5 November 2010

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

Mr. XI Yu	<i>(Executive Director and Chairman)</i>
Mr. CHAN Chun Hing	<i>(Executive Director and Chief Executive Officer)</i>
Ms. CHEUNG Siu Ling	<i>(Executive Director)</i>
Mr. HON Wa Fai	<i>(Executive Director)</i>
Mr. SONG Yuqing	<i>(Non-executive Director and Vice-Chairman)</i>
Mr. SUEN Ki	<i>(Non-executive Director)</i>
Dr. CHAN Yan Cheong	<i>(Independent Non-executive Director)</i>
Mr. YUEN Kim Hung, Michael	<i>(Independent Non-executive Director)</i>
Mr. HO Yau Hong, Alfred	<i>(Independent Non-executive Director)</i>
Mr. LEE Kwan Hung	<i>(Independent Non-executive Director)</i>