NEW UNIVERSE INTERNATIONAL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code : 8068

ANNUAL REPORT **2011**

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. XI Yu *(Chairman)*[1]
Mr. CHAN Chun Hing *(Chief Executive Officer)*[1]
Mr. HON Wa Fai[1]
Ms. CHEUNG Siu Ling[1]

Non-Executive Directors
Mr. SONG Yuqing *(Vice-Chairman)*
Mr. SUEN Ki

Independent Non-Executive Directors
Dr. CHAN Yan Cheong[2,3,4]
Mr. YUEN Kim Hung, Michael[2,3,4]
Mr. HO Yau Hong, Alfred[2,3,4]
Mr. LEE Kwan Hung

1 Member of Executive Committee
2 Member of Audit Committee
3 Member of Nomination Committee
4 Member of Remuneration Committee

AUTHORIZED REPRESENTATIVES
Mr. XI Yu
Mr. HON Wa Fai

COMPLIANCE OFFICER
Mr. XI Yu

COMPANY SECRETARY
Mr. 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

SHARE REGISTRAR AND TRANSFER OFFICES

Principal
Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

LEGAL ADVISERS

As to Hong Kong Laws
Troutman Sanders
34th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC Laws
Beijing Sinobridge PRC Lawyers
Room A808
Zhongguancun E-Plaza Fortune Centre
11 Zhongguancun Avenue
Hai Dian District
Beijing
China

AUDITOR
CCIF CPA Limited
34th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKERS
Standard Chartered Bank (Hong Kong) Limited
Bank of China Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE
8068.HK

WEBSITE
www.nuigl.com

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

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

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

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.

Contents

CHAIRMAN'S STATEMENT

Our Performance

Following the Twelfth Five-year Plan announced by the Chinese government, the Group's environmental operations recorded a phenomenal growth in 2011 along with the strengthened enforcement on the environmental protection in the Mainland China. The Group recorded a turnover of HK$204,095,000 in 2011, a rise of 51.2% from 2010. In 2011, turnover relating to various environmental operations of the Group was HK$111,254,000 and to various manufacturing operations of the Group was HK$92,841,000 with a rise of 99.4% and 17.3% respectively from last year.

In 2011, the profit attributable to Company's shareholders was HK$30,535,000, a rise of 154.4% from 2010. It was a pleasing record of the Company having entered into the eleventh anniversary of its listing in the Hong Kong GEM board. While the Mainland China is expected to pace its continuous growing robustness, we will continue to strengthen our positioning in the environmental operations keeping our vision in line with the national policy toward strengthened countrywide environmental protection. Barring any unforeseeable risk from the global economy that may affect the Group's operations being carried out mainly in the Mainland China, we will monitor our steps prudently toward further improvement in the coming year.

The Board proposes a final dividend of HK cent 0.45 per share at a payout ratio of 32.6% of the profit attributable to the shareholders of the Company in 2011.

Our Commitments

Since 2007 the Group has been repositioning itself to environmental related business, resources of the Group have been prioritized to the operations of industrial and medical waste treatment services in the Jiangsu Province, China. Having commenced since 2007 operating the landfills for general industrial solid waste and incineration of hazardous solid waste, in 2011 the Group acquired controlling stake in an industrial plating zone of over 180,000 square metres in Zhenjiang to take up the integrated control of plating sewage discharged to the surrounding watercourse of the industrial zone and commenced resources recovery operations by reuse and recycling of non-organic and organic substances through centralized collection, separation and management both in the industrial zone and in the solid waste handling centre in Zhenjiang.

To meet the increasingly rigorous environmental and social obligations as anticipated by the local government, financiers, and the stakeholders of the Group, we will continue to commit the Group to improve our standard of corporate governance while growing pragmatically.

Our Acknowledgment

On behalf of the Board, I would like to express our gratitude and appreciation to our management team and our colleagues both in the Mainland and in Hong Kong for their dedication and hard work in achieving the goals we set for 2011.

Our thanks also extend to all shareholders of the Company and especially our financiers for their ongoing support and trust in our Group.

XI Yu
Chairman

Hong Kong, 19 March 2012

Environmental Waste Management Services

Zhenjiang, Yancheng and Taizhou are three fast-growing cities in the Jiangsu Province, China. The Group's subsidiaries in Zhenjiang, Yancheng and Taizhou are the only entities licensed to handle regulated medical waste exclusively in those cities. In addition, the Group specializes in handling general industrial waste in the Jiangsu Province and has continued to increase the capacity of collection and disposal of industrial waste in those cities where industry has been growing at a fast pace.

The Group also operates a tank truck cleansing service centre in Zhenjiang, which is the only service centre in Zhenjiang district to cater for the pollution issues of remnant hazardous chemicals produced by transportation.

In early 2011, the Group has established a new nitrile rubber recycling centre in Zhenjiang to handle synthetic scrap plastics being generated from manufacturing process or cut offs from finished products. The 51% indirectly owned subsidiary specializes in recycling nitrile rubber by turning it into reusable raw materials for resale.

In 2011, the Group also established a new subsidiary in the Xiangshui County of the city, Yancheng and anticipates extending the Group's capacity of handling industrial waste along with the industrialization of the city in recent years.

Further pragmatic growth of the Group's environmental operations especially on industrial waste treatment will be driven by continuous economic growth of the cities, Zhenjiang, Yancheng and Taizhou where key operations of the Group are currently focused on.

Eco-plating Specialized Zone

In February 2011, the Group acquired controlling stake of the eco-plating specialized zone with a total land area of approximately 182,520 square metres situated at an industrialized district in Zhenjiang, and the eco-plating specialized zone is to build industrial buildings with a total rentable gross floor area of more than 125,000 square metres and a multistory integrated office building with a gross floor area of more than 4,300 square metres (the "Eco-plating Specialized Zone") upon full development. The Eco-plating Specialized Zone is equipped with centralized sewage discharge control, separation and decontamination plant with a gross floor area of approximately 3,000 square metres. The industrial buildings in the Eco-plating Specialized Zone are built to meet specific requirements of plating manufacturers on a long term lease for plating operations. As at 31 December 2011, industrial buildings with approximately 84,000 square metres were completed at an occupancy rate of about 70%.

Manufacturing Operations

Suzhou New Universe Smartech Tooling and Plastics Limited is the production and outlet base of the Group's plastic injection molds, plastic products and plastic trading situated at Suzhou in the Jiangsu Province to cater for the demands of multinational plastics manufacturing customers in China. The Group also owns equity interests of 18.62%, 24.5% and 28.67% respectively in Suzhou New Huamei Plastics Company Limited, Danyang New Huamei Plastics Company Limited and Qingdao Zhongxin Huamei Plastics Company Limited as a joint venturer to their plastic material dyeing business in China.

Fund Raising Exercise

In August 2011, the Group completed a rights issue and raised funds of approximately HK$30,200,000. The net proceeds, after deduction of related expenses, of approximately HK$28,900,000 from the rights issue has been mainly applied to financing capital commitment requirements for the development of the Group's environmental operations as expected.

Follow-up Actions on Disposal of Discontinued Business

Legal actions against the purchaser together with the guarantors in relation to the disposal of the Zhenjiang Dock Project have commenced in January 2012 and first court hearing will be held in March 2012. According to the advices of the Company's PRC lawyers, recoverability of the balance of consideration in relation to the disposal transaction is enforceable against the purchaser under the PRC Laws.

Growth of Core Business

With the dedicated efforts of the Group's staff and management and the support of customers and financiers, the Group recorded a net profit of HK$35,219,000 for the year ended 31 December 2011 of which approximately HK$30,535,000 was attributable to shareholders of the Company that signified a promising direction the Group has taken for its future sustainable growth.

Outlook

Given the fact that the China government has promulgated, implemented and strengthened rules and regulations to protect the country's environment while improving the people's livelihood, the governmental initiatives will continuously drive growth of the environmental sector and market demand for all kind of environmental services.

Our focus on pursuing opportunities of environmental operations will continue prudently. We shall maintain Hong Kong as the outbound platform to capitalize resource and know how to ensure our Group's core operations growing in a sustainable manner. I strongly believe that we are working toward a right direction to enhance the Group's competitiveness in the forthcoming medium term, and in long term we shall rely on our people who are diligent, skillful and most importantly knowledgeable about the environment of where we are living in.

However, barring unforeseeable circumstances in the future, we are fully aware that our operations and opportunities could not be without challenges and risks. To ensure sustainable growth of the Group, amongst give-and-take within our organization, corporate governance is to be improved continuously, and investment opportunities are to be sought pragmatically.

Appreciation

Our staff are the most invaluable assets and I would like to thank all staff of the Group who worked hard toward our targets set for this year.

I would also like to thank our stakeholders for their continuous support to the Group's development.

Finally, I would like to thank all members of the Board for their support and guidance, and to share with them the pleasure of announcing the results of this fruitful year.

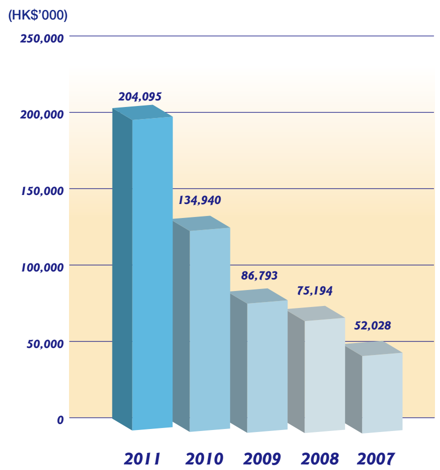
CHAN Chun Hing
Chief Executive Officer

Hong Kong, 19 March 2012

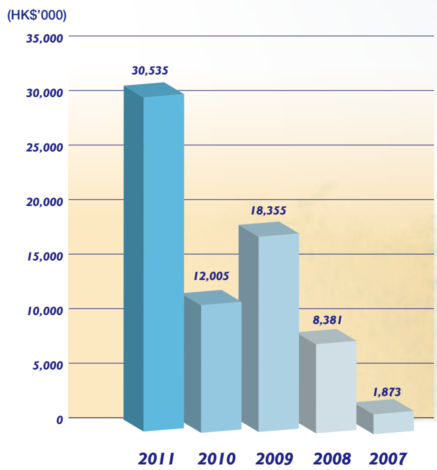
HIGHLIGHTS

- **Total turnover up 51.2% to HK$204,095,000.**
- **Profit attributable to Company's shareholders up 154.4% to HK$30,535,000.**
- **Equity attributable to the Company's shareholders was HK$421,298,000 at 31 December 2011.**
- **Cash and cash equivalents of the Group amounted to HK$128,542,000 at 31 December 2011.**
- **Total earnings per share attributable to Company's shareholders up 135.5% to HK cents 1.46.**
- **The Board resolved to declare a final dividend of HK cent 0.45 per share for the year ended 31 December 2011.**

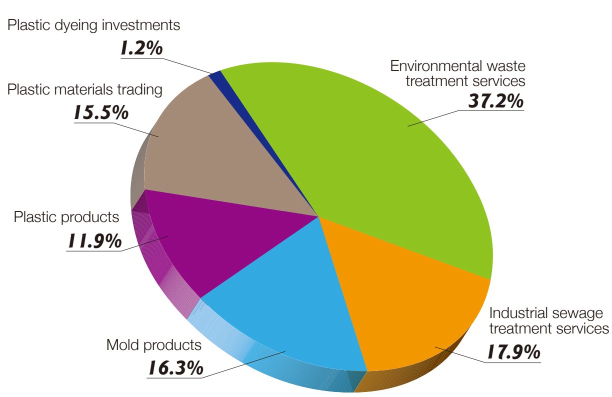
5-Year Group Turnover



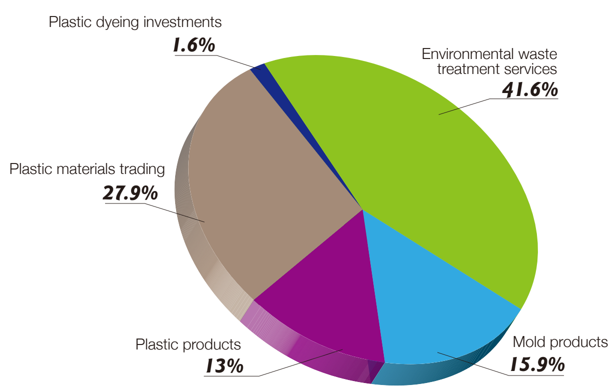
5-Year Profit attributable to shareholders



2011 Segment revenue



2010 Segment revenue



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Environmental Waste Integrated Treatment Services

In 2011, the Group has collected for treatment in aggregate 19,678 metric tons of hazardous industrial waste, 5,074 metric tons of general industrial waste, and 3,758 metric tons of regulated medical waste from the cities of Zhenjiang, Yancheng and Taizhou for the year ended 31 December 2011 as comparing to 18,021 metric tons, 7,331 metric tons, and 2,281 metric tons respectively in 2010.

The tank truck cleansing service centre of the Group in Zhenjiang has serviced 851 truck-times in 2011.

The newly established a nitrile rubber recycling centre in Zhenjiang has started operation and production in the fourth quarter of 2011.

The newly established subsidiary in the Xiangshui County of Yancheng for environmental disposal operations is still at its preliminary status and the site location is expected to be fixed in 2012.

The newly established associate, in which the Group indirectly holds 24.6% equity interest, principally engages in industrial waste treatment in Zhenjiang is expected to commence operations in third quarter of 2012.

For the year ended 31 December 2011, by business segment, the segmental profit margin of the Group's environmental waste treatment services was 41.7% (2010: 40.7%).

Environmental Industrial Sewage Treatment in Eco-plating Specialized Zone

In 2011, besides the multistory integrated office building with gross floor area of approximately 4,300 square metres in Eco-plating Specialized Zone was completed and in use, industrial buildings with a total gross floor area of approximately 84,000 square metres were completed, and approximately 70% were leased out. The Eco-plating Specialized Zone has handled over 271,500 metric tons of plating sewage discharge from the manufacturers in the zone for the year ended 31 December 2011.

Integrated recycling treatment service for industrial plating sludge discharge in Eco-plating Specialized Zone is expected to commence operations in third quarter of 2012.

For the year ended 31 December 2011, the segmental profit margin of the Group's operation of industrial sewage treatment services in the Eco-plating Specialized Zone was 31.9%.

Manufacturing Operations

For the year ended 31 December 2011, the segmental profit margin of plastic product sale and plastic trading operated by Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe") was 4.5%, and 1.0% respectively (2010: 3.3%, and 1.8% respectively). The mold making operation of Suzhou New Universe has improved in 2011 as compared to 2010.

For the year ended 31 December 2011, the profit margins of Suzhou New Huamei Plastics Company Limited ("Suzhou New Universe"), Danyang New Huamei Plastics Company Limited ("Danyang New Universe") and Qingdao Zhongxin Huamei Plastics Company Limited ("Qingdao Huamei") that engaged in plastic material dyeing business in China were 3.2%, 1.5% and 2.1% respectively (2010: 3.2%, 1.8% and 3.5% respectively).

Fund Raising Exercise

On 1 August 2011, the Group completed a rights issue of 201,189,168 rights shares at HK$0.15 each on the basis of one rights share for every ten of the then shares held by the shareholders of the Company on record date as of 28 June 2011 ("Rights Issue"). The Rights Issue raised funds of approximately HK$30,178,000 for the Company. The net proceeds of the Rights Issue, after deduction of related expenses, amounted to approximately HK$28,905,000 with approximately HK$25,000,000 was applied to finance the capital commitment requirements for development of the Group's environmental operations and the remaining balance for the general working capital of the Company.

Follow-up Actions on Disposal of Zhenjiang Dock Project

In 2011, the Group has appointed PRC lawyers to follow up the case on pursuing the full settlement of balance consideration in relation to the disposal of the Zhenjiang Dock Project.

As at 31 December 2011, out of a total consideration of RMB85,849,100, RMB60,549,100 was received by the Group. Settlement of the balance of consideration (amounted to RMB25,300,000 or approximately HK$31,208,000 as at 31 December 2011) ("Balance of Consideration") on or before 31 March 2012 is jointly guaranteed by two China parties comprising Zhenjiang Xinminzhou Harbour Estate District Administrative Committee (鎮江新民州港口產業園區管委會) and Stated Owned Gongqingtuan Farm of Jiangsu Province (江蘇省國營共青團農場) ("Guarantors").

To further protect the interest of the Group, New Universe Enterprises Limited ("NUEL", being the ultimate holding company of the Group) entered into a deed of indemnity on 23 June 2011 in favour of the Company, pursuant to which NUEL irrevocably agreed to indemnify the Group for any loss that the Group may suffer from not being paid in full of the consideration under the disposal.

Legal actions against the purchaser together with the Guarantors have been commenced in January 2012 for recovery of the Balance of Consideration together with claims for compensation.

FINANCIAL REVIEW

Summary of annual results

(Expressed in HK$'000 unless indicated otherwise)	*Notes*	**Year ended 31 December 2011**	2010	**Change**
Turnover	1	**204,095**	134,940	+51.2%
Average gross profit margin (in percentage)	2	**32.0%**	32.6%	–1.8%
Other revenue	3	**7,972**	5,272	+51.2%
Other net income	4	**5,011**	1,663	+201.3%
Distribution and selling expenses	5	**6,002**	5,711	+5.1%
Administrative expenses	6	**28,673**	21,597	+32.8%
Other operating expenses	7	**6,687**	3,320	+101.4%
Finance costs	8	**3,547**	1,411	+151.4%
Share of profits of associates	9	**1,100**	726	+51.5%
Income tax	10	**5,116**	2,858	+79.0%
Net profit for the year	11	**35,219**	15,393	+128.8%
Profit attributable to owners of the Company for the year		**30,535**	12,005	+154.4%
Basic and diluted EPS (HK cents)		**1.46**	0.62	+135.5%
Proposed dividend per share (HK cent)		**0.45**	–	N/A

Summary of quarterly results

	Notes	**Q1 2011 HK$'000**	**Q2 2011 HK$'000**	**Q3 2011 HK$'000**	**Q4 2011 HK$'000**	**Total 2011 HK$'000**
Turnover						
Environmental waste treatment service income		**13,414**	**19,232**	**18,081**	**23,439**	**74,166**
Industrial sewage treatment service income		**3,369**	**8,360**	**9,811**	**15,548**	**37,088**
Sale of mold products		**6,190**	**10,278**	**4,933**	**12,789**	**34,190**
Sale of plastic products		**5,352**	**5,635**	**6,985**	**7,522**	**25,494**
Sale of plastic materials		**4,560**	**8,402**	**9,156**	**11,039**	**33,157**
	1	**32,885**	**51,907**	**48,966**	**70,337**	**204,095**
Other revenue	3	**2,117**	**3,294**	**1,583**	**978**	**7,972**
Other net income	4	**694**	**779**	**1,170**	**2,368**	**5,011**
Distribution and selling expenses	5	**1,629**	**2,099**	**2,216**	**58**	**6,002**
Administrative expenses	6	**5,920**	**6,510**	**7,262**	**8,981**	**28,673**
Other operating expenses	7	**1,237**	**1,888**	**2,176**	**1,386**	**6,687**
Finance costs	8	**567**	**747**	**902**	**1,331**	**3,547**
Share of profits of associates	9	**67**	**424**	**479**	**130**	**1,100**
Income tax	10	**692**	**836**	**441**	**3,147**	**5,116**
Net profit for the period	11	**10,920**	**8,293**	**5,927**	**10,079**	**35,219**
Profit attributable to owners of the Company for the period		**9,748**	**6,973**	**4,755**	**9,059**	**30,535**

	Notes	Q1 2010 HK$'000	Q2 2010 HK$'000	Q3 2010 HK$'000	Q4 2010 HK$'000	Total 2010 HK$'000
Turnover						
Environmental waste treatment service income		11,297	14,130	14,422	15,938	55,787
Industrial sewage treatment service income		–	–	–	–	–
Sale of mold products		4,105	1,029	5,975	10,754	21,863
Sale of plastic products		3,960	4,539	4,771	4,928	18,198
Sale of plastic materials		6,364	10,174	12,489	10,065	39,092
	1	25,726	29,872	37,657	41,685	134,940
Other revenue	3	1,353	2,448	319	1,152	5,272
Other net income	4	–	23	711	929	1,663
Distribution and selling expenses	5	1,158	1,201	1,992	1,360	5,711
Administrative expenses	6	3,741	4,379	4,744	8,733	21,597
Other operating expenses	7	1,056	642	1,274	348	3,320
Finance costs	8	693	477	121	120	1,411
Share of net profits/(losses) of associates	9	(38)	350	181	233	726
Income tax	10	548	834	772	704	2,858
Net profit for the period	11	2,630	4,332	3,593	4,838	15,393
Profit attributable to owners of the Company for the period		1,886	3,328	2,741	4,050	12,005

Notes to summaries of annual and quarterly results:

1. Revenue from all operations recorded increases in 2011 as comparing to each of the corresponding quarters in 2010, except for the revenue from trading of plastic materials has dropped in 2011. Net increase in total turnover for the year ended 31 December 2011 was mainly attributable to:

   (i) stable growth in revenue from environmental services, and

   (ii) consolidation of post-acquisition revenue and results of the New Sinotech Group comprising New Sinotech Investments Limited ("New Sinotech"), Fair Time International Limited ("Fair Time"), and Zhenjiang Sinotech Eco-Electroplating Development Limited ("Zhenjiang Sinotech") since they became the Group's subsidiaries on 17 February 2011.

2. Decrease in average gross profit margin of the Group to 32.0% for the year ended 31 December 2011 from 32.6% in 2010 was mainly attributable to decrease in average gross profit margin of the Group's trading of plastic materials to 2.7% (2010: 4.4%).

3. Net increase in other revenue for the year ended 31 December 2011 was mainly attributable to increase in scrap sales as comparing to 2010.

4. Net increase in other net income for the year ended 31 December 2011 was mainly attributable to gain on exchanges from operations and reversal of over accrued expenses during the current year.

5. Net increase in distribution and selling expenses for the year ended 31 December 2011 was mainly attributable to:

   (i) overall increase in incentive payments made to sale agents of the Group's operations though over accrued incentive payments has been reversed in fourth quarter of 2011, and

   (ii) consolidation of post-acquisition results and related expenses of New Sinotech Group.

6. Net increase in administrative expenses for the year ended 31 December 2011 was mainly attributable to:

   (i) increase in senior staff cost of the head office in Hong Kong as comparing with 2010,

   (ii) consolidation of post-acquisition results and related expenses of New Sinotech Group, and

   (iii) increase in year end bonus to staff of the Group in the fourth quarter of 2011 as comparing to 2010.

7. Net increase in other operating expenses for the year ended 31 December 2011 was mainly attributable to increase in PRC property taxes and PRC with holding dividend tax paid during the period.

8. Net increase in finance costs for the year ended 31 December 2011 was mainly attributable to:

   (i) increase in bank borrowings since the second quarter of 2011 for financing development of the Group's environmental operations; and

   (ii) consolidation of post-acquisition interest on bank borrowings of New Sinotech Group.

9. Net increase in profits shared from associates for the year ended 31 December 2011 was mainly attributable to:

   (i) increase in profits shared from Qingdao Huamei for the current period, and

   (ii) desist from sharing net results from New Sinotech Group upon its being ceased to be associates of the Group when the acquisition of additional 60% equity interest in New Sinotech Group completed on 17 February 2011.

10. Net increase in income tax for the year ended 31 December 2011 was mainly attributable to increase in taxable profits and deferred tax arisen from environmental operations for the current period.

11. Net increase in net profit of the Group together with profit attributable to the Group's owners for the year ended 31 December 2011 was mainly attributable to:

    (i) increase in profits from core operations of the Group, and

    (ii) gain on deemed disposal of the previously held 38% equity interest in New Sinotech Group in the first quarter of 2011 amounted to HK$5,817,000 as audited.

Capital expenditure

For the year ended 31 December 2011, the Group incurred capital expenditure to increase property, plant and equipment (i) for the environmental operations amounted to HK$37,109,000 (2010: HK$22,290,000), (ii) for the manufacturing operations amounted to HK$1,505,000 (2010: HK$2,793,000), and (iii) for the Eco-plating Specialized Zone amounted to HK$76,409,000 after the completion of acquisition of the controlling stake of the zone.

Commitments

At the end of the reporting period, the Group had the following commitments for material investments or capital assets:

	31 December 2011 HK$'000	31 December 2010 HK$'000
Contracted but not provided for:		
– Acquisition of property, plant and equipment	**78,243**	22,056
Authorized but not contracted for:		
– Investment in available-for-sale equity investments	**6,724**	11,687
– Investment in associates	**7,401**	23,651
– Acquisition of additional 60% equity interest in New Sinotech	**–**	53,000

Significant investments held and their performance

According to the valuation report dated 19 March 2012 issued by an independent professional valuer, BMI Appraisals Limited, the fair value attributable to the Group's interests in the available-for-sale equity investments in Suzhou New Huamei and Danyang New Huamei as at 31 December 2011 were HK$37,100,000 (2010: HK$46,200,000) and HK$18,800,000 (2010: HK$22,100,000) respectively.

The Group holds 28.67% equity interest in Qingdao Huamei as an associate. According to the valuation report dated 19 March 2012 prepared by BMI Appraisals Limited, the fair value attributable to the Group's interest in Qingdao Huamei as at 31 December 2011 was HK$17,900,000 (2010: HK$20,100,000), and no impairment to the carrying amount of the associate was considered necessary for the year end 31 December 2011. The Group holds 24.6% equity interest in Zhenjiang New District Solid Waste Disposal Limited at the cost of HK$3,701,000 since its incorporation and no impairment to the carrying amount of that associate was considered necessary for the year ended 31 December 2011.

During the year ended 31 December 2011, the Group disposed of the available-for-sale equity investments of 9% equity interests respectively in New Proficient Limited and Fair Waste Disposal Limited at their carrying amounts with no gain nor loss on the respective disposals.

Impairment testing on goodwill

According to the valuation report dated 19 March 2012 issued by an independent professional valuer, BMI Appraisals Limited, conducting value-in-use calculation by discounting the future cash flows of the environmental entities of the Group comprising 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") which consist of cash flows for the next 10 years and a terminal value at the 10th year, no impairment on the carrying amount of the goodwill was considered necessary for the year ended 31 December 2011.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 13 December 2010, the Company entered into a sale and purchase agreement with NUEL and Mr. CHAN Son Neng, pursuant to which the Company conditionally agreed to acquire of 53% and 7% equity interests in New Sinotech from NUEL and Mr. CHAN Son Neng respectively, at an aggregate consideration of HK$53,000,000 ("Acquisition") subject to, amongst others, approval by the Company's independent shareholders. The Acquisition constituted a major and connected transaction of the Company that was approved by the independent shareholders of the Company on 16 February 2011. On 17 February 2011, the Group completed the Acquisition and the Group's equity interest in New Sinotech was increased from 38% to 98%. New Sinotech has became a 98% owned subsidiary of the Group. Details of the Acquisition are set out in the Company's circular dated 27 January 2011.

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 years ended 31 December 2011.

Capital structure

On 9 June 2011, the Company announced and proposed to raise approximately HK$30,200,000 before expenses by way of the Rights Issue of 201,189,168 new shares at a price of HK$0.15 per share ("Rights Shares") on the basis of one Rights Share for every ten of the then existing shares held on the record date at 28 June 2011. On 9 June 2011, the Company had entered into an Underwriting Agreement with NUEL to underwrite 76,224,257 Rights Shares (the "Underwriter"), and NUEL and Mr. XI Yu have also irrevocably undertaken under an Undertaking Letter to take up in full of its entitlement under the Rights Issue relating to the shares beneficially owned by NUEL amounting to 124,964,911 Rights Shares. The Company completed the Rights Issue by issuing 201,189,168 Rights Shares on 1 August 2011. Net proceed of approximately HK$28,905,000 (after related expenses of approximately HK$1,273,000) from the Rights Issue is expected to be applied as to approximately HK$25,000,000 for financing the capital commitment requirements for development of the Group's environmental operations and the remaining balance for the general working capital of the Company.

Save as disclosed therein, there was no significant change to the capital structure of the Group as at 31 December 2011 compared to that as at 31 December 2010.

Use of proceed from Rights Issue

In 2011, the Company has raised funds through a Rights Issue that became unconditional on 27 July 2011 and was completed on 1 August 2011. The dealings of the fully-paid Rights Shares commenced on 3 August 2011. As at 31 December 2011, the net proceeds from the Rights Issue approximately amounted to HK$28.9 million were applied as follows:

Date of announcement	Date of prospectus	Fund raising activity	Net proceeds raised (approximately)	Intended use of net proceeds raised	Actual use of net proceeds raised
9 June 2011	8 July 2011	Rights Issue	HK$28.9 million	(i) Approximately HK$20.5 million for financing the capital commitment requirement for development of the Group's environmental operations; and (ii) the remaining balance for the general working capital of the Company.	(i) Approximately HK$25 million had been utilized for the capital commitment requirement for development of the Group's environmental operations; and (ii) approximately HK$3.9 million had been utilized as general working capital of the Company.

Liquidity, financial resources and gearing

During the year ended 31 December 2011, the Group financed its operations with internally generated cash flows, banking facilities, borrowings from NUEL (the ultimate holding company of the Group), borrowings from China (HK) Chemical & Plastics Company Limited (a related company of the Group), and the Rights Issue. The Group remained in a stable financial position with equity attributable to owners of the Company amounted to HK$421,298,000 as at 31 December 2011 (31 December 2010: HK$354,319,000) and total assets amounted to HK$774,030,000 as at 31 December 2011 (31 December 2010: HK$428,993,000).

At the end of the reporting period, the Group had:

	31 December 2011 HK$'000	31 December 2010 HK$'000
(i) Cash and bank balances	**128,542**	76,907
(ii) Available unused banking facility as guaranteed by a related company	**–**	10,000

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

	31 December 2011 HK$'000	31 December 2010 HK$'000
Current liabilities (excluding income tax payable and government grant)	**158,019**	49,005
Non-current liabilities (excluding deferred taxes and government grant)	**142,712**	–
Total debts	**300,731**	49,005
Less: cash and cash equivalents	**128,542**	76,907
Net debts/(net cash)	**172,189**	(27,902)
Total equity	**442,844**	371,594
Gearing ratio	**38.9%**	N/A

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

Charges on assets

As at 31 December 2011, the Group pledged the land use rights, and the property, plant and equipment with aggregate carrying amounts of HK$13,513,000 (2010: HK$2,355,000) and HK$64,775,000 (2010: HK$9,089,000) for securing bank loans amounted to HK$33,921,000 (2010: HK$10,575,000) granted to the Group.

In addition, the Group pledged all assets of its subsidiaries, New Universe Environmental Technologies (Jiang Su) Limited and Fair Time International Limited respectively, under fixed and floating charges for securing bank loans amounted to HK$67,304,000 as at 31 December 2011 (2010: Nil).

Exposure to fluctuations in exchange rates

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. For the year ended 31 December 2011, no related hedging has been arranged by the Group.

Contingent liabilities

There were no significant contingent liabilities of the Group as at 31 December 2011 (2010: Nil).

Employee information

As at 31 December 2011, the Group had 456 (2010: 391) full-time employees of which 17 (2010: 18) were based in Hong Kong, and 439 (2010: 373) in the Mainland China. Staff costs, including directors' remuneration and amount capitalized as inventories was HK$38,769,000 for the year ended 31 December 2011 (2010: HK$30,669,000). 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.

5-YEAR GROUP FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**204,095**	134,940	86,793	75,194	52,028
Cost of sales	**(138,751)**	(90,995)	(59,643)	(46,594)	(42,848)
Gross profit	**65,344**	43,945	27,150	28,600	9,180
Other revenue	**7,972**	5,272	3,370	4,487	3,096
Other net income	**5,011**	1,663	489	11	148
Gain on deemed disposal of associates	**5,817**	–	–	–	–
Gain on disposal of subsidiaries	**–**	–	–	–	4,042
Excess of fair value of net assets over cost of acquisition of interests in subsidiaries	**–**	–	–	–	6,057
Excess of fair value of net assets over cost of acquisition of interests in associates	**–**	–	–	4,298	–
Loss on early redemption of promissory notes	**–**	(1,316)	–	–	–
Impairment of goodwill	**–**	–	(688)	–	–
Impairment of available-for-sale equity investments	**–**	–	–	(4,012)	–
Distribution and selling expenses	**(6,002)**	(5,711)	(5,098)	(5,737)	(3,551)
Administrative expenses	**(28,673)**	(21,597)	(14,323)	(11,872)	(11,832)
Other operating expenses	**(6,687)**	(3,320)	(3,123)	(5,226)	(4,793)
Finance costs	**(3,547)**	(1,411)	(2,798)	(1,700)	(785)
Share of profits of associates, net	**1,100**	726	1,303	922	90
Profit before taxation	**40,335**	18,251	6,282	9,771	1,652
Income tax	**(5,116)**	(2,858)	(1,210)	–	–
Profit for the year from continuing operations	**35,219**	15,393	5,072	9,771	1,652
Profit for the year from discontinued operation	**–**	–	15,382	679	536
Profit for the year	**35,219**	15,393	20,454	10,450	2,188
Other comprehensive income for the year	**3,319**	18,814	(4,762)	12,142	2,239
Total comprehensive income for the year	**38,538**	34,207	15,692	22,592	4,427
Profit for the year attributable to:					
Owners of the Company	**30,535**	12,005	18,355	8,381	1,873
Non-controlling interests	**4,684**	3,388	2,099	2,069	315
	35,219	15,393	20,454	10,450	2,188
Total comprehensive income attributable to:					
Owners of the Company	**32,838**	30,385	13,520	19,763	4,116
Non-controlling interests	**5,700**	3,822	2,172	2,829	311
	38,538	34,207	15,692	22,592	4,427

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**343,487**	79,520	60,348	63,083	51,296
Prepaid lease payments	**101,925**	21,453	21,819	22,295	22,349
Deposits paid for docks development	**–**	–	–	–	49,796
Docks development costs	**–**	–	–	–	5,550
Goodwill	**33,000**	33,000	33,000	33,688	33,688
Interests in associates	**11,012**	60,911	37,411	36,962	4,778
Available-for-sale equity investments	**57,926**	68,670	53,900	48,900	57,022
	547,350	263,554	206,478	204,928	224,479
Current assets					
Inventories	**20,425**	14,689	12,343	10,052	10,706
Trade and bills receivables	**40,008**	19,428	17,071	13,811	9,168
Prepayments, deposits and other receivables	**3,779**	3,025	952	3,603	10,624
Consideration receivable on disposal of discontinued operation	**31,208**	50,878	87,389	–	–
Prepaid lease payments	**2,718**	512	508	508	498
Cash and cash equivalents	**128,542**	76,907	42,823	23,128	44,421
	226,680	165,439	161,086	51,102	75,417
Assets of disposal group classified as held for sale	**–**	–	–	90,103	–
	226,680	165,439	161,086	141,205	75,417
Total assets	**774,030**	428,993	367,564	346,133	299,896

5-YEAR GROUP FINANCIAL SUMMARY

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current liabilities					
Interest-bearing bank borrowings	**82,997**	10,575	5,121	10,170	9,184
Trade payables	**14,610**	13,103	10,614	4,437	4,666
Accrued liabilities and other payables	**42,203**	16,721	13,746	12,209	8,091
Deposits received from customers	**10,415**	8,606	6,135	8,177	8,959
Deferred government grant	**269**	–	–	–	–
Obligation under finance leases	**–**	–	–	4	5
Income tax payable	**1,777**	1,915	2,184	–	–
Amount due to related companies	**2,794**	–	19	19	419
Amounts due to ultimate holding company	**5,000**	–	–	–	2,416
	160,065	50,920	37,819	35,016	33,740
Liabilities associated with assets of disposal group classified as held for sale	**–**	–	–	1	–
	160,065	50,920	37,819	35,017	33,740
Non-current liabilities					
Interest-bearing bank borrowings	**45,528**	–	–	–	–
Promissory notes	**–**	–	22,185	19,956	–
Deferred government grant	**3,146**	–	–	–	–
Deferred tax liabilities	**25,263**	6,479	5,147	5,065	5,065
Obligation under finance leases	**–**	–	–	–	4
Loan from a related company	**–**	–	3,042	–	–
Amounts due to ultimate holding company	**97,184**	–	–	2,416	–
	171,121	6,479	30,374	27,437	5,069
Total liabilities	**331,186**	57,399	68,193	62,454	38,809
Net assets	**442,844**	371,594	299,371	283,679	261,087
Share capital	**22,131**	20,119	18,259	18,259	18,259
Reserves	**399,167**	334,200	270,694	257,174	237,411
Equity attributable to owners of the Company	**421,298**	354,319	288,953	275,433	255,670
Non-controlling interests	**21,546**	17,275	10,418	8,246	5,417
Total equity	**442,844**	371,594	299,371	283,679	261,087

DIRECTORS

XI Yu (aged 54)

Chairman, Executive Director, Compliance Officer and Authorized Representative

Mr. XI has been an executive director of the Company since 7 June 2002, and was nominated as the chairman of the Board, compliance officer and authorized representative of the Company on 9 December 2004. Mr. XI is the chairman and director of all member companies of the Group. He leads the Company's board of directors for corporate strategic planning and long-term development of the Group. Mr. XI has substantial experience in the chemical manufacturing industry, plastics industry and environmental industry. He graduated from the Chemistry Department of the University of Beijing in 1980. He is the director and major shareholder of the Company's controlling shareholder, and holds 83.66% equity interests in NUEL. He is also currently the director of China (HK) Chemical & Plastics Company Limited and its holding company, New Universe Holdings Limited.

CHAN Chun Hing (aged 47)

Chief Executive Officer and Executive Director

Mr. CHAN has been the chief executive officer and executive director of the Company since 3 May 2010. He is responsible for corporate development and sustainable growth of the Group, exploring new investment opportunities and enhancing the Group's standard of corporate governance. Mr. CHAN has substantial professional experience in the fields of finance, investment and real estate development. He previously worked in senior management positions of various listed companies in Hong Kong. He holds a Bachelor of Science degree from Thames Polytechnic in the U.K. and a MBA degree from Murdoch University in the Australia. He is a fellow member of the Institute of Financial Accountants (U.K.) and a member of the National Institute of Accountants (Australia), Hong Kong Institute of Surveyors (H.K.) and Chartered Institute of Arbitrators (U.K.).

HON Wa Fai (aged 51)

Executive Director, Financial Controller, Company Secretary and Authorized Representative

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

CHEUNG Siu Ling (aged 50)

Executive Director

Ms. CHEUNG has been an executive director of the Company since 1 April 2005. Ms. CHEUNG is also the director of various major subsidiaries of the Group. She is responsible for business administration and human resources management of the Group. Ms. CHEUNG has extensive experience in business administration in the commercial fields both of manufacturing and trading. She holds a MBA degree from the University of South Australia. Ms. CHEUNG is the director and shareholder of the Company's controlling shareholder, NUEL. She is also currently the director of China (HK) Chemical & Plastics Company Limited and its holding company, New Universe Holdings Limited.

SONG Yuqing (aged 63)

Vice-chairman and Non-executive Director

Mr. SONG has been the vice-chairman of the Board and non-executive director of the Company since 15 June 2010. He is responsible for providing valuable advices on strategic planning and driving the Group toward further expansion. Mr. SONG was formerly a non-executive director of Sinofert Holdings Limited, a listed company in Hong Kong. He has distinguished experience in the industries of resources, chemicals and real estate, and has substantial experience in strategic and corporate planning functions.

SUEN Ki (aged 58)

Non-executive Director

Mr. SUEN has been a non-executive director of the Company since 28 September 2006. Mr. SUEN is a director and shareholder of the Company's controlling shareholder, NUEL. He is currently the managing director of China (HK) Chemical & Plastics Company Limited. Mr. SUEN has extensive experience in plastics industry in Hong Kong, Taiwan and the Mainland China. Mr. SUEN holds a Bachelor's degree of Arts from the Department of Foreign Languages and Literature of the National Taiwan University in Taiwan.

CHAN Yan Cheong (aged 58)

Independent non-executive Director

Dr. CHAN was appointed as an independent non-executive director of the Company on 1 February 2000 and was nominated and appointed as the chairman of audit committee of the board of the Company. Dr. CHAN is currently a Chair Professor of Electronic and Engineering, and director of the EPA Centre in the Department of Electronic Engineering of City University of Hong Kong. Dr. CHAN holds B.Sc. degree in Electrical Engineering, M.Sc. degree in Materials Science, and a Ph.D. degree in Electrical Engineering, from Imperial College of Science and Technology, University of London. He also awarded a MBA degree from the University of Hong Kong. Dr. CHAN is a fellow member of each of the Institute of Electrical and Electronic Engineers, INC (USA) and Hong Kong Institution of Engineers and a member of the Institution of Engineering & Technology (UK). His current research interests include RoHS & WEEE research, green electronics manufacturing, failure analysis, and reliability engineering.

YUEN Kim Hung, Michael (aged 50)

Independent non-executive Director

Mr. YUEN was appointed as an independent non-executive director of the Company on 24 April 2002 and was nominated and appointed as the chairman of nomination committee of the board on 19 March 2012. Mr. YUEN is currently practising in Hong Kong with his own accounting firm. Mr. YUEN holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic University. He is a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants, a Certified General Accountant of Canadian Certified General Accountants Association of Hong Kong, and a fellow member of Association of Chartered Certified Accountants. Mr. YUEN is currently an independent non-executive director of a listed company in Hong Kong, Prosperity International Holdings (H.K.) Ltd., and a listed company in the London Stock Exchange, Prosperity Minerals Holdings Limited. He has substantial experience in accounting, taxation and auditing.

HO Yau Hong, Alfred (aged 54)

Independent non-executive Director

Mr. HO was appointed as an independent non-executive director of the Company on 30 September 2004 and was nominated and appointed as the chairman of the remuneration committee of the board on 19 March 2012. Mr. HO is currently practising in Hong Kong with his own accounting firm. He is currently a facilitator in the Qualification Program of the Hong Kong Institute of Certified Public Accountants in accounting, auditing and taxation. 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 (Honours) degree 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 was formerly a finance director of Sinosoft Technology PLC., a company previously listed in the London Stock Exchange. Mr. HO has substantial experience in accounting, auditing and taxation.

LEE Kwan Hung (aged 46)

Independent non-executive Director

Mr. LEE was appointed as an independent non-executive director of the Company on 15 June 2010. He is currently an independent non-executive director of listed companies in Hong Kong namely, Asia Cassava Resources Holdings Limited, Embry Holdings Limited, Far East Holdings International Limited, Futong Technology Development Holdings Limited, Net Dragon Websoft Inc., Newton Resources Limited, Walker Group Holdings Limited, Tenful (Cayman) Holdings Company Limited, Yuexiu Real Estate Investment Trust. Mr. LEE was also formerly a non-executive director of GST Holdings Limited whose shares were previously listed in Hong Kong. He holds a LL.B (Honours) degree and a Postgraduate Certificate in Laws from the University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997, and is a practising lawyer in Hong Kong. He has over 20 years' experience in advising on commercial laws and listing matters.

SENIOR MANAGEMENT

WONG Lai Wa (aged 41)

Deputy General Manager, New Universe International Group Limited

Ms. WONG was appointed as a deputy general manager of the Company in June 2007. Ms. WONG had worked for New Universe Holdings Limited for the period from April 2003 to September 2008 as an accountant. Ms. WONG is currently responsible for monitoring budgetary systems of various subsidiaries of the Group in China. She has also been nominated as the project manager in May 2010 to monitor the project management of various investments of the Group on solid waste disposal and eco-plating industrial park development in China. Ms. WONG holds a Diploma in Business Management from the Chinese University of Hong Kong. Ms. WONG has substantial experience in finance, accounting and business administration.

WANG Wenhui (aged 42)

General Manager, Zhenjiang Sinotech Eco-electroplating Development Limited

Mr. WANG is currently the director and general manager taking charge of the daily operations of the Group's subsidiary, Zhenjiang Sinotech Eco-electroplating Development Limited that engage in the development and management of an industrial zone of over 182,000 square metres in Zhenjiang of the Jiangsu Province, China. Mr. WANG was appointed as the general manager of Zhenjiang Sinotech Eco-electroplating Development Limited in 2007. Mr. WANG holds an undergraduate degree in mechanics and electricity and a postgraduate degree in business administration with major in engineering from the Jiangsu University, and holds the title of engineer in Mainland China. Mr. WANG has substantial experience in finance, production management, and business administration.

LIU Yuan (aged 41)

General Manager, Zhenjiang New Universe Solid Waste Disposal Company Limited

General Manager, Zhenjiang New Universe Recyclables Company Limited

General Manager, Zhenjiang New Universe Rubber Company Limited

Ms. LIU is currently the general manager taking charge of the daily operations of the Group's subsidiaries, Zhenjiang New Universe Solid Waste Disposal Company Limited, Zhenjiang New Universe Recyclables Company Limited and Zhenjiang New Universe Rubber Company Limited that engage in environmental waste management, recycling and disposal in Zhenjiang of the Jiangsu Province, China. Ms. LIU has been working for Zhenjiang New Universe Solid Waste Disposal Company Limited since she was initially appointed as an administration and finance manager in April 2003. Ms. LIU graduated from Nanjing College of Economics (having been renamed as Nanjing University of Finance and Economics) with a major in accounting and statistics, and she holds the title of accountant in Mainland China. Ms. LIU has substantial experience in finance, business administration, and environmental operations.

LIU Laigen (aged 57)

General Manager, Yancheng New Universe Solid Waste Disposal Company Limited

General Manager, Taizhou New Universe Solid Waste Disposal Company Limited

Mr. LIU is currently the general manager taking charge of the daily operations of the Group's subsidiaries, Yancheng New Universe Solid Waste Disposal Company Limited and Taizhou New Universe Solid Waste Disposal Company Limited that engage in environmental waste management and disposal in Yancheng and Taizhou respectively of the Jiangsu Province, China. Mr. LIU was appointed as the general manager of Yancheng New Universe Solid Waste Disposal Company Limited and Taizhou New Universe Solid Waste Disposal Company Limited in 2003. Mr. LIU graduated from China Community Party Jiangsu Provincial Party Committee School with a major in economic management. Mr. LIU has substantial experience in business development and environmental management.

ZHANG Shunyu (aged 63)

General Manager, Xiangshui New Universe Environmental Technology Limited

Mr. ZHANG is currently the general manager taking charge of the daily operations of the newly established subsidiary of the Group, Xiangshui New Universe Environmental Technology Limited that engage in setting up a new plant to carry out environmental waste management and disposal in Xiangshui, a prefecture at Yancheng of the Jiangsu Province, China. Mr. ZHANG has also been the deputy general manager of the Group's subsidiary, Yancheng New Universe Solid Waste Disposal Company Limited since 2003. Mr. ZHANG previously worked as a senior official for the local Town Party Committee. Mr. ZHANG has substantial experience in environmental management and strategic development.

BAO Qiqun (aged 61)

General Manager, Suzhou New Universe Smartech Tooling and Plastics Limited

Mr. BAO is currently the general manager taking charge of the daily operations of the Group's subsidiary, Suzhou New Universe Smartech Tooling and Plastics Limited that engage in the manufacturing and sales of injection molds and plastic products, and trading in plastic materials at Suzhou of the Jiangsu Province, China. Mr. BAO was appointed as the general manager of Suzhou New Universe Smartech Tooling and Plastics Limited in 2006. Mr. BAO graduated from Jiangsu Radio and Television University with a major in administrative management, and he holds the title of economist in Mainland China. Mr. BAO previously worked in senior management position of various stated-owned enterprises in Mainland China and has substantial experience in production management and business development.

CORPORATE GOVERNANCE REPORT

The board ("Board") of directors of the Company ("Directors") of New Universe International Group Limited (the "Company") presents herewith the Corporate Governance Report for the year ended 31 December 2011 that includes significant subsequent events for the period up to the date of publication of this annual report, if any.

CORPORATE GOVERNANCE PRACTICES

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 Company's shareholders ("Shareholders") and has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") 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").

The Board of the Company believes that by conducting the Group's business in a socially responsible manner and ensuring effective risk control, the long-term interests of the Group could be better achieved and the interests of the Shareholders could be maximized.

Throughout the year ended 31 December 2011, the Company has complied with all code provisions of CG Code and the Directors confirmed they were not aware of any deviation from the CG Code during the year.

SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2011, 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 Dealing during the year ended 31 December 2011.

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 four executive directors, two non-executive directors, and four independent non-executive directors.

As at 31 December 2011, the Board of the Company comprises:

Executive directors

Mr. XI Yu (Chairman of the Board and Compliance Officer)
Mr. CHAN Chun Hing (Chief Executive Officer)
Mr. HON Wa Fai (Financial Controller and Company Secretary)
Ms. CHEUNG Siu Ling

Non-executive directors

Mr. SONG Yuqing (Vice-chairman of the Board)
Mr. SUEN Ki

Independent non-executive directors

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

The GEM Listing Rules require very 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 2011, 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 2011:

	Number of meetings attended/held			
Board member	**Regular board meeting**	**Ad hoc board meeting**	**Working committee meeting**	**Overall**
Executive director				
Mr. XI Yu	4/4	6/6	–	10/10
Mr. CHAN Chun Hing	4/4	6/6	3/3	13/13
Mr. HON Wa Fai	4/4	6/6	3/3	13/13
Ms. CHEUNG Siu Ling	4/4	6/6	–	10/10
Non-executive director				
Mr. SONG Yuqing	4/4	6/6	–	10/10
Mr. SUEN Ki (note (a) below)	3/4	6/6	–	9/10
Independent non-executive director				
Dr. CHAN Yan Cheong (note (b) below)	4/4	5/6	–	9/10
Mr. YUEN Kim Hung, Michael	4/4	6/6	–	10/10
Mr. HO Yau Hong, Alfred	4/4	6/6	–	10/10
Mr. LEE Kwan Hung (note (c) below)	4/4	5/6	–	9/10

Notes:

(a) Mr. SUEN Ki was not able to attend a regular board meeting held on 7 November 2011 owing to he has other important business appointment.

(b) Mr. CHAN Yan Cheung was not able to attend an ad hoc board meeting held on 6 May 2011 owing to this trip out of Hong Kong for personal affairs.

(c) Mr. Lee Kwan Hung was not able to attend an ad hoc board meeting held on 4 April 2011 owing to short notice being served for that meeting.

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. Working committee meetings are convened pursuant to the mandate and authorization given by the Board in advance. 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 good corporate governance practices and procedures are established, encourages all directors to make full and active contribution to the Board's affairs and take 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.

The Company's chief executive officer works actively to enhance good corporate governance practices and procedures of the Group, who is responsible 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 (or such other period as agreed).

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

Mr. XI Yu is chairman of the boards of all Group's members. Mr. CHAN Chun Hing is the chief executive officer of the Company.

During the year, the chairman and chief executive officer of the Company have taken up separate roles with division of responsibilities between those two positions clearly established.

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 signed letter of appointment with the Company for a term of not more than 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 renewed letters of appointment signed by Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael, Mr. HO Yau Hong, Alfred and Mr. SUEN Ki commencing from 1 February 2011 for a tenure of two years. The letter of appointment has been renewed with Mr. SONG Yuqing and Mr. LEE Kwan Hung on 15 June 2011 for a tenure of one year.

The Company has received written confirmation from each of the four 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, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael, Mr. HO Yau Hong, Alfred and Mr. LEE Kwan Hung are independent to the Company.

Dr. CHAN Yan Cheong and Mr. YUEN Kim Hung, Michael have served as independent non-executive Directors of the Company for more than 9 years since 1 February 2000 and 24 April 2002 respectively. The proposed nomination of Dr. CHAN Yan Cheong and Mr. YUEN Kim Hung, Michael for re-election as the Company's independent non-executive Directors will be subject to separate resolutions to be approved by the Shareholders in the forthcoming annual general meeting. Based on the annual written confirmation given each of Dr. CHAN Yan Cheong and Mr. YUEN Kim Hung, Michael in accordance with Rule 5.09 of the GEM Listing Rules and the undertaking given to the Company by each of them as to one's continuing independency, the Board believes that Dr. CHAN Yan Cheong being an academic expert in electronic engineering and Mr. YUEN Kim Hung, Michael being an accounting professional will bring in strong expertise by contributing impartial view and make independent judgment 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 report, 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 – establishment of good corporate governance practices and procedures
CHAN Chun Hing	Chief executive officer and executive director	– development of corporate goals and targets for each member company of the group – strategic planning – formulation of merger and acquisition exercises – overseeing operations of all group members – investors relations
HON Wa Fai	Executive director, financial controller, and company secretary	– overseeing financial control, accounting, taxation, treasury, corporate finance, and compliance
CHEUNG Siu Ling	Executive director	– group organizational administration – group human resources management

Non-executive directors

Name	Position	Current Function/Experience
SONG Yuqing	Vice-chairman and non-executive Director	– consultation on development of vision and long term mission of the group
SUEN Ki	Non-executive Director	– consultation on development of strategies of the group

Independent non-executive directors

Name	Independence	Experience/Skill
CHAN Yan Cheong	✓	– corporate strategies and industrial relationship – academic and industrial expertise
YUEN Kim Hung, Michael	✓	– auditing, taxation, compliance and financial services – with professional accounting qualification and experience
HO Yau Hong, Alfred	✓	– auditing, taxation, and compliance – with professional accounting qualification and experience
LEE Kwan Hung	✓	– corporate governance – with legal professional qualification and experience

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 which has provided financial assistance to meet capital commitment and working capital requirement of the Company during the year ended 31 December 2011.

Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are also directors of China (HK) Chemical and Plastics Company Limited which was one of the major plastics supplier for the Group's manufacturing operations and has also provided financial assistance to meeting working capital requirement of the Company during the year ended 31 December 2011.

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 and between 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. Majority of the directors have confirmed in writing that they have taken necessary continuing professional development during the year ended 31 December 2011.

BOARD COMMITTEES

There are four Board committees made up of the directors of the Company. The principal committees of the Board are as follows:

	Committee membership			
	Audit Committee	**Nomination Committee**	**Remuneration Committee**	**Executive Committee**
CHAN Yan Cheong	✓	✓	✓	–
YUEN Kim Hung, Michael	✓	✓	✓	–
HO Yau Hong, Alfred	✓	✓	✓	–
XI Yu	–	–	–	✓
CHAN Chun Hing	–	–	–	✓
HON Wa Fai	–	–	–	✓
CHEUNG Siu Ling	–	–	–	✓

AUDIT COMMITTEE

On 30 May 2000, the Company's audit committee was established with written terms of reference in compliance with the GEM Listing Rules.

Composition of audit committee

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

Role and function

The audit committee is mainly responsible for:

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

(ii) to review the draft financial statements, including but not limited to, draft annual 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 2011 mainly for the purposes as follows:

(i) reviewed and discussed on the annual report of the Company for the year ended 31 December 2010 as audited by the auditor, CCIF CPA Limited,

(ii) discussed on the interim results of the Company for 6 months ended 30 June 2011 as reviewed by independent accountants, CCIF CPA Limited;

(iii) reviewed and discussed on the quarterly results of the Company for 3 months and 9 months respectively ended 31 March and 30 September 2011; and

(iv) reviewed quarterly on the valuation reports prepared by the independent professional valuer, BMI Appraisals Limited in relation to the value of the available-for-sale equity investments and impairment test on the 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**
Dr. CHAN Yan Cheong	4/4
Mr. YUEN Kim Hung, Michael	4/4
Mr. HO Yau Hong, Alfred	4/4

NOMINATION COMMITTEE

On 1 May 2005, the Company's nomination committee was established with written terms of reference to ensure fair and transparent procedures for the appointment of directors to the Board. The nomination committee comprises at least three members, the majority of whom shall be independent non-executive directors of the Company.

Composition of nomination committee

Dr. CHAN Yan Cheong
Mr. YUEN Kim Hung, Michael *(chairman of nomination committee)*
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 nomination committee meetings during the year:

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

REMUNERATION COMMITTEE

On 1 May 2005, the Company's remuneration committee was established with written terms of reference to determine policy for the remuneration of directors and senior management of the Company, assessing their performance and approving the terms of their service contracts. The remuneration committee comprises at least three members the majority of whom shall be independent non-executive directors of the Company.

Composition of remuneration committee

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

Role and function

The remuneration committee is mainly responsible for:

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

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

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

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

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

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

Meeting records

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

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

EXECUTIVE COMMITTEE

On 29 April 2011, with the approval of the all members of the Board, the Company's executive committee was established with written terms of reference to which the Board may delegate the powers and authorities to manage the business of the Group, and to make investment and business decisions for the Group within its authority and to take all actions to give effect to such decisions. The executive committee comprises all executive directors of the Company.

Composition of executive committee

Mr. XI Yu *(chairman of executive committee)*
Mr. CHAN Chun Hing
Mr. HON Wa Fai
Ms. CHEUNG Siu Ling

Role and function

(i) The executive committee is vested with the following powers and authorities:

(a) to manage generally the operation of the Group in its ordinary course of business;

(b) to recommend to the Board on investment opportunities and proposals;

(c) to manage the agenda and papers for Board meetings;

(d) to consider and approve any transaction (the "Authorized Transaction(s)") which is not subject to the compliance with any requirement under the Rules Governing the Listing of Securities on the Growth Enterprise Market and/or Main Board of The Stock Exchange of Hong Kong Limited, the Codes on Takeovers and Mergers and Share Repurchases or other rules and regulations governing listed companies in Hong Kong (the "Applicable Rules"); and

(e) to consider and approve all deeds and documents in relation to the Authorized Transactions so as to implement the Authorized Transactions.

(ii) The executive committee is authorized to seek any information it requires from any employee of the Group, and all employees will be directed to co-operate with any request made by the Executive Committee. The executive committee is authorized to access to professional advice at the Company's expense if it considers necessary.

(iii) The executive committee shall be provided with sufficient resources to discharge its duties.

(iv) The executive committee shall be entitled to sub-delegate any of its power or authority within the Company.

(v) The executive committee shall discharge the following duties:

(a) to refer the transactions to the Board for decision making if the members of the executive committee have doubt on any compliance issue under the Applicable Rules in respect of the transactions under consideration;

(b) to report on any commitment (within its authority) approved by the executive committee and entered into on behalf of the Group to the Board in the next scheduled meeting of the Board; and

(c) to ensure that all the relevant management personnel of the Group and the company secretary of the Company will be provided with all deeds, documents or contracts entered into on behalf of the Group pursuant to the approval of the executive committee (within its authority) for record keeping.

Meeting records

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

Executive committee member	Number of meetings attended/held
Mr. XI Yu	21/21
Mr. CHAN Chun Hing	21/21
Mr. HON Wa Fai	21/21
Ms. CHEUNG Siu Ling	21/21

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 2011. 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 acknowledged their reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31 December 2011.

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 years ended 31 December 2011 and 2010, the remuneration paid/payable to the auditors, CCIF CPA Limited in respect of their audit and non-audit services was as follows:

	2011	2010
	HK$'000	HK$'000
Audit services	**745**	700
Non-audit services	**65**	10

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 unauthorized 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 system is 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 2011, 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 2011, CCCL has made suggestions for continuous improvement to the Group's internal control system in relation to the standard of the corporate governance and no material deficiencies 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 comprising senior staff of the Company has been formed to provide day-to-day management, compliance and control of the Group in order to eliminate risks of any failure of operational systems that may affect the achievement of the Company's objectives set.

The independent review on the Group's internal control systems will be carried out continuously in 2012. The Audit Committee of the Company required that the internal control systems of the Group have to be improved continuously and any suggested improvement could be dealt with properly by the member companies of the Group. An ad hoc control team will conduct meeting regularly to monitor the internal control systems within the Group. In addition, they will carry out assessment in relation to the establishment of new company or entity and new investment opportunities 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 SHAREHOLERS

The Board recognizes the importance of maintaining clear, timely and effective communication with shareholders of the Company and investors. The Board also recognizes that effective communication with investors is the key to establish investor confidence and to attract new 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 its consultant 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:

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 are included in the Company's circular convening a general meeting. The chairman of the general meeting shall explain the procedures for demanding and conducting a poll 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:	Room 2109, 21/F., Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon Hong Kong

On behalf of the Board

CHAN Chun Hing
Chief Executive Officer

Hong Kong, 19 March 2012

The directors have pleasure in submitting their annual report together with the audited financial statements of the Group and the Company for the year ended 31 December 2011.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

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

The activities of its principal subsidiaries are summarized as follows:

(a) provision of environmental waste treatment services;

(b) provision of environmental sewage treatment services in an eco-plating specialized zone;

(c) manufacture and sale of molds;

(d) manufacture and sale of plastic products;

(e) trading of plastic materials; and

(f) investment in plastic materials dyeing business.

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

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2011 and the state of the Group and the Company's affairs as at that date are set out in the financial statements on pages 54 to 138 of this annual report.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2011 is set out on pages 16 to 18 of this annual report.

TRANSFER TO RESERVES

Profits attributable to shareholders of the Company, before dividends, of HK$30,535,000 (2010:HK$12,005,000) have been transferred to reserves. Other movements in reserves of the Group and the Company are set out in the note 36 to the financial statements.

DIVIDEND

At the Directors' meeting held on 19 March 2012, the Directors proposed a final dividend of HK$0.0045 per share of the Company for the year ended 31 December 2011 (2010: Nil). The proposed final dividend for the year ended 31 December 2011 is subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 4 May 2012, and will be paid on or before 31 May 2012 to shareholders whose names appear on the Register of Members of the Company on 14 May 2012.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2011, the Company's reserves available for distribution to its shareholders amounted to HK$294,565,000 (2010: HK$257,257,000). According to the articles of association of the Company, dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law (revised) of the Cayman Islands and every modification thereof.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total			
	Sales		**Purchases**	
	2011	2010	**2011**	2010
The largest customer	**7.3%**	8.3%		
Five largest customers in aggregate	**19.6%**	27.5%		
The largest supplier			**9.0%**	25.6%
Five largest suppliers in aggregate			**19.4%**	37.3%

At 31 December 2011, 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 have the directors, their respective associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers of the Group.

SHARE CAPITAL

On 1 August 2011, the Company completed a rights issue by the issuance of 201,189,168 rights shares at a price of HK$0.15 per rights share ("Rights Shares") on the basis of one Rights Share for every ten of the then existing shares held on the record date at 28 June 2011 ("Rights Issue") to finance the development of Group's environmental business and for additional general working capital of the Company,.

Details of the movements in share capital of the Company during the year are set out in note 35 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2011 are set out in note 21 to the financial statements.

ASSOCIATES

Particulars of the Company's associates as at 31 December 2011 are set out in note 22 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2011 are set out in notes 28, 33 and 34 to the financial statements.

INTEREST CAPITALIZED

The Group has not capitalized any interest during the year (2010: Nil).

DIRECTORS

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

Executive Directors:

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

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

In accordance with article 87 of the Company's articles of association, Mr. XI Yu, Mr. HON Wa Fai, Ms. CHEUNG Siu Ling, Dr. CHAN Yan Cheong and Mr. YUEN Kim Hung, Michael retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has an expired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory obligations.

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 respectively in notes 13 and 14 to the financial statements.

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 19 to 23 of this annual report.

CONFIRMATION OF INDEPENDENCE

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 and considers all independent non-executive directors to be independent.

Dr. CHAN Yan Cheong and Mr. YUEN Kim Hung, Michael have been serving as the Company's independent non-executive directors for more than 9 years, re-election of them as directors of the Company will be subject to separate resolutions at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Pursuant to Rule 5.09 of the GEM Listing Rules, all non-executive directors of the Company are appointed for a specific term and also subject to re-election in accordance with the articles of association of the Company. Tenure of office of the non-executive director, Mr. SUEN Ki, and each of the independent non-executive directors, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael, and Mr. HO Yau Hong, Alfred, is under letter of appointment for a term of two years. Tenure of office of each of the non-executive directors, Mr. SONG Yuqing and the independent non-executive director, Mr. LEE Kwan Hung is under letter of appointment for a term of one year.

SHARE OPTION SCHEME

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

Under the rules of the Share Option Scheme:

(i) 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

(ii) 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:

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

(ii) the closing price of the Company's shares on the Stock Exchange on the date of grant; and

(iii) 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 2011 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 ordinary shares of the Company having been refreshed by the Company's shareholders on 28 April 2008 and approved by the Stock Exchange on 23 May 2008.

As at 31 December 2011 and during the year then ended, no option has been granted or outstanding under the Company's Share Option Scheme.

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

As at 31 December 2011, 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 SFO) which were 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 entered into the register pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

The Company

Long positions in issued shares of the Company

	Number of ordinary shares of HK$0.01 each				
Name of director	**Personal/ beneficial**	**Interest of children or spouse**	**Interest of controlled corporation**	**Number of shares held**	**% of total shares in issue**
Mr. XI Yu *	–	–	1,428,657,382	1,428,657,382	64.55

Note:

* Mr. XI Yu is the beneficial 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 1,428,657,382 shares of the Company, representing approximately 64.55% of the issued share capital of the Company.

Associated corporation

Long positions in issued shares of NUEL

	Number of ordinary shares of US$1.00 each				
Name of director	**Personal/ beneficial**	**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 2011, 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 were 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 entered into the register pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

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 executives of the Company, the persons (other than a Director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 December 2011 were as follows:

Long positions in issued shares of the Company

	Number of ordinary shares of HK$0.01 each				
Name of shareholder	**Beneficial owner**	**Family interests**	**Interest of controlled corporation**	**Number of shares held**	**% of total shares in issue**
NUEL	1,428,657,382	–	–	1,428,657,382	64.55

Note:

* The interest in 1,428,657,382 shares disclosed by Mr. XI Yu is the same as those disclosed as held by NUEL.

Save as disclosed above, the Directors were not aware of any other persons (other than a Director or the chief executive officer of the Company) who had an interest or short position in the shares or underlying shares of the Company of the SFO as recorded in the register required to be kept under section 336 as at 31 December 2011.

DIRECTORS' RIGHT 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.

CONNECTED TRANSACTIONS

1. Continuing Connected Transactions involving provision of goods to the Group by the connected person, China (HK) Chemical disclosed pursuant to rules 20.45 and 20.46 of the GEM Listing Rules:

   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 an extraordinary general meeting held on 18 September 2009, the Company was approved to procure its 97% indirectly owned subsidiary, Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe") to purchase plastic materials from China (HK) Chemical & Plastics Co. Limited ("China (HK) Chemical", a connected party to the Company) according to a framework supply agreement mutually signed on 26 February 2009 (the "Supply Contract") 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 ended 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, for the year ended 31 December 2011, Suzhou New Universe ordered plastic materials of 642 metric tons for an aggregate amount of HK$12,960,000 from China (HK) Chemical; and China (HK) Chemical delivered 642 metric tons of plastic materials for an aggregate amount of HK$12,960,000 to Suzhou New Universe ("Continuing Connected Transactions").

The independent auditor of the Company has reviewed the Continuing Connected Transactions 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.

2. Connected transaction involving the Acquisition of 60% equity interest in New Sinotech from the connected person, NUEL disclosed pursuant to rule 20.45 of the GEM Listing Rules:

On 13 December 2010, the Company entered into a sale and purchase agreement with NUEL and Mr. CHAN Son Neng (collectively referred to as the "Vendors"), pursuant to which the Company conditionally agreed to the acquisition from the Vendors the 3,000,000 issued shares of US$1 each in the share capital of New Sinotech Investments Limited ("New Sinotech"), representing 60% of the issued share capital of New Sinotech (in which NUEL then held 53% equity interest) for an aggregate cash consideration of HK$53,000,000 subject to, amongst others, approval by the Company's independent shareholders (the "Acquisition"). The Acquisition constituted a major transaction of the Company under the GEM Listing Rules. NUEL, being one of the Vendors, has been the controlling shareholder interested in approximately 62.11% of the then issued share capital of the Company. Accordingly, NUEL was a connected person of the Company and the Acquisition also constituted a connected transaction for the Company under the GEM Listing Rules, which was subject to the requirements of announcement and circular and approval of the Company's independent shareholders under the GEM Listing Rules. On 16 February 2011, an extraordinary general meeting of the Company was held with both (i) NUEL, and (ii) Mr. CHAN Son Neng who was then interested in 58,150,519 issued shares of the Company, together with their respective associates, abstained from voting on the resolution to approve the Acquisition and the transactions as contemplated thereunder. The resolution to confirm and approve the Acquisition was duly passed by the independent shareholders of the Company under poll voting at the extraordinary general meeting held on 16 February 2011. The completion of the Acquisition and the transfer of the 60% equity interests to the Group took place on 17 February 2011 ("Completion of the Acquisition").

Details of the Acquisition are set out in the announcements of the Company dated 13 December 2010, 4 January 2011, 27 January 2011 and 16 February 2011, and the circular of the Company dated 27 January 2011.

3. De minimis connected transaction involving the leasing of an office premise from the connected person, Sun Ngai:

   A tenancy agreement dated 26 July 2010 (as renewed by the tenancy agreement dated 11 July 2011) 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, the board of directors of which comprises Mr. XI Yu and Ms. CHEUNG Siu Ling who are also the executive directors) 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$20,000 for the term from 1 August 2010 to 31 July 2012 (the "Tenancy Agreement").

   Pursuant to the Tenancy Agreement, Smartech Services paid rental of HK$288,000 to Sun Ngai for the year ended 31 December 2011.

4. Provision of financial assistance to the Group by the connected person, NUEL:

   (a) As at 31 December 2011, balance of loans owed by the New Sinotech and its subsidiaries (collectively referred to as the "New Sinotech Group" that being the Group's 98% owned subsidiaries upon Completion of the Acquisition) to NUEL was approximately HK$33,177,000 which are unsecured and non-interest bearing ("Shareholder's Loan I"), to which in accordance with a deed executed on 17 February 2011, NUEL agreed the loans advanced by NUEL to New Sinotech Group, following the Completion of the Acquisition shall be (a) interest free, (b) unsecured, and (c) repayable upon being served a 90-day notice (subject to unconditional and irrevocable undertaking by NUEL to grant an extension for 3 months for repayment of the whole or any portion of the amount being due each time upon the written request of the New Sinotech Group).

   (b) As at 31 December 2011, balance of consideration payable by the Company to NUEL for the Completion of the Acquisition amounted to HK$34,420,000 together with interest at 2% per annum thereon in an aggregate amount of approximately HK$35,020,000 remained outstanding ("Shareholder's Loan II"). NUEL has unconditionally and irrevocably undertaken to the Company that upon the Company's written request for time extension for payment of the whole or any part of such part of the consideration, NUEL shall unconditionally agree to an extension of not more than 3 months each time upon such written request being made by the Company, and NUEL will charge such part of the consideration that subject to the extension granted with an interest of 2% per annum (based on 365 days a year) until the said amount is fully settled. On 30 June 2011, NUEL has provided an irrevocable undertaking to the Company in writing that maturity for payment of the consideration balance of HK$34,420,000 together with interest be extended to 31 August 2012. Upon Completion of the Acquisition, besides the aforementioned balance of consideration (together with interest thereon) due for the said Acquisition of 53% equity interest in New Sinotech, the remaining adjustable balance of the consideration amounted to HK$5,000,000 will be payable by the end of 30 April 2012 as when the audited net profit of New Sinotech Group for the year ended 31 December 2011 exceeds HK$5,000,000 or otherwise be offset against any shortfall below that target amount.

(c) After the Completion of the Acquisition and in February 2011, NUEL made unsecured interest-free advances of approximately HK$3,063,000 to New Sinotech for its general working capital purposes ("Shareholder's Loan III") which remained outstanding as at 31 December 2011.

(d) On 6 May 2011, NUEL granted an unsecured interest free loan of US$4,000,000 (mutually agreed to be equivalent to HK$31,080,000) to the Company for the Group's contribution to the registered capital of Zhenjiang Sinotech Eco-electroplating Development Limited ("Zhenjiang Sinotech"), which was repayable on or before 9 May 2012. On 20 September 2011, the Company repaid HK$5,000,000 of the loan to NUEL. As at 31 December 2011, the balance of HK$26,080,000 remained outstanding, which is unsecured and non-interest bearing ("Shareholder's Loan IV")

(e) On 23 June 2011, a deed of indemnity was entered into by NUEL in favour of the Company, pursuant to which NUEL irrevocably agreed to indemnify the Group for any loss that the Group may suffer from not being paid any consideration under the Disposal of Zhenjiang Dock Project in full ("Shareholder's Deed of Indemnity").

(f) On 31 December 2011, NUEL has provided an unconditional and irrevocable undertakings to the Group in writing that the repayment dates of Shareholder's Loans I, II, III and IV were extended to 31 March 2013 ("Shareholder's Undertakings").

The Shareholder's Loans I, II, III, and IV, the Shareholder's Deed of Indemnity, and the Shareholder's Undertakings constitute financial assistance granted by NUEL as a connected person for the benefit of the Group on normal commercial terms (or better to the Company) with no security over the assets of the Group under the GEM Listing Rules, which will be exempted from reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

5. Provision of financial assistance to the Group by the connected person, China (HK) Chemical:

(a) On 16 December 2011, China (HK) Chemical granted an unsecured loan of US$300,000 (mutually agreed to be equivalent to HK$2,340,000) which bearing interest at 3% per annum to the Company for the Group's contribution to the registered capital of Zhenjiang Sinotech ("China (HK) Chemical's Loan I").

(b) On 19 December 2011, China (HK) Chemical granted an unsecured loan of HK$450,000 which bearing interest at 3% per annum to the Company for general working capital purposes ("China (HK) Chemical's Loan II").

The China (HK) Chemical's Loans I and II remained outstanding as at 31 December 2011 by the Company constitute financial assistance granted by China (HK) Chemical as a connected person for the benefit of the Group on normal commercial terms (or better to the Company) with no security over the assets of the Group under the GEM Listing Rules, which will be exempted from reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

6. Rights Issue involving the connected person, NUEL acting as underwriter:

   On 9 June 2011, the Company announced and proposed the Rights Issue of 201,189,168 Rights Shares at a price of HK$0.15 per Rights Share on the basis of one Rights Share for every ten of the then existing shares held on the record date at 28 June 2011. On 9 June 2011, the Company had entered into an underwriting agreement with NUEL, pursuant to which NUEL acted as the underwriter to underwrite 76,224,257 Rights share (the "Underwriting Agreement"). On 9 June 2011, NUEL and Mr. XI Yu have also jointly irrevocably undertaken under an undertaking letter to take up in full of the entitlement under the Rights Issue relating to the shares beneficially owned by NUEL amounting to 124,964,911 Rights Shares (the "Undertaking Letter"). On 1 August 2011, NUEL was finally allotted 179,008,267 Rights Shares of the Company, of which 124,964,911 Rights Shares were subscribed in accordance with the Undertaking Letter, and 54,043,356 Rights Shares were subscribed by NUEL pursuant to the obligations under the Underwriting Agreement.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

The contracts or arrangements subsisted during the year with details set out under the headline of "Connected Transactions" therein, of which certain directors of the Company had interests that were deemed significant to the business of the Group are set out as follows:

1. Directors' interests in the Supply Contract and the Continued Connected Transactions:

   (a) Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors China (HK) Chemical;

   (b) Mr. SUEN Ki holds 3% beneficial shareholding interest in China (HK) Chemical; and

   (c) Mr. XI Yu and Ms. CHEUNG Siu Ling are directors Suzhou New Universe.

2. Directors' interests in the Acquisition:

   (a) Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors of NUEL which being one of the Vendors of the Acquisition;

   (b) Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki beneficially holds 83.66%, 12.14% and 4.2% of the shareholding interest of NUEL respectively; and

   (c) Mr. XI Yu and Ms. CHEUNG Siu Ling are directors of the acquiree company, New Sinotech.

3. Directors' interests in the Tenancy Agreement:

   Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of Smartech Services and Sun Ngai.

4. Directors' interests in the Shareholder's Loans I, II, III, and IV, the Shareholder's Deed of Indemnity, and the Shareholder's Undertaking:

   (a) Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors of NUEL; and

   (b) Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki beneficially holds 83.66%, 12.14% and 4.2% respectively of the shareholding interest in NUEL.

5. Directors' interests in the China (HK) Chemical's Loans I and II:

   (a) Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors of China (HK) Chemical;

   (b) Mr. SUEN Ki holds 3% beneficial shareholding interest in China (HK) Chemical; and

   (c) Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of the immediate holding company of China (HK) Chemical, New Universe Holdings Limited that holds 97% direct shareholding interest in China (HK) Chemical.

6. Directors' interests in the Underwriting Agreement:

   (a) Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors of NUEL; and

   (b) Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki beneficially holds 83.66%, 12.14% and 4.2% of the shareholding interest in NUEL respectively.

The above transactions were reviewed and approved by the independent non-executive directors and were conducted on terms no less favourable than 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 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.

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 41 to the financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

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 2011.

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 and is satisfied that the Company has complied throughout the year ended 31 December 2011 with the CG Code.

A report on the principal corporate practices adopted by the Company is set out in the Corporate Governance Report on pages 24 to 38 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 42 to the financial statements.

AUDITORS

The financial statements have been audited by CCIF CPA Limited who retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of CCIF CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

XI Yu
Chairman
Hong Kong, 19 March 2012

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 (together the "Group") set out on pages 54 to 138, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2011 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, 19 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	5	**204,095**	134,940
Cost of sales		**(138,751)**	(90,995)
Gross profit		**65,344**	43,945
Other revenue	7	**7,972**	5,272
Other net income	8	**5,011**	1,663
Gain on deemed disposal of associates	9	**5,817**	–
Loss on early redemption of promissory notes	37(b)	**–**	(1,316)
Distribution and selling expenses		**(6,002)**	(5,711)
Administrative expenses		**(28,673)**	(21,597)
Other operating expenses		**(6,687)**	(3,320)
Finance costs	10	**(3,547)**	(1,411)
Share of profits of associates	22	**1,100**	726
Profit before taxation		**40,335**	18,251
Income tax	11	**(5,116)**	(2,858)
Profit for the year	12	**35,219**	15,393
Attributable to:			
Owners of the Company	17	**30,535**	12,005
Non-controlling interests		**4,684**	3,388
		35,219	15,393
		HK cents	HK cents
Earnings per share			
Basic and diluted	16	**1.46**	0.62

Details of dividend payable to owners of the Company attributable to profit for the year are set out in note 15.

The notes on pages 54 to 138 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Profit for the year		**35,219**	15,393
Other comprehensive income:			
Exchange differences			
– on translation of financial statements of overseas subsidiaries		**16,861**	3,553
– reclassification of translation reserve included in gain on deemed disposal of associates	9	**(2,743)**	–
Fair value changes on available-for-sale equity investments, net of deferred tax credit of HK$1,240,000 (2010: deferred tax charge of HK$1,440,000)		**(11,160)**	12,960
Share of other comprehensive income of associates			
– Exchange differences on translation of financial statements of overseas associates		**361**	2,301
		3,319	18,814
Total comprehensive income for the year		**38,538**	34,207
Attributable to:			
Owners of the Company		**32,838**	30,385
Non-controlling interests		**5,700**	3,822
		38,538	34,207

The notes on pages 54 to 138 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	18	**343,487**	79,520
Prepaid lease payments	19	**101,925**	21,453
Goodwill	20	**33,000**	33,000
Interests in associates	22	**11,012**	60,911
Available-for-sale equity investments	23	**57,926**	68,670
		547,350	263,554
Current assets			
Inventories	24	**20,425**	14,689
Trade and bills receivables	25	**40,008**	19,428
Prepayments, deposits and other receivables	26	**34,987**	53,903
Prepaid lease payments	19	**2,718**	512
Cash and cash equivalents	27	**128,542**	76,907
		226,680	165,439
Current liabilities			
Interest-bearing bank borrowings	28	**82,997**	10,575
Trade payables	29	**14,610**	13,103
Accrued liabilities and other payables	30	**42,203**	16,721
Deposits received from customers		**10,415**	8,606
Deferred government grant	31	**269**	–
Income tax payable	32(a)	**1,777**	1,915
Amount due to a related company	33	**2,794**	–
Amounts due to ultimate holding company	34	**5,000**	–
		160,065	50,920
Net current assets		**66,615**	114,519
Total assets less current liabilities		**613,965**	378,073
Non-current liabilities			
Interest-bearing bank borrowings	28	**45,528**	–
Deferred government grant	31	**3,146**	–
Deferred tax liabilities	32(b)	**25,263**	6,479
Amounts due to ultimate holding company	34	**97,184**	–
		171,121	6,479
Net assets		**442,844**	371,594

The notes on pages 54 to 138 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	35	**22,131**	20,119
Reserves	36	**399,167**	334,200
Equity attributable to owners of the Company		**421,298**	354,319
Non-controlling interests		**21,546**	17,275
Total equity		**442,844**	371,594

The notes on pages 54 to 138 form an integral part of these financial statements.

XI Yu
Chairman

CHAN Chun Hing
Chief Executive Officer

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Interests in subsidiaries	21	**383,786**	273,336
Current assets			
Amounts due from subsidiaries	21	**26,316**	–
Prepayments	26	**232**	248
Cash and cash equivalents	27	**2,901**	20,447
		29,449	20,695
Current liabilities			
Interest-bearing bank borrowings	28	**27,300**	–
Accrued liabilities and other payables	30	**345**	323
Amounts due to subsidiaries	21	**–**	16,332
Amount due to a related company	33	**2,794**	–
Amounts due to ultimate holding company	34	**5,000**	–
		35,439	16,655
Net current (liabilities)/assets		**(5,990)**	4,040
Total assets less current liabilities		**377,796**	277,376
Non-current liabilities			
Amounts due to ultimate holding company	34	**61,100**	–
Net assets		**316,696**	277,376
Capital and reserves			
Share capital	35	**22,131**	20,119
Reserves	36	**294,565**	257,257
Total equity		**316,696**	277,376

The notes on pages 54 to 138 form an integral part of these financial statements.

XI Yu
Chairman

CHAN Chun Hing
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company										
	Issued share capital HK$'000	Share premium HK$'000 (note 36(a))	Translation reserve HK$'000 (note 36(b))	Investment revaluation reserve HK$'000 (note 36(c))	General reserve HK$'000 (note 36(d))	Capital reserve HK$'000 (note 36(e))	Statutory reserve HK$'000 (note 36(f))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	18,259	206,488	9,620	4,637	31,929	–	2,133	15,887	288,953	10,418	299,371
Profit for the year	–	–	–	–	–	–	–	12,005	12,005	3,388	15,393
Other comprehensive income											
Exchange differences											
– on translation of financial statements of overseas subsidiaries	–	–	3,119	–	–	–	–	–	3,119	434	3,553
Fair value changes on available-for-sale equity investments, net of deferred tax	–	–	–	12,960	–	–	–	–	12,960	–	12,960
Share of other comprehensive income of associates	–	–	2,301	–	–	–	–	–	2,301	–	2,301
Total comprehensive income for the year	–	–	5,420	12,960	–	–	–	12,005	30,385	3,822	34,207
Shares issued upon redemption of promissory notes	360	3,933	–	–	–	–	–	–	4,293	–	4,293
Shares issued upon top-up placing, net of share issuance costs of HK$1,112,000	1,500	29,188	–	–	–	–	–	–	30,688	–	30,688
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	3,035	3,035
Transfer to statutory reserve	–	–	–	–	–	–	2,766	(2,766)	–	–	–
At 31 December 2010 and 1 January 2011	20,119	239,609	15,040	17,597	31,929	–	4,899	25,126	354,319	17,275	371,594
Profit for the year	–	–	–	–	–	–	–	30,535	30,535	4,684	35,219
Other comprehensive income											
Exchange differences											
– on translation of financial statements of overseas subsidiaries	–	–	15,845	–	–	–	–	–	15,845	1,016	16,861
– reclassification of translation reserve on deemed disposal of associates	–	–	(2,743)	–	–	–	–	–	(2,743)	–	(2,743)
Fair value changes on available-for-sale equity investments, net of deferred tax	–	–	–	(11,160)	–	–	–	–	(11,160)	–	(11,160)
Share of other comprehensive income of associates	–	–	361	–	–	–	–	–	361	–	361
Total comprehensive income for the year	–	–	13,463	(11,160)	–	–	–	30,535	32,838	5,700	38,538
Transfer of distributable reserves	–	–	–	–	(31,929)	–	–	31,929	–	–	–
Acquisition of subsidiaries *(note 9)*	–	–	–	–	–	–	–	–	–	1,881	1,881
Deemed contribution from shareholders of the Company, net of related costs HK$1,398,000 *(note 9)*	–	–	–	–	–	4,185	–	–	4,185	–	4,185
Rights issue, net of share issuance costs of HK$1,273,000	2,012	26,893	–	–	–	–	–	–	28,905	–	28,905
Transfer to statutory reserve	–	–	–	–	–	–	3,298	(2,247)	1,051	(1,051)	–
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(2,259)	(2,259)
At 31 December 2011	**22,131**	**266,502**	**28,503**	**6,437**	**–**	**4,185**	**8,197**	**85,343**	**421,298**	**21,546**	**442,844**

The notes on pages 54 to 138 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**40,335**	18,251
Adjustments for:			
Finance costs		**3,547**	1,411
Interest income		**(1,091)**	(1,914)
Dividends from available-for-sale equity investments		**(2,601)**	(2,269)
Share of profits of associates	22	**(1,100)**	(726)
Depreciation and amortization		**16,863**	8,084
Loss/(gain) on disposal of property, plant and equipment		**17**	(107)
Impairment of trade receivables		**–**	29
Loss on early redemption of promissory notes		**–**	1,316
Gain on deemed disposal of associates	9	**(5,817)**	–
Release of deferred government grant	31	**(247)**	–
Write-down of inventories		**45**	–
Operating cash flows before movements in working capital		**49,951**	24,075
Increase in inventories		**(5,781)**	(2,346)
Increase in trade and bills receivables		**(17,684)**	(2,386)
Decrease/(increase) in prepayments, deposits and other receivables		**115**	(2,073)
Increase in trade payables		**1,507**	2,489
Increase in accrued liabilities and other payables		**12,594**	2,975
(Decrease)/increase in deposits received from customers		**(145)**	2,471
Decrease in amount due to a related company		**–**	(19)
Cash generated from operations		**40,557**	25,186
PRC Corporate Income Tax paid		**(2,888)**	(3,302)
Interest received		**1,040**	1,914
Interest paid		**(2,940)**	(480)
Net cash from operating activities		**35,769**	23,318

The notes on pages 54 to 138 form an integral part of these financial statements.

	Notes	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Dividends and distribution received from associates	22	**1,107**	996
Dividends received from available-for-sale equity investments		**2,601**	2,269
Acquisition of subsidiaries, net of cash acquired	9(d)	**25,786**	–
Net receipt of consideration receivable in relation to disposal of subsidiaries in prior year	37(a)	**21,000**	38,113
Proceeds from disposal of property, plant and equipment		**241**	651
Purchases of property, plant and equipment		**(115,023)**	(25,083)
Capital contribution to associates	22	**(3,701)**	(21,469)
Acquisition of available-for-sale equity investments		**(2,020)**	(370)
Cost on acquisition of subsidiaries	9	**(1,398)**	–
Proceeds from disposal of available-for-sale equity investments		**363**	–
Receipt of government grant	31	**617**	–
Net cash used in investing activities		**(70,427)**	(4,893)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**60,120**	5,454
Repayment of interest-bearing bank borrowings		**(27,195)**	–
Proceeds of borrowings from a related company		**2,790**	–
Proceeds of borrowings from ultimate holding company		**34,139**	–
Repayment of borrowings from ultimate holding company		**(5,156)**	–
Repayment of borrowings from a related company		**(310)**	(3,042)
Redemption of promissory notes	37(b)	**–**	(20,052)
Expenses paid on redemption of promissory notes		**–**	(87)
Proceeds from issuance of shares		**30,178**	31,800
Expenses paid in relation to issuance of shares		**(1,273)**	(1,112)
Capital contributions from non-controlling shareholders		**–**	3,035
Repayment of capital contributions from non-controlling shareholders		**(5,503)**	–
Dividend paid to non-controlling shareholders		**(2,259)**	–
Net cash from financing activities		**85,531**	15,996
NET INCREASE IN CASH AND CASH EQUIVALENTS		**50,873**	34,421
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**76,907**	42,823
Effect of foreign exchange rate changes		**762**	(337)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	27	**128,542**	76,907

The notes on pages 54 to 138 form an integral part of these financial statements.

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.

The immediate and ultimate holding company of the Company is 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$") which is also the functional currency of the Company while the functional currency of the subsidiaries in the Mainland of The People's Republic of China ("PRC") is Renminbi ("RMB"). As the Company's shares are listed in Hong Kong, the directors of the Company consider that it is more appropriate to present the financial statements in HK$, where most of its investors are located in Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as follows:

(a) provision of environmental waste treatment services;

(b) provision of environmental sewage treatment services in an eco-plating specialized zone;

(c) manufacture and sale of molds;

(d) manufacture and sale of plastic products;

(e) trading of plastic materials; and

(f) investment in plastic dyeing.

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, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvement to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguish Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

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

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. For example, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard while such entities were not treated as related parties of the Group under the previous Standard. These amendments have had no material impact to the Group's financial statements.

Improvements to HKFRSs issued in 2010

Improvements to HKFRSs issued in 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 Financial Instruments: *Disclosure*. The disclosures about the Group's and the Company's financial instruments in note 45 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognized in the financial statements in the current and previous periods.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The financial statements have been prepared under the historical cost convention except for certain available-for-sale equity investments which are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

(c) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of net assets of the associate and any impairment loss relating to the investment (see notes 3(f) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates (continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in a joint-controlled entity.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 3(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair values, except that:

– a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards or an acquiree that existed at the acquisition date or arise as a result of the acquisition are recognized and measured in accordance with HKAS 12 *Income Tax*;

– assets or liabilities relating to employee benefit arrangements are recognized and measured in accordance with HKAS 19 *Employee Benefits*;

– liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

– 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* are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combination (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date-amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 Financial Instruments: *Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combination (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

(f) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated income statement. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of a cash-generating unit during the year, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognized in profit or loss as incurred. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not include any dividends or interest earned on these investments as these are recognized in accordance with the policies as set out in notes 3(u)(iii) and (iv).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized in the statement of financial position at cost less impairment losses (see note 3(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortized cost of monetary items such as debt securities which are recognized directly in profit or loss. Dividend income from these investments is recognized directly in profit or loss in accordance with policy set out in note 3(u)(iii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss in accordance with policy set out in note 3(u)(iv). When these investments are derecognized or impaired, the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognized/derecognized on the date the Group or the Company commits to purchase/sell the investments or when they expire.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 3(k)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

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

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost 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.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Construction in progress

Construction in progress represents buildings and structures under construction, which is stated at cost less impairment losses (see note 3(k)). Cost comprises the direct costs of construction as well as borrowing costs (see note 3(v)) during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term except for the property is being classified as an investment property or is held for development for sale.

(k) Impairment of assets

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

Investments in equity securities and other current and non-current receivables that are stated at cost or amortized cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

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

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

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

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

- For investments in subsidiaries and associates (including those recognized using the equity method (see note 3(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 3(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 3(k)(ii).

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

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

– For available-for-sale securities, the cumulative loss that has been recognized in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

Impairment losses recognized in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in fair value of such assets is recognized in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversals of impairment losses in such circumstances are recognized in profit or loss.

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

(ii) Impairment of other assets

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

– property, plant and equipment;
– construction in progress;
– goodwill; and
– prepaid lease payments

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would be at the end of the financial year (see notes 3(k)(i) and (ii)).

Impairment losses recognized in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is 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 recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter measured at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 3(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Cash and cash equivalents

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

(o) Trade and other payables

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Interest-bearing borrowings

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

(q) Promissory notes

Promissory notes are recognized initially at their fair value and subsequently measured at amortized cost, using the effective interest method.

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

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

(ii) Defined contribution pension plan obligations

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee benefits (continued)

(iii) Share-based payments

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date after taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognized in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Income tax

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

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

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

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

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

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

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

– the same taxable entity; or

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

(t) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortization where appropriate, and the amount that would be determined in accordance with note 3(t)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3(t)(ii).

(ii) Other provision and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing and amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of goods

Revenue is recognized when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Service income

Service income from rendering of environmental disposal services is recognized when services are provided.

(iii) Dividend income

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

(iv) Interest income

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

(v) Government grants

Government grants are recognized in the statement of financial position as deferred revenue initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for the cost of an asset are recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in foreign operation which are recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(x) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

1. has control or joint control over the Group;

2. has significant influence over the Group; or

3. is a member of the key management personnel of the Group or the Group's parent.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties (continued)

(ii) An entity is related to the Group if any of the following conditions applies:

1. The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

2. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

3. Both entities are joint ventures of the same third party.

4. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

5. The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

6. The entity is controlled or jointly controlled by a person identified in (i).

7. A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(y) 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 most senior executive management 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 or 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.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognized 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.

Impairment of trade and other receivables

The Group estimates the impairment allowance for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

As at 31 December 2011, the carrying amounts of trade receivables, and consideration receivable from the disposal of discontinued operation are HK$40,008,000 and HK$31,208,000 respectively, which approximate the present value of their respective estimated future cash flows. In respect of the outstanding consideration receivable arising from the disposal of discontinued operation of HK$31,208,000 at 31 December 2011, the directors of the Company based on the legal opinion provided by the PRC lawyers, Beijing Sinobridge Lawyers (北京市中博律師事務所) to the board of the Company dated 30 January 2012, believes that the remaining balance of the consideration receivable is fully recoverable under the PRC Laws.

Fair value of available-for-sale equity investments

The Company has engaged an independent professional valuer to assess the fair market value of those available-for-sale equity investments as disclosed in note 23(a). 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.

As disclosed in note 23(b), certain investments were carried at cost of HK$2,026,000 as at 31 December 2011, and in the opinion of the directors of the Company, the range of reasonable fair value estimate is so significant and their fair values cannot be measured reliably.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of goodwill

As at 31 December 2011, the carrying amount of goodwill was HK$33,000,000 (2010: HK$33,000,000). The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3(k)(ii). 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.

Useful lives of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. These estimates used are based on the current market conditions and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to change in market conditions. Management reassesses these estimates at the end of each reporting period to ensure inventory is shown at the lower of cost and net realizable value.

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 recognizes 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 recognized 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 is as follows:

	2011 HK$'000	2010 HK$'000
Environmental waste treatment service income	**74,166**	55,787
Industrial sewage treatment service income	**37,088**	–
Sales of mold products	**34,190**	21,863
Sales of plastic products	**25,494**	18,198
Trading of plastic materials	**33,157**	39,092
	204,095	134,940

6. SEGMENT INFORMATION

The Group manages its business by divisions which are organized by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment.

The Group has presented the following six segments. These segments are managed separately. No operating segments have been aggregated to form the following reporting segments.

(i) provision of environmental waste treatment services;
(ii) provision of environmental sewage treatment services in an eco-plating specialized zone;
(iii) manufacture and sale of molds;
(iv) manufacture and sale of plastic products;
(v) trading of plastic materials; and
(vi) investment in plastic dyeing.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reporting segments are the same of the Group's accounting policies described in note 3(y). Segment results represent the results from each segment without allocation of central administration costs (i.e. directors' emoluments and finance costs). Taxation charge is not allocated to reportable segments.

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. 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. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

6. SEGMENT INFORMATION (continued)

(a) Segment results, assets and liabilities (continued)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.

The measure used for operating segment profit is "reportable segment results". Segment operating results includes the operating profit generated by the segment and finance costs directly attributable to the segments. Items that are not specially attributed to individual segments, such as directors' remuneration, taxation charges and other corporate administrative costs are excluded from segment operating results.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management is set out below:

For the year ended 31 December 2011

	Operating segments						
	Environmental waste treatment services	**Industrial sewage treatment services**	**Mold products**	**Plastic products**	**Plastic materials trading**	**Plastic dyeing investments**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover from external customers	74,166	37,088	34,190	25,494	33,157	–	204,095
Other revenue	3,786	1,258	323	4	–	2,601	7,972
Reportable segment revenue	77,952	38,346	34,513	25,498	33,157	2,601	212,067
Reportable segment results	32,508	12,246	(718)	1,152	331	4,307	49,826
Other net income	4,397	44	513	–	–	57	5,011
Interest income	573	503	15	–	–	–	1,091
Interest expenses	578	2,238	731	–	–	–	3,547
Depreciation and amortization	5,086	7,755	2,595	1,426	1	–	16,863
Write-down of inventories	45	–	–	–	–	–	45
Reportable segment assets	239,120	359,393	34,745	28,184	10,598	63,962	736,002
Additions to non-current segment assets	37,109	76,409	151	1,354	–	–	115,023
Reportable segment liabilities	64,929	226,092	27,216	1,425	9,085	563	329,310

6. SEGMENT INFORMATION (continued)

(a) Segment results, assets and liabilities (continued)

For the year ended 31 December 2010

	Operating segments						
	Environmental waste treatment services HK$'000	Industrial sewage treatment services HK$'000	Mold products HK$'000	Plastic products HK$'000	Plastic materials trading HK$'000	Plastic dyeing investments HK$'000	Total HK$'000
Turnover from external customers	55,787	–	21,863	18,198	39,092	–	134,940
Other revenue	2,547	–	385	71	–	2,269	5,272
Reportable segment revenue	58,334	–	22,248	18,269	39,092	2,269	140,212
Reportable segment results	23,723	(988)	(795)	605	718	4,001	27,264
Other net income	1,762	–	(243)	126	–	18	1,663
Interest income	1,899	–	15	–	–	–	1,914
Interest expenses	931	–	480	–	–	–	1,411
Depreciation and amortization	4,449	–	2,506	1,104	25	–	8,084
Impairment of trade receivables	5	–	24	–	–	–	29
Reportable segment assets	157,538	54,160	34,694	23,018	10,363	75,416	355,189
Additions to non-current segment assets	22,290	–	186	2,607	–	–	25,083
Reportable segment liabilities	18,597	–	27,683	1,739	4,933	1,803	54,755

6. SEGMENT INFORMATION (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2011 HK$'000	2010 HK$'000
Revenue		
Consolidated turnover	**204,095**	134,940
Elimination of inter-segment revenue	**–**	–
Other revenue	**7,972**	5,272
Reportable segment revenue	**212,067**	140,212
Profit		
Reportable segment profit	**49,826**	27,264
Unallocated head office and corporate expenses	**(9,491)**	(9,013)
Consolidated profit before taxation	**40,335**	18,251
Assets		
Reportable segment assets	**736,002**	355,189
Unallocated head office and corporate assets	**38,028**	73,804
Consolidated total assets	**774,030**	428,993
Liabilities		
Reportable segment liabilities	**329,310**	54,755
Unallocated head office and corporate liabilities	**1,876**	2,644
Consolidated total liabilities	**331,186**	57,399

6. SEGMENT INFORMATION (continued)

(c) Geographic information

As the Group's business participates in only one geographical location classified by the location of assets, i.e the PRC, including Hong Kong, no separate geographical segment analysis based on the location of assets is presented. The geographical location of customers is based on the location at which the goods are delivered to:

	2011	2010
	HK$'000	HK$'000
Hong Kong	**54**	317
Mainland China	**212,013**	139,895
	212,067	140,212

(d) Major customers

During the years ended 31 December 2011 and 2010, there is no major customer accounting for more than 10% of the total revenue of the Group.

7. OTHER REVENUE

	2011	2010
	HK$'000	HK$'000
Bank interest income	**1,091**	1,914
Dividend income from available-for-sale equity investments	**2,601**	2,269
Scrap sales	**3,120**	1,089
Consultancy fee	**1,160**	–
	7,972	5,272

8. OTHER NET INCOME

	2011	2010
	HK$'000	HK$'000
Government grant *(note 31)*	**247**	–
Net gain on foreign exchange	**2,674**	1,556
Net gain on disposal of property, plant and equipment	**–**	107
Reversal of over accrued expenses	**2,090**	–
	5,011	1,663

9. ACQUISITION OF SUBSIDIARIES – 2011

The Company had 38% equity interests in New Sinotech Investments Limited ("New Sinotech", which in turn directly held 100% equity interest in Fair Time International Limited ("Fair Time"), and indirectly held 100% equity interest in Zhenjiang Sinotech Eco-Electroplating Development Limited ("Zhenjiang Sinotech", 鎮江華科生態電鍍科技發展有限公司) (collectively referred to as the "New Sinotech Group") as associates since 8 August 2008. On 13 December 2010, the Company entered into a sale and purchase agreement with NUEL and Mr. CHAN Son Neng, pursuant to which the Company conditionally agreed to acquire from NUEL and Mr. CHAN Son Neng the equity interests of 53% and 7% respectively in New Sinotech, at an aggregate cash consideration of HK$53,000,000 (the "Acquisition") subject to, amongst others, the approval of the Acquisition by the Company's independent shareholders. The Acquisition constituted as a connected transaction and was approved by the independent shareholders of the Company at its extraordinary meeting held on 16 February 2011. New Sinotech Group is engaged in the provision of environmental sewage treatment services in an eco-plating specialized zone in Zhenjiang, the PRC.

The transaction was completed on 17 February 2011 and control over New Sinotech Group passed to the Group on the same date. The Acquisition has been accounted for using the purchase method as follows:

	HK$'000
Fair value of consideration *(note 9(a))*	88,448
Acquisition related costs *(note 9(a)(ii))*	1,398
Less: fair value of assets acquired and liabilities assumed *(note 9(c))*	94,031
Deemed contribution from shareholders	4,185

The deemed contribution from the shareholders of the Company, NUEL and Mr. CHAN Son Neng, net of acquisition related costs, was recognized as a capital reserve in equity.

9. ACQUISITION OF SUBSIDIARIES – 2011 (continued)

(a) Consideration transferred

The consideration for the Acquisition comprised the following:

	HK$'000
Cash consideration	53,000
Fair value of previously held interest in New Sinotech Group *(note 9(a)(i))*	33,567
Non-controlling interest (2%) *(note 9(b))*	1,881
Fair value of consideration	88,448

(i) The fair value of the 38% equity interest in New Sinotech Group previously held by the Group was re-measured as of the date of acquisition at HK$33,567,000 by BMI Appraisals Limited, a firm of independent valuers with experience and qualifications in valuing similar investments. The fair value was determined using the market approach. The significant inputs into model include price to earning multiples of comparable listed companies and discount for lack of marketability.

	HK$'000
Fair value of previously held interest in New Sinotech Group	33,567
Carrying amount of previously held interest in New Sinotech Group *(note 22)*	(30,493)
Reclassification adjustment of translation reserve	2,743
Gain on deemed disposal of associates credited to profit or loss	5,817

(ii) As the Acquisition was transacted with the ultimate holding company, NUEL and Mr. CHAN Son Neng in their capacity as the shareholders of the Company, the Acquisition related costs of HK$1,398,000 was deducted against deemed contribution from the shareholders of the Company in equity.

(b) Non-controlling interests

The non-controlling interests in New Sinotech Group at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the fair value of net assets of New Sinotech Group on 17 February 2011 amounted to approximately HK$1,881,000.

9. ACQUISITION OF SUBSIDIARIES – 2011 (continued)

(c) Fair value of assets acquired and liabilities assumed at the date of acquisition were as follows:

	Notes	HK$'000
Property, plant and equipment	18	150,870
Land use rights	19	83,660
Trade and bills receivables		2,896
Prepayments, deposits and other receivables		869
Cash and cash equivalents	9(d)	39,366
Accrued liabilities and other payables		(12,938)
Deposits received		(1,954)
Deferred government grant	31	(2,907)
Interest bearing bank borrowings		(84,608)
Amount due to NUEL		(33,177)
Amount due to Mr. CHAN Son Neng		(5,504)
Amount due to Smartech International Group Limited		(23,461)
Amount due to a related company		(310)
Deferred tax liabilities	32(b)	(18,771)
Net assets		94,031
Non-controlling interest (2%)	9(b)	(1,881)
		92,150

(d) Net cash inflow arising from the Acquisition:

	HK$'000
Cash consideration paid	(13,580)
Cash and bank balances acquired	39,366
	25,786

Since the acquisition date on 17 February 2011, New Sinotech Group has contributed HK$37,088,000 and HK$7,016,000 to the Group's revenue and profit respectively for the year ended 31 December 2011. If the acquisition had occurred on 1 January 2011, the Group's revenue would have been increased by HK$1,709,000 and the Group's profit would have been decreased by HK$543,000 respectively for the year ended 31 December 2011.

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**2,937**	436
Borrowings from a related company wholly repayable within five years	**6**	44
Borrowings and advances from ultimate holding company wholly repayable within five years	**604**	–
Imputed interest on promissory notes	**–**	931
Total borrowing costs	**3,547**	1,411

11. INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2011 HK$'000	2010 HK$'000
Current tax		
Hong Kong Profits Tax	**–**	–
PRC Corporate Income Tax	**4,469**	2,966
Over-provision in respect of prior years	**(606)**	–
	3,863	2,966
Deferred tax *(note 32(b))*	**1,253**	(108)
	5,116	2,858

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% (2010: 16.5%) of the estimated assessable profits for the periods. No provision for Hong Kong Profits Tax has been made as the Group and the Company did not have any assessable profits arising in Hong Kong for the year under review (2010: Nil).

Except those disclosed below, the subsidiaries of the Company in the PRC are subject to PRC Corporate Income Tax ("CIT") at the rate of 25% (2010: 25%).

11. INCOME TAX (continued)

Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe"), Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe"), and Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe") are entitled to the exemptions from PRC Foreign Enterprise Income Tax ("EIT") 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 are subject to EIT of 12.5% for the years from 2009 to 2011, and thereafter at CIT rate of 25%. Zhenjiang New Universe is subject to EIT of 12.5% for the years from 2010 to 2012, and thereafter at CIT rate of 25%.

The profits arising from environmental sewage purification of Zhenjiang Sinotech are entitled to the exemption from CIT for three years from 2010 (being the first profit-making year for the environmental sewage purification operation) to 2012, followed by a 50% tax relief for the next three years, and thereafter subject to CIT rate of 25%. Profits arising from operations other than the environmental sewage purification of Zhenjiang Sinotech is subject to CIT rate of 25%.

Zhenjiang New Universe Rubber Company Limited (鎮江新宇橡塑有限公司) is subject to CIT rate of 20%.

Zhenjiang New Universe Recyclables Company Limited (鎮江新宇資源再生利用有限公司) and Xiangshui New Universe Environmental Technologies Company Limited (响水新宇環保科技有限公司) had no assessable profit subject to CIT for the years ended 31 December 2011 and 2010.

(b) Reconciliation between income tax and accounting profit at the applicable rates:

	2011 HK$'000	2010 HK$'000
Profit before taxation	**40,335**	18,251
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**9,630**	4,130
Tax effect of expenses not deductible for tax purpose	**1,769**	380
Tax effect of income not taxable for tax purpose	**(2,408)**	(283)
Tax effect of tax losses not recognized	**724**	842
Tax effect of tax losses utilized	**(1,273)**	(233)
Over provision in respect of prior years	**(606)**	–
Tax effect of temporary differences recognized	**1,253**	(108)
Tax effect of tax exemption in the PRC	**(3,973)**	(1,870)
Income tax for the year	**5,116**	2,858

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2011 HK$'000	2010 HK$'000
Amortization of land lease prepayments	**2,266**	511
Depreciation for property, plant and equipment	**14,597**	7,573
Operating lease charges in respect of:		
– land and buildings in Hong Kong	**288**	274
– landfill in PRC	**84**	81
	372	355
Impairment of trade receivables	**–**	29
Write-down of inventories	**45**	–
Net loss on disposal of property, plant and equipment	**17**	–
Auditor's remuneration:		
– Audit service	**745**	700
– Non-audit services	**65**	10
	810	710
Staff costs:		
– Salaries, wages and other benefits	**35,717**	25,300
– Contributions to retirement benefits schemes	**3,070**	2,009
Total staff costs	**38,787**	27,309
Cost of sales:		
– Cost of goods sold	**85,183**	71,880
– Cost of services rendered	**53,568**	19,115
	138,751	90,995

Note: Included in cost of sales are inventories consumed of HK$93,365,000 (2010: HK$74,436,000), comprising raw materials consumed of HK$68,420,000 (2010: HK$52,489,000), staff costs of HK$15,177,000 (2010: HK$8,412,000) and depreciation of HK$12,902,000 (2010: HK$6,482,000) which have been included in the respective total amounts disclosed above for each of staff costs and depreciation.

13. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Fee	Salaries and other benefits	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2011				
Executive directors				
Mr. XI Yu	29	–	–	29
Mr. CHAN Chun Hing	–	1,243	12	1,255
Mr. HON Wa Fai	–	822	12	834
Ms. CHEUNG Siu Ling	7	–	–	7
Non-executive directors				
Mr. SONG Yuqing	600	62	12	674
Mr. SUEN Ki	–	–	–	–
Independent non-executive directors				
Dr. CHAN Yan Cheong	120	–	–	120
Mr. YUEN Kim Hung, Michael	120	–	–	120
Mr. HO Yau Hong, Alfred	120	–	–	120
Mr. LEE Kwan Hung	120	–	–	120
	1,116	2,127	36	3,279
Year ended 31 December 2010				
Executive directors				
Mr. XI Yu	28	–	–	28
Mr. CHAN Chun Hing (appointed on 3 May 2010)	–	868	9	877
Mr. HON Wa Fai	–	764	12	776
Ms. CHEUNG Siu Ling	7	–	–	7
Non-executive directors				
Mr. SONG Yuqing (appointed on 15 June 2010)	373	100	7	480
Mr. SUEN Ki	–	–	–	–
Independent non-executive directors				
Dr. CHAN Yan Cheong	120	–	–	120
Mr. YUEN Kim Hung, Michael	120	–	–	120
Mr. HO Yau Hong, Alfred	120	–	–	120
Mr. LEE Kwan Hung (appointed on 15 June 2010)	65	–	–	65
	833	1,732	28	2,593

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 31 December 2011 and 2010.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, there is one director (2010: two directors) whose emoluments are disclosed in note 13. The aggregate of the emoluments in respect of the other four (2010: three) individuals are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	**1,751**	1,254
Discretionary bonuses	**3,355**	2,079
Retirement benefits scheme contribution	**–**	–
	5,106	3,333

The emoluments of the four (2010: three) individual with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**1**	–
	4	3

15. DIVIDEND

	2011 HK$'000	2010 HK$'000
Final dividend proposed after the end of the reporting period HK$0.0045 (2010: Nil) per share	**9,959**	–

The final dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

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 profit attributable to owners of the Company of HK$30,535,000 (2010: HK$12,005,000) and the weighted average number of 2,096,225,771 (2010: 1,929,338,256) ordinary shares of the Company in issue during the year.

Weighted average number of ordinary shares

	2011	2010
Issued ordinary shares at 1 January	**2,011,891,681**	1,825,891,681
Weighted average effect of issue of shares upon redemption of promissory notes	**–**	22,487,671
Weighted average effect of issue of shares upon top-up placement	**–**	80,958,904
Weighted average effect of issue of shares upon Rights Issue	**84,334,090**	–
Weighted average number of ordinary shares at 31 December	**2,096,225,771**	1,929,338,256

There were no dilutive potential ordinary shares in existence during both years and 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 profit of HK$10,415,000 for the year ended 31 December 2011 (2010: a loss of HK$2,618,000) which has been dealt with in the financial statements of the Company.

18. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Computers and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 January 2010	27,076	343	49,516	3,302	183	3,086	83,506
Exchange adjustments	961	286	1,787	103	10	116	3,263
Additions	229	19,821	3,036	446	28	1,523	25,083
Disposals	(24)	–	(607)	(54)	–	(561)	(1,246)
Reclassification	1,126	(1,076)	(226)	(95)	265	6	–
At 31 December 2010 and at 1 January 2011	29,368	19,374	53,506	3,702	486	4,170	110,606
Exchange adjustments	7,395	2,715	4,689	217	23	257	15,296
Additions	508	110,515	2,114	430	12	1,444	115,023
Acquisition of subsidiaries *(note 9)*	67,174	67,105	15,671	718	–	202	150,870
Disposals	(95)	–	(8)	(85)	–	(561)	(749)
Reclassification	103,445	(142,728)	39,094	189	–	–	–
At 31 December 2011	**207,795**	**56,981**	**115,066**	**5,171**	**521**	**5,512**	**391,046**
Depreciation and impairment							
At 1 January 2010	4,691	–	14,975	1,981	162	1,349	23,158
Exchange adjustments	240	–	698	66	9	44	1,057
Charge for the year	1,474	–	5,271	327	6	495	7,573
Eliminated on disposals	(2)	–	(247)	(33)	–	(420)	(702)
Reclassification	308	–	(458)	(79)	238	(9)	–
At 31 December 2010 and at 1 January 2011	6,711	–	20,239	2,262	415	1,459	31,086
Exchange adjustments	692	–	1,427	124	20	104	2,367
Charge for the year	5,881	–	7,151	624	6	935	14,597
Eliminated on disposals	(25)	–	(3)	(85)	–	(378)	(491)
Reclassification	–	–	–	–	–	–	–
At 31 December 2011	**13,259**	**–**	**28,814**	**2,925**	**441**	**2,120**	**47,559**
Carrying amount							
At 31 December 2011	**194,536**	**56,981**	**86,252**	**2,246**	**80**	**3,392**	**343,487**
At 31 December 2010	22,657	19,374	33,267	1,440	71	2,711	79,520

The buildings are situated in the PRC and held under long-term leases.

As at 31 December 2011, certain property, plant and equipment with an aggregate carrying amount of approximately HK$64,775,000 (2010: HK$9,089,000) have been pledged to secure banking facilities granted to the Group (note 28).

19. PREPAID LEASE PAYMENTS

	Group HK$'000
Cost	
At 1 January 2010	24,164
Exchange adjustments	186
At 31 December 2010 and at 1 January 2011	24,350
Exchange adjustments	1,425
Acquisition of subsidiaries *(note 9)*	83,660
At 31 December 2011	**109,435**
Amortization and impairment	
At 1 January 2010	1,837
Exchange adjustments	37
Charge for the year	511
At 31 December 2010 and at 1 January 2011	2,385
Exchange adjustments	141
Charge for the year	2,266
At 31 December 2011	**4,792**
Carrying amount	
At 31 December 2011	**104,643**
At 31 December 2010	21,965

Analyzed for reporting purposes as:

	Group	
	2011 HK$'000	2010 HK$'000
Current assets	**2,718**	512
Non-current assets	**101,925**	21,453
	104,643	21,965

19. PREPAID LEASE PAYMENTS (continued)

Prepaid lease payments are payments for land use rights held by the Group in the Jiangsu Province, PRC which are under medium term leases from 41 to 46 years as at 31 December 2011.

As at 31 December 2011, certain land use rights with an agregate carrying amount of approximately HK$13,513,000 (2010: HK$2,355,000) have been pledged to secure banking facilities granted to the Group (note 28).

20. GOODWILL

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**33,000**	33,000
Impairment loss recognized in consolidated income statement	**–**	–
Carrying amount at 31 December	**33,000**	33,000

Goodwill arose from the acquisition of 82% equity interest of New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)") in 2007. NUET(JS), through its subsidiaries, is engaged in provision of environmental waste treatment services in the PRC.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU"), which are principally engaged in environmental waste treatment services.

The assessment on the recoverable amount of this CGU was determined by BMI Appraisals Limited, an independent firm of professional valuers, who has qualification and experience in the asset being valued, on a value-in-use calculations. This calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 20.19% (2010: 18.58%) which is pre-tax and reflects specific risks relating to the specific segment. The cash flows for the next five years are extrapolated using a growth rate of 3% and beyond the five-year period have been extrapolated using a steady growth rate of 2% which does not exceed the long-term growth rate for the waste treatment industries. Other key assumptions for the value in use calculation relates to the estimated cash inflows/outflows which include budgeted sales and gross margin, such estimation is based the CGU's past performance and management's expectations for the market development. Since the recoverable amount of the CGU exceeded its carrying amount, no impairment loss on the goodwill was considered necessary for the year ended 31 December 2011 (2010: Nil).

21. INTERESTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted securities, at cost	**58,156**	58,156
Amounts due from subsidiaries – non-current assets *(note 21(a))*	**325,630**	215,180
Investments in subsidiaries	**383,786**	273,336
Amounts due from subsidiaries – current assets *(note 21(b))*	**26,316**	–
Amounts due to subsidiaries – current liabilities *(note 21(b))*	**–**	16,332

(a) Amounts due from subsidiaries are unsecured and interest free, except for (i) the amount of HK$26,281,000 (2010: HK$25,000,000) which bears interest at 5% (2010: 5%) per annum, and (ii) the amount of HK$7,800,000 (2010: HK$7,800,000) which bears interest at 3% (2010: 3%) per annum. The directors of the Company consider that the balances are equity in nature as capital contributions to the subsidiaries and will not be demanded for repayment.

(b) These balances are unsecured, interest free and repayable within one year. These balances approximated to their respective fair value at the end of the reporting period.

The recoverable amount of the interests in subsidiaries exceeds its carrying amount at the end of reporting period.

The following list contains the particulars of the principal subsidiaries, which affected the results, assets, or liabilities of the Group:

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Issued and paid-up capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Smartech International Group Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$1,000,000 (2010: US$1,000,000)	100	100	–	Investment holding
New Universe International Holdings Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$10,000 (2010: US$10,000)	100	100	–	Investment holding
Smartech Manufacturing Limited	Hong Kong	Limited liability company	HK$70,380,000 (2010: HK$5,000,000)	100	–	100	Sale of molds and plastic products

21. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Issued and paid-up capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Smartech Plastic Moulding Limited	Hong Kong	Limited liability company	HK$100 (2010: HK$100)	100	–	100	Sale of plastic products
Smartech Services Limited ("Smartech Services")	Hong Kong	Limited liability company	HK$2 (2010: 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 (2010: US$1,800,000)	100	–	100	Investment holding
New Universe (China) Limited	Hong Kong	Limited liability company	HK$1,000,000 (2010: HK$1,000,000)	100	–	100	Investment holding
Bestwin (China) Limited ("Bestwin")	Hong Kong	Limited liability company	HK$15,000,000 (2010: HK$15,000,000)	97	–	97	Investment holding
Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe")	PRC	WFOE[α]	US$4,600,000 (2010: US$4,600,000)	97	–	100	Manufacture and sale of molds and plastic products, trading of plastic materials
New Universe Environmental Protection Investment Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$4,000,000 (2010: US$4,000,000)	100	–	100	Investment holding
New Universe Environmental Technologies (Jiang Su) Limited	Hong Kong	Limited liability company	HK$21,640,000 (2010: HK$21,640,000)	82	–	82	Investment holding
Zhenjiang New Universe Solid Waste Disposal Company Limited	PRC	WFOE[α]	US$4,350,000 (2010: US$4,350,000)	82	–	100	Environmental waste treatment services
Yancheng New Universe Solid Waste Disposal Company Limited	PRC	WFOE[α]	US$700,000 (2010: US$700,000)	82	–	100	Environmental waste treatment services

21. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Issued and paid-up capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Taizhou New Universe Solid Waste Disposal Company Limited	PRC	WFOE[α]	US$700,000 (2010: US$700,000)	82	–	100	Environmental waste treatment services
New Universe Recyclable Investments Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$10,000 (2010: US$10,000)	100	–	100	Investment holding
New Universe Recyclables Limited	Hong Kong	Limited liability company	HK$10,000 (2010: HK$10,000)	100	–	100	Investment holding
New Universe International Ecology Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$10,000 (2010: US$10,000)	100	–	100	Investment holding
Zhenjiang New Universe Recyclables Company Limited	PRC	WFOE[α]	US$1,000,000 (2010: US$1,000,000)	100	–	100	Environmental waste recycling services
Zhenjiang New Universe Rubber Company Limited[ε] (鎮江新宇橡塑有限公司)	PRC	JEE[β]	RMB2,000,000 (2010: RMB2,000,000)	51	–	51	Environmental waste recycling services
New Sinotech Investments Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$5,000,000 (Acquired on 17 February 2011)	98	–	98	Investment holding
Fair Time International Limited	Hong Kong	Limited liability company	HK$99,327,000 (Gained control on 17 February 2011)	98	–	100	Investment holding
Zhenjiang Sinotech Eco-Electroplating Development Limited	PRC	WFOE[α]	US$31,000,000 (Gained control on 17 February 2011)	98	–	100	Environmental sewage treatment in an eco-plating zone
Xiangshui New Universe Environmental Technology Limited (响水新宇環保科技有限公司)	PRC	JEE[β]	HK$32,000,000 (Incorporated on 19 July 2011)	80	–	80	Environmental waste treatment and consultancy services

α *Wholly foreign-owned enterprise ("WFOE")*
β *Joint equity enterprise ("JEE")*
ε *English name is for identification purpose only.*

22. INTERESTS IN ASSOCIATES

	Group 2011 HK$'000	Group 2010 HK$'000
Share of net assets		
At 1 January	**60,911**	37,411
Capital contribution to an associate	**3,701**	21,469
Share of profits	**1,100**	726
Share of other comprehensive income	**361**	2,301
Dividends received	**(1,107)**	(996)
Equity advance to associates reclassified as interests in subsidiaries *(note 9(c))*	**(23,461)**	–
Transfer to interests in subsidiaries *(note 9(a)(i))*	**(30,493)**	–
At 31 December	**11,012**	60,911

In the opinion of the directors of the Company, there was no impairment on the interests in associates, as the recoverable amount of interests in these associates were above their carrying amount at the end of the reporting period.

The following list contains the particulars of associates, all of which are unlisted corporate entities, which affected the results and assets of the Group:

Name of associate	Place of incorporation and operations	Form of legal entity	Issued and paid-up capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Qingdao Zhongxin Huamei Plastics Co., Limited ("Qingdao Huamei")	PRC	SFJE[γ]	US$1,000,000 (2010: US$1,000,000)	28.67	–	28.67	Plastic materials dyeing
Zhenjiang New District Solid Waste Disposal Limited[ε] ("Zhenjiang New District", 鎮江新區固廢處置有限公司)	PRC	JEE[β]	RMB10,000,000 (Incorporated on 13 October 2011)	24.60	–	30	Environmental waste treatment services

Upon the deemed disposal of the 38% equity interest in New Sinotech completed on 17 February 2011, the Group's effective interest in New Sinotech was increased from 38% as at 31 December 2010 to 98% as at 31 December 2011 as referred to in note 9 to the financial statements. The Group's share of loss of New Sinotech as an associate was HK$206,000 (2010: HK$988,000) up to the completion date of deemed disposal.

β *Joint equity enterprise ("JEE")*
γ *Sino-foreign joint equity enterprise ("SFJE")*
ε *English name is for identification purpose only.*

22. INTERESTS IN ASSOCIATES (continued)

Summary financial information on associates:

Qingdao Huamei

	2011 HK$'000	2010 HK$'000
Total assets	**43,123**	35,886
Total liabilities	**(16,396)**	(12,339)
Net assets	**26,727**	23,547
Revenue	**269,024**	172,449
Profit after taxation for the year	**5,754**	5,978
Other comprehensive income	**1,288**	615

	Group	
	2011 HK$'000	2010 HK$'000
Group's share of net assets of associate	**7,663**	6,751
Group's share of post-tax profits and other comprehensive income of associate for the year	**2,019**	1,890

Zhenjiang New District

	2011 HK$'000	2010 HK$'000
Total assets	**12,383**	–
Total liabilities	**(1,219)**	–
Net assets	**11,164**	–
Revenue	**–**	–
Loss for the year	**(1,144)**	–
Other comprehensive income	**(28)**	–

22. INTERESTS IN ASSOCIATES (continued)

Zhenjiang New District (continued)

	Group	
	2011	2010
	HK$'000	HK$'000
Group's share of net assets of associate	**3,349**	–
Group's share of post-tax loss and other comprehensive income of associate for the year	**(352)**	–

23. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

		Group	
		2011	2010
	Notes	**HK$'000**	HK$'000
Unlisted equity investments at fair value	23(a)	**55,900**	68,300
Unlisted equity investments at cost less impairment	23(b)	**2,026**	370
		57,926	68,670

(a) The unlisted available-for-sale equity investments carried at fair value represent investments in Suzhou New Huamei Plastics Company Limited ("Suzhou New Huamei") and Danyang New Huamei Plastics Company Limited ("Danyang New Huamei"), which are principally engaged in plastic materials dyeing manufacturing business in Mainland China. The fair value of those 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, after having taken into account of the discount on marketability of these unlisted investments.

During the year end 31 December 2011, a net fair value loss of HK$11,160,000 (2010: net fair value gain of HK$12,960,000) was recognized directly in the investment revaluation reserve.

(b) The unlisted available-for-sale equity investments measured at cost represent investments in private entities which are at the early stage of development in environmental waste recycling services business. They are measured at cost less impairment at the end of each reporting period and, because the range of reasonable fair value estimates is so significant and; in the opinion of the directors of the Company, their fair values cannot be measured reliably at the end of the current reporting period. At 31 December 2011, the directors of the Company considered that there is no impairment on these investments.

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

As at 31 December 2011, the Group has interests in the following available-for-sale equity investments:

Name of company	Place of incorporation and operations	Form of legal entity	Issued and paid-up capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Suzhou New Huamei Plastics Co., Limited	PRC	SFJE[γ]	US$5,000,000	18.62	–	18.62	Plastic materials dyeing
Danyang New Huamei Plastics Co., Limited	PRC	SFJE[γ]	US$1,600,000	24.50	–	24.50	Plastic materials dyeing
Fair Industry Waste Recyclables Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$10,000	4	–	4	Environmental waste recycling services
Ever Champ (China) Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$10,000	4	–	4	Environmental waste disposal services

γ *Sino-foreign joint equity enterprise ("SFJE")*

Danyang New Huamei 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 able to exercise significant influence over the financial and operating policies of Danyang New Huamei, and hence, the investment in Danyang New Huamei was accounted for as an available-for-sale equity investment.

24. INVENTORIES

	Group 2011 HK$'000	Group 2010 HK$'000
Raw materials	**8,634**	5,034
Work in progress	**9,091**	7,980
Finished goods	**2,700**	1,675
	20,425	14,689

The carrying amount of inventories sold of HK$93,365,000 (2010: HK$74,436,000) was recognized as expense which has been included in cost of sales for the year ended 31 December 2011.

25. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**38,806**	18,602
Less: allowance for doubtful debts	**(481)**	(481)
	38,325	18,121
Bills receivable	**1,683**	1,307
	40,008	19,428

(a) Ageing analysis

The ageing analysis of trade and bills receivables (net of allowance for doubtful debts) as of the end of the reporting period based on the invoice date is presented as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0 to 30 days	**20,075**	10,491
31 days to 60 days	**8,961**	4,539
61 days to 90 days	**5,266**	1,376
91 days to 180 days	**3,783**	2,262
181 days to 360 days	**1,517**	616
Over 360 days	**406**	144
	40,008	19,428

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, plastic materials segments and the environmental services segment.

25. TRADE AND BILLS RECEIVABLES (continued)

(b) Impairment losses of trade receivables

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

The movement in the allowance for doubtful debts during the year:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**481**	971
Impairment loss recognized	**–**	29
Amounts written off as uncollectible	**–**	(519)
At 31 December	**481**	481

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

	Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**29,036**	15,030
Less than 30 days past due	**5,266**	1,376
More than 30 days but less than 90 days past due	**3,783**	2,262
More than 90 days but less than 360 days past due	**1,923**	760
	40,008	19,428

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. The Group does not hold any collateral over these balances.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Deposits paid to suppliers	**661**	1,631	**232**	248
Other receivables	**3,118**	1,394	**–**	–
	3,779	3,025	**232**	248
Consideration receivable on disposal of Zhenjiang Dock Project *(notes 26(a),(b),(c))*	**31,208**	50,878	**–**	–
	34,987	53,903	**232**	248

(a) The consideration receivable on disposal of Zhenjiang Dock Project, as referred to in note 37(a) to the financial statements, was guaranteed by certain independent third parties under the Dock Disposal Agreements. The balance will be settled upon granting the land use rights for the Zhenjiang Dock Project by the relevant PRC authorities. Up to 31 December 2011, the Group received approximately RMB60,549,100 (2010: RMB42,549,100) of the total consideration from the buyer. The Group does not hold any collateral over the outstanding consideration receivable. A written letter of undertaking dated 15 March 2011 has been provided by the buyer and its two subsidiaries to the Group, pursuant to which, they have agreed to use the deposits of RMB48,800,000 paid for acquisition of the land use rights to settle the outstanding balance of the consideration in case of any default by the buyer by 31 December 2011. In January 2012, the Group instituted legal proceedings against the purchaser and its guarantors for the recovery of the balance of this receivable together with claims for compensation (note 42(a)).

(b) On 23 June 2011, NUEL, the ultimate holding company and the Company entered into a deed of indemnity, pursuant to which, NUEL has irrevocably agreed to indemnify the Group for any loss in respect of the balance of this consideration receivable.

(c) In the opinion of the directors of the Company, the outstanding balance of this consideration receivable can be fully recoverable and therefore, no impairment is required.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Cash and bank balances	**128,542**	76,907	**2,901**	20,447
Cash and cash equivalents in the consolidated statement of cash flow	**128,542**	76,907	**2,901**	20,447

The bank balances carried interest at market rates ranging from 0.01% to 3.1% (2010: 0.01% to 1.91%) per annum for the year ended 31 December 2011.

28. INTEREST-BEARING BANK BORROWINGS

As at 31 December 2011, interest-bearing bank borrowings were secured as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities:				
– Secured	**46,322**	10,575	**–**	–
– Secured non-current portion of bank loans repayable on demand	**9,375**	–	**–**	–
– Unsecured	**27,300**	–	**27,300**	–
	82,997	10,575	**27,300**	–
Non-current liabilities:				
– Secured	**45,528**	–	**–**	–
	128,525	10,575	**27,300**	–

As at 31 December 2011, interest-bearing bank borrowings were repayable as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Within 1 year or on demand	**82,997**	10,575	**27,300**	–
Non-current liabilities				
After 1 year but within 2 years	**33,159**	–	**–**	–
After 2 years but within 5 years	**12,369**	–	**–**	–
After 5 years	**–**	–	**–**	–
	45,528	–	**–**	–
	128,525	10,575	**27,300**	–

28. INTEREST-BEARING BANK BORROWINGS (continued)

(a) As at 31 December 2011, certain land use rights and property, plant and equipment held for own use with an aggregate carrying amount of HK$11,495,000 (2010: HK$11,444,000) were pledged to banks for bank loans totalling HK$11,101,000 (2010: HK$10,575,000) granted to a subsidiary, Suzhou New Universe. The bank loans bear interest at rates ranging from 5.84% to7.54% (2010: 5.84%) per annum.

(b) As at 31 December 2011, certain land use rights and property, plant and equipment held for own use with an aggregate carrying amount of HK$66,793,000 were pledged to banks for bank loans totalling HK$22,820,000 granted to a subsidiary, Zhenjiang New Universe. The bank loans bear interest at the rate of 7.59% per annum.

(c) As at 31 December 2011, bank loan of HK$10,000,000 granted to a subsidiary, NUET (JS) was secured by a fixed and floating charge over all the assets of NUET(JS) together with personal guarantee provided by Mr. XI Yu. The bank loan bears interest at rates ranging from 2.71% to 2.77% per annum.

(d) As at 31 December 2011, bank loans of HK$57,304,000 granted to the subsidiary, Fair Time, was secured by a fixed and floating charge over all the assets of Fair Time, together with the corporate guarantee issued by a related company, New Universe Holdings Limited and personal guarantee provided by Mr. XI Yu. The banking facilities are subject to the fulfillment of covenants relating to certain of the subsidiaries' statements of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payment on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 45. As at 31 December 2011, none of the covenants relating to drawn down facilities had been breached. The bank loans bear interest at rates ranging from 1.69% to 1.78% per annum.

(e) As at 31 December 2011, personal guarantee was provided by Mr. XI Yu, the Chairman of the Company in respect of bank loans totalling HK$27,300,000 granted to the Company. The bank loans bear interest at rates ranging from 3.12% to 3.71% per annum.

29. TRADE PAYABLES

The ageing analysis of the trade payables as of the end of the reporting period based on the invoice date is presented as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0 to 30 days	**4,748**	5,713
31 days to 60 days	**4,432**	4,185
61 days to 90 days	**3,278**	2,845
Over 91 days	**2,152**	360
	14,610	13,103

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

30. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Salaries and bonuses payable	**8,893**	8,147	**–**	–
Payable for acquisition of property, plant and equipment	**20,729**	1,466	**–**	–
Other payables	**12,581**	7,108	**345**	323
	42,203	16,721	**345**	323

31. DEFERRED GOVERNMENT GRANT

Government grant of HK$2,907,000 was granted to subsidize the construction of plant facilities for energy saving and control of sewage discharge in the eco-plating specialized zone of Zhenjiang Sinotech. The grant is recognized as other revenue over the estimated useful lives of the plant facilities.

	Group
	HK$'000
Receipt of grant	
At 1 January 2011	–
Acquisition of subsidiaries *(note 9)*	2,907
Exchange adjustment	144
Receipt during the year	617
At 31 December 2011	**3,668**
Release of grant	
At 1 January 2011	–
Release for the year *(note 8)*	247
Exchange adjustments	6
At 31 December 2011	**253**
Carrying amount	
At 31 December 2011	**3,415**
At 31 December 2010	–

31. DEFERRED GOVERNMENT GRANT (continued)

Analyzed for reporting purposes as:

	Group	
	2011	2010
	HK$'000	HK$'000
Current liabilities	**269**	–
Non-current liabilities	**3,146**	–
	3,415	–

32. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Group	
	2011	2010
	HK$'000	HK$'000
Provision for PRC Income Tax for the year	**4,460**	2,966
Balance of PRC income tax relating to prior years	**1,915**	2,184
Exchange adjustments	**90**	67
Tax paid	**(4,688)**	(3,302)
	1,777	1,915

(b) The components of deferred tax (assets)/liabilities recognized in the consolidated statement of financial position and the movements during the year are as follows:

	Group			
	Fair value adjustment on available-for-sale equity investment	**Fair value adjustment of assets on business combination**	**Undistributed profits of PRC subsidiaries**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	363	4,784	–	5,147
Charge to other comprehensive income	1,440	–	–	1,440
Credit to profit or loss	–	(108)	–	(108)
At 31 December 2010 and at 1 January 2011	1,803	4,676	–	6,479
Acquisition of subsidiaries *(note 9(c))*	–	18,771	–	18,771
Credit to other comprehensive income	(1,240)	–	–	(1,240)
(Credit)/charge to profit or loss	–	(215)	1,468	1,253
At 31 December 2011	**563**	**23,232**	**1,468**	**25,263**

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

(c) Deferred tax assets not recognized:

At the end of the reporting period, the Group has unused tax losses of HK$38,974,000 (2010: HK$44,496,000) available for offset against future profits. No deferred tax asset has been recognized 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 recognized:

At 31 December 2011, there was no significant unrecognized deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's PRC subsidiaries as the Group has no significant liability to additional tax should such amounts be remitted.

33. AMOUNT DUE TO A RELATED COMPANY

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Current liabilities				
Loans – unsecured	**2,794**	–	**2,794**	–

Loans from the related company, China (HK) Chemical & Plastics Company Limited, are unsecured and interest bearing at 3% per annum, which are repayable on demand.

34. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Current liabilities *(note 34(a))*	**5,000**	–	**5,000**	–
Non-current liabilities *(notes 34(b), (c))*	**97,184**	–	**61,100**	–
	102,184	–	**66,100**	–

(a) An amount of HK$5,000,000 included in the amounts due to ultimate holding company is unsecured, interest-free and repayable within the next twelve months and accordingly, it is classified under current liabilities in the statements of financial position.

(b) Included in the remaining balance of HK$97,184,000, an amount of HK$34,420,000 is unsecured, bearing interest at 2% per annum and repayable on demand, subject to (i) a letter of undertaking dated 30 June 2011 based on which NUEL has undertaken not to demand repayment of the advances until such time as the Group has sufficient funds to repay the advance from the ultimate holding company and still be able to meet in full its other financial obligations after the repayment for the advances if any; and (ii) the deed dated 17 February 2011 based on which NUEL has unconditionally and irrevocably agreed to further extend the repayment date for not more than 3 months upon every written request.

(c) Pursuant to another letter of undertaking dated 31 December 2011 from the ultimate holding company, NUEL has undertaken not to demand repayment of the advances totalling HK$97,184,000 until 31 March 2013. Therefore, the balance is included as non-current liabilities. In the opinion of the directors of the Company, the carrying amount of the advances from NUEL approximated their fair value at the end of the reporting period.

35. SHARE CAPITAL

	Notes	Number of shares 2011 '000	Number of shares 2010 '000	Share capital 2011 HK$'000	Share capital 2010 HK$'000
Ordinary shares of HK$0.01 each					
Authorized					
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 of year		**2,011,892**	1,825,892	**20,119**	18,259
Issue of new shares on redemption of promissory notes	35(a)	**–**	36,000	**–**	360
Issue of new shares on top-up placing	35(b)	**–**	150,000	**–**	1,500
Rights Issue	35(c)	**201,189**	–	**2,012**	–
At end of year		**2,213,081**	2,011,892	**22,131**	20,119

(a) Issue of shares upon redemption of promissory notes

On 18 May 2010, the Company issued 36,000,000 ordinary shares with a par value of HK$0.01 each as partial consideration for the redemption of the promissory notes (note 37(b)) at the fair value of HK$4,380,000, out of which HK$360,000 was recorded in share capital and HK$3,933,000 (after issue expenses of HK$87,000) was recorded in share premium.

(b) Issue of shares upon top-up placing

On 7 June 2010, the Company issued 150,000,000 ordinary shares with a par value of HK$0.01 each, at a price of HK$0.212 per placing share through a placing agent and NUEL. Net proceeds from such top-up placement of shares amounted to HK$30,688,000, of which HK$1,500,000 was recorded in share capital and HK$29,188,000 (after issuance costs of HK$1,112,000) was recorded in share premium.

(c) Rights Issue

On 1 August 2011, the Company issued 201,189,168 new shares at a price of HK$0.15 each ("Rights Shares") on the basis of one Rights Share for every ten of the then existing shares held on the record date at 28 June 2011 ("Rights Issue"). Net proceeds from the Rights Issue amounted to approximately HK$28,905,000, of which HK$2,012,000 was recorded in share capital and HK$26,893,000 (after share issuance related cost of approximately HK$1,273,000) was recorded in share premium.

(d) As at 31 December 2011, the holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

36. RESERVES

Group

	Share premium HK$'000 (note 36(a))	Translation reserve HK$'000 (note 36(b))	Investment revaluation reserve HK$'000 (note 36(c))	General reserve HK$'000 (note 36(d))	Capital reserve HK$'000 (note 36(e))	Statutory reserve HK$'000 (note 36(f))	Retained profits HK$'000	Total HK$'000
	Attributable to owners of the Company							
At 1 January 2010	206,488	9,620	4,637	31,929	–	2,133	15,887	270,694
Profit for the year	–	–	–	–	–	–	12,005	12,005
Other comprehensive income								
Exchange differences								
– on translation of financial statements of overseas subsidiaries	–	3,119	–	–	–	–	–	3,119
Fair value changes on available-for-sale equity investments, net of deferred tax	–	–	12,960	–	–	–	–	12,960
Share of other comprehensive income of associates	–	2,301	–	–	–	–	–	2,301
Total comprehensive income for the year	–	5,420	12,960	–	–	–	12,005	30,385
Shares issued upon redemption of promissory notes	3,933	–	–	–	–	–	–	3,933
Shares issued upon top-up placing, net of share issuance costs of HK$1,112,000	29,188	–	–	–	–	–	–	29,188
Transfer to statutory reserve	–	–	–	–	–	2,766	(2,766)	–
At 31 December 2010 and 1 January 2011	239,609	15,040	17,597	31,929	–	4,899	25,126	334,200
Profit for the year	–	–	–	–	–	–	30,535	30,535
Other comprehensive income								
Exchange differences								
– on translation of financial statements of overseas subsidiaries	–	15,845	–	–	–	–	–	15,845
– reclassification of translation reserve on deemed disposal of associates	–	(2,743)	–	–	–	–	–	(2,743)
Fair value changes on available-for-sale equity investments, net of deferred tax	–	–	(11,160)	–	–	–	–	(11,160)
Share of other comprehensive income of associates	–	361	–	–	–	–	–	361
Total comprehensive income for the year	–	13,463	(11,160)	–	–	–	30,535	32,838
Transfer to distributable reserves	–	–	–	(31,929)	–	–	31,929	–
Deemed contribution from shareholders of the Company, net of related costs of HK$1,398,000 *(note 9)*	–	–	–	–	4,185	–	–	4,185
Rights issue, net of share issuance costs of HK$1,273,000	26,893	–	–	–	–	–	–	26,893
Transfer to statutory reserve	–	–	–	–	–	3,298	(2,247)	1,051
At 31 December 2011	**266,502**	**28,503**	**6,437**	**–**	**4,185**	**8,197**	**85,343**	**399,167**

36. RESERVES (continued)

Company

	Share premium HK$'000 *(note 36(a))*	General reserve HK$'000 *(note 36(d))*	Retained profits HK$'000	Total HK$'000
At 1 January 2010	206,488	58,078	(37,812)	226,754
Loss for the year	–	–	(2,618)	(2,618)
Shares issued upon redemption of promissory notes	3,933	–	–	3,933
Share issued upon top-up placing, net of share issuance costs	29,188	–	–	29,188
At 31 December 2010 and 1 January 2011	239,609	58,078	(40,430)	257,257
Profit for the year	–	–	10,415	10,415
Transfer to distributable reserves	–	(58,078)	58,078	–
Rights Issue, net of share issuance costs	26,893	–	–	26,893
At 31 December 2011	**266,502**	**–**	**28,063**	**294,565**

Nature and purpose of reserves are as follows:

(a) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law (revised) of the Cayman Islands and every modification thereof. The balance of share premium is distributable and for such use as permissible under the laws of Cayman Islands and the articles of association of the Company.

(b) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas 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.

(c) Investment revaluation reserve

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

36. RESERVES (continued)

(d) 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.

On 7 November 2011, the Directors resolved to transfer all amounts standing on the credit balance of the Company's general reserve to retained earnings of the Company.

(e) Capital reserve

On 17 February 2011, the Group's effective interest in New Sinotech Group was increased from 38% to 98%, and New Sinotech Group became 98% indirectly owned subsidiaries of the Company, and the excess of fair value of net assets acquired over cost of acquisition of 98% equity interests in New Sinotech Group of HK$4,185,000 (after deduction of acquisition related costs) was recognized as deemed contribution from NUEL and Mr. CHAN Son Neng in their capacity as shareholders of the Company and fully credited as capital reserve in the equity of the Group (note 9).

(f) Statutory reserve

In accordance with the relevant regulations in the PRC, the Company's subsidiaries established in the PRC are required to transfer a certain percentage of its profits after tax to reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiary's articles of association, the reserve funds may be used either to offset losses, or for capitalization by way of paid-up capital.

(g) Distributability of reserves

At 31 December 2011, the Company has reserves available for distribution to its owners in the amount of HK$294,565,000 (2010: HK$257,257,000).

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of Zhenjiang Dock Project in 2009

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 (therein collectively referred to as the "Zhenjiang Dock Project") to an independent party at a consideration of RMB85,849,100 (approximately HK$97,696,000) ("Zhenjiang Dock Disposal Agreements").

Net cash flows arising on the disposal were as follows:

	2011 **HK$'000**	2010 HK$'000
PRC Income Tax paid for the disposal	**(1,203)**	–
Consideration received in cash	**22,203**	38,113
Cash inflow from the disposal during the reporting period	**21,000**	38,113

(b) Redemption of promissory notes in 2010

On 18 May 2010, 36,000,000 new ordinary shares of HK$0.01 each of the Company were issued as partial consideration for the early redemption of promissory notes.

On 18 May 2010, the promissory notes with an aggregate nominal value of HK$26,920,000 have been early redeemed fully by the Company, at the consideration of US$2,584,000 (equivalent to approximately HK$20,052,000) in cash and issue of 36,000,000 new ordinary shares of the Company at par value of HK$0.01 each which were subject to a lock-up period from 18 May 2010 to 17 May 2011 ("Restricted Shares") at the fair value price of HK$0.122 each as if they were free from any encumbrances on the date of exchange on 18 May 2010. The fair value of the Restricted Shares was determined by RHL Appraisal Limited, an independent firm of professional valuers with qualification and experience in such financial instruments being valued and who has adopted the Asian Put Option Model by using the average underlying share price over the preset period of time to determine the pay-off of the put option. The fair value of all these Restricted Shares was determined to be HK$4,380,000. A loss on redemption of HK$1,316,000 has been recognized in profit or loss for the year ended 31 December 2010.

38. OPERATING LEASES COMMITMENTS

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Office premises	**273**	382	**–**	–
Landfills	**259**	411	**–**	–
	532	793	**–**	–

As at 31 December 2011, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**202**	332	**–**	–
After 1 year but within 5 years	**330**	461	**–**	–
After 5 years	**–**	–	**–**	–
	532	793	**–**	–

39. CAPITAL COMMITMENTS

At 31 December 2011, the Group had the following capital commitments:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for:				
Acquisition of property, plant and equipment	**78,243**	22,056	**–**	–
Authorized and not contracted for:				
Investment in available-for-sale equity investments	**6,724**	11,687	**6,724**	11,687
Investment in associate	**7,401**	23,651	**–**	–
Acquisition of additional 60% equity interest in New Sinotech	**–**	53,000	**–**	53,000

40. PLEDGE OF ASSETS

At 31 December 2011, the Group pledged certain property, plant and equipment and the land use rights with carrying amounts of HK$64,775,000 (2010: HK$9,089,000) and HK$13,513,000 (2010: HK$2,355,000) respectively to secure bank loans of HK$33,921,000 (2010: HK$10,575,000) granted to the Group (notes 28(a) and (b)).

41. SHARE OPTION SCHEME AND EMPLOYEE RETIREMENT BENEFITS

(a) Share option scheme

The Company has a share option scheme which was adopted by the Company's shareholders in general meeting on 10 December 2003 ("Share Option Scheme"), whereby the directors of the Company are authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The 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 2011 was 119,168,000 shares (2010: 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 2011 and 2010, no options have been granted or outstanding under the Company's Share Option Scheme.

(b) Employee retirement benefits

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution benefit schemes (the "Schemes") organized by the relevant local government authorities in Suzhou and Zhenjiang, whereby the Group is required to make contributions to the Schemes at certain percentage of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligation payable to the retired employees.

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with the MPF Scheme beyond the annual contributions described above.

42. EVENTS AFTER THE REPORTING PERIOD

(a) In January 2012, the Group instituted legal proceedings against the purchaser and the guarantors of the Zhenjiang Dock Project for the recovery of the outstanding balance of consideration receivable from sale of Zhenjiang Dock Project (note 26(a)) together with claims for compensation. The first hearing will be held at the Zhenjiang City Intermediate Court in the PRC on 21 March 2012.

(b) On 6 March 2012, NUET(JS), a 82% indirectly owned subsidiary of the Company, entered into a joint venture agreement with 江蘇輝豐農化股份有限公司 Jiangsu Huifeng Agrochemical Co., Limited ("Hui Feng") for the formation of a joint venture ("JV") in relation to environmental operations. Upon its formation, the JV will be owned as to 51% by Hui Feng and 49% by NUET(JS). The registered capital of the JV is HK$66,000,000 to be satisfied wholly in cash and to be contributed by NUET(JS) as to HK$32,340,000 (or the equivalent amount in RMB). The registered capital is to be paid as to 20% within thirty (30) working days from the date of issue of the business licence of the JV and the balance of 80% within five (5) months from the date of issue of the business licence of the JV.

43. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2011 and 2010, the directors are of the view that the following companies are related parties to the Group:

Name of related party	Relationship with the Group
NUEL	Ultimate holding company of the Company; 83.66% owned by Mr. XI Yu; Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors
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")	100% owned subsidiary of NUHL; Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors

43. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties

	Notes	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Recurring transactions					
Purchases of raw materials					
– China (HK) Chemical	43(a)(i)	**12,960**	23,484	**–**	–
Rental expenses					
– Sun Ngai	43(a)(ii)	**288**	274	**–**	–
Non-recurring transaction					
Loan interest paid					
– China (HK) Chemical	43(a)(iii)	**6**	44	**4**	–
– NUEL	43(a)(iv)	**604**	–	**604**	–

Notes:

(i) The transactions amounted to HK$12,960,000 (2010: HK$23,484,000) constituted continuing connected transactions as defined in the Listing Rules. The continuing connected transactions carried out under a supply contract dated 26 February 2009 was approved by the independent shareholders of the Company on 18 September 2009 in accordance with the GEM Listing Rules.

(ii) Rental expenses were charged by Sun Ngai for leasing office premises. The lease runs for a period of two years and the monthly rent was determined at the market rate.

(iii) Interest expenses were charged by China (HK) Chemical for short term loan obtained as disclosed in note 33. The interest was charged at 3% per annum.

(iv) Interest expenses were charged by NUEL for loan obtained as disclosed in note 34(b). The interest was charged at 2% per annum.

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.

(b) Non-trade balances

Details of the Group's non-trade balances in connection with the related parties are set out in notes 28, 33 and 34 on the consolidated statement of financial position.

43. RELATED PARTY TRANSACTIONS (continued)

(c) Guarantees

(i) As at 31 December 2011, the Group's bank borrowings of HK$57,304,000 were secured by corporate guarantee provided by NUHL as disclosed in note 28(d).

(ii) As at 31 December 2011, the Group's bank borrowings of HK$94,604,000 were secured by personal guarantee provided by Mr. XI Yu, the chairman of the Company as disclosed in notes 28(c), (d) and (e).

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group and the Company, 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:

	Group	
	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**8,128**	6,266
Retirement scheme contributions	**69**	61
Discretionary bonuses	**4,672**	3,662
	12,869	9,989

44. CAPITAL RISK 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 maximize 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.

The gearing ratios as at 31 December 2011 and 2010 were as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Current liabilities		
Interest-bearing bank borrowings	**82,997**	10,575
Trade payables	**14,610**	13,103
Accrued liabilities and other payables	**42,203**	16,721
Deposits received from customers	**10,415**	8,606
Amount due to a related company	**2,794**	–
Amounts due to ultimate holding company	**5,000**	–
	158,019	49,005
Non-current liabilities		
Interest-bearing bank borrowings	**45,528**	–
Amounts due to ultimate holding company	**97,184**	–
	142,712	–
Total debts	**300,731**	49,005
Less: Cash and cash equivalents	**128,542**	76,907
Net debts/(net cash)	**172,189**	(27,902)
Total equity	**442,844**	371,594
Gearing ratio	**38.9%**	N/A

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 amortized cost. The carrying amount of each category of the Group's financial assets and liabilities recognized at 31 December 2011 and 2010 were as follows.

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

	Group	
	2011	2010
	HK$'000	HK$'000
(i) Financial assets		
Loans and receivables at amortized cost		
Trade and bills receivables	**40,008**	19,428
Other receivables	**3,118**	1,394
Consideration receivable on disposal of discontinued operation	**31,208**	50,878
Cash and cash equivalents	**128,542**	76,907
Available-for-sale financial assets		
Available-for-sale equity investments	**57,926**	68,670
	260,802	217,277

(ii) Financial liabilities

	Group	
	2011	2010
	HK$'000	HK$'000
At amortized cost		
Interest-bearing bank borrowings	**128,525**	10,575
Trade payables	**14,610**	13,103
Accrued liabilities and other payables	**42,203**	16,721
Deposits received from customers	**10,415**	8,606
Amount due to a related company	**2,794**	–
Amounts due to ultimate holding company	**102,184**	–
	300,731	49,005

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

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 2011, approximately 0.2% (2010: 1.5%) and 11.5% (2010: 13.2%) 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:

As at 31 December 2011

	Group		Company	
	US$'000	EUR'000	US$'000	EUR'000
Monetary financial assets				
Trade and bills receivables	375	18	–	–
Other receivables	10	–	10	–
Cash and cash equivalents	329	2	1	–
	714	20	11	–
Monetary financial liabilities				
Interest-bearing bank borrowings	7,375	–	–	–
Trade payables	622	–	–	–
Accrued liabilities and other payables	–	–	–	–
Deposits received from customers	253	9	–	–
Amounts due to a related company	300	–	300	–
Amounts due to ultimate holding company	3,357	–	3,357	–
	11,907	9	3,657	–
Current net exposure	(11,193)	11	(3,646)	–

45. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

As at 31 December 2010

	Group		Company	
	US$'000	EUR'000	US$'000	EUR'000
Monetary financial assets				
Trade and bills receivables	252	9	–	–
Other receivables	4	–	4	–
Cash and cash equivalents	991	61	382	–
	1,247	70	386	–
Monetary financial liabilities				
Trade payables	518	–	–	–
Accrued liabilities and other payables	7	–	–	–
Deposits received from customers	401	135	–	–
	926	135	–	–
Current net exposure	321	(65)	386	–

Sensitivity analysis of currency risk

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 2011 and 2010. Therefore, no hedging or similar measures have been implemented by the Group. At 31 December 2011 and 2010, 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 28 for details of these borrowings) and bank balances (note 27 for details of these deposits) and fair value interest rate risk in relation to fixed-rate borrowings from related parties (notes 33 and 34). It is the Group's policy to keep its borrowing at floating rate of interests so as to minimize 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 27.

The interest rate profiles of the bank borrowings and loans from related parties are disclosed in notes 28, 33 and 34 respectively.

45. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis of interest rate risk

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", whereas 1 bp is equivalent 0.01%) 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**	
	2011 HK'000	2010 HK'000	**2011 HK'000**	2010 HK'000
(Decrease)/increase in profit after tax	**(1,285)**	(106)	**1,285**	106
(Decrease)/increase in total equity	**(1,285)**	(106)	**1,285**	106

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate borrowings. The analysis has been presented on the same basis for 2010.

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 23(a) 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.

45. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis of other price risk

The sensitivity analysis below has 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% (2010: 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	
	2011 HK'000	2010 HK'000	**2011 HK'000**	2010 HK'000
Increase/(decrease) in profit after tax	**–**	–	**–**	–
Increase/(decrease) in total equity	**2,516**	3,074	**(2,516)**	(3,074)

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

Credit risk

As at 31 December 2011, the Group's exposure to credit risk which will cause financial loss to the Group if 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 summarized below by key geographical locations:

	Group					
	By geographical locations					
	Mainland China		Other countries (including Hong Kong)		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Classes of financial assets						
Trade and bills receivables	**36,913**	17,555	**3,095**	1,873	**40,008**	19,428
Other receivables	**2,840**	1,059	**278**	335	**3,118**	1,394
Consideration receivable on disposal of discontinued operation	**31,208**	50,878	**–**	–	**31,208**	50,878
Cash and cash equivalents	**122,657**	52,113	**5,885**	24,794	**128,542**	76,907
	193,618	121,605	**9,258**	27,002	**202,876**	148,607

45. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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.

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 Jingkou, Zhenjiang and the State-owned Gongqingtuan Farm in Jiangsu Province ("China Parties"), under the Zhenjiang Dock Disposal Agreements as referred to notes 26 and 37(a), issued a guarantee letter to the Group to ensure payment of the consideration balance as of 31 December 2011 of RMB28,800,000 (approximately HK$35,525,000) before offsetting the deposit of RMB3,500,000 (approximately HK$4,317,000) by the purchaser. In addition, On 23 June 2011, NUEL, the ultimate holding company of the Group entered into a deed of indemnity in favour of the Company, pursuant to which NUEL irrevocably agreed to indemnify the Group for any loss that the Group may suffer from not being paid in full of the consideration under the Zhenjiang Dock Disposal Agreements. In January 2012, the Group has commenced legal proceedings against the purchasers together with the Guarantors of the Zhenjiang Dock Disposal Agreements for the recovery of the balance of consideration and claims for compensation. The directors of the Company based on the legal opinion provided by the PRC lawyers, Beijing Sinobridge Lawyers (北京市中博律師事務所) to the board of the Company dated 30 January 2012, believes that the remaining balance of the consideration receivable is fully recoverable under the PRC Laws.

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% (2010: 100%) of the consideration receivable on disposal of discontinued operation, 92.2% (2010: 89.4%) of the total receivables (being the total classified under "Trade and bills receivables" and "Other receivables") as at 31 December 2011.

The Group has concentration of credit risk by customers as for 42.2% (2010: 33.6%) 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 2011.

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/or 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 Group's policy is to regularly monitor its liquidity requirements and its compliance covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms. As at 31 December 2011, a bank in the PRC has agreed to grant conditional credit facilities of RMB110 million to the Group.

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.

For term loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, note 28 shows the cash outflow based on the contractual repayment schedule and, separately, the impact of the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The following table details the remaining contractual maturities at the end of the reporting period 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 2011						
	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 rates	128,525	128,525	–	6,799	66,823	54,903	–
Trade payables	14,610	14,610	2,152	12,458	–	–	–
Accrued liabilities and other payables	42,203	42,203	42,203	–	–	–	–
Deposits received from customers	10,415	10,415	10,415	–	–	–	–
Amount due to a related company	2,794	2,794	–	–	2,794	–	–
Amounts due to ultimate holding company	102,184	102,184	–	–	5,000	97,184	–
	300,731	300,731	54,770	19,257	74,617	152,087	–

45. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

	Group As at 31 December 2010						
	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 rates	10,575	10,575	–	–	10,575	–	–
Trade payables	13,103	13,103	360	12,743	–	–	–
Accrued liabilities and other payables	16,721	16,721	16,721	–	–	–	–
Deposits received from customers	8,606	8,606	8,606	–	–	–	–
	49,005	49,005	25,687	12,743	10,575	–	–

Fair value

Financial instruments carried at amortized cost

The carrying amount of financial assets and financial liabilities at amortized 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 amortized cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognized in the statements of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identified assets and liabilities.

- Level 2 fair value measurements are those derived from inputs other then quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

45. FINANCIAL RISK MANAGEMENT (continued)

Fair value (continued)

Fair value measurements recognized in the statements of financial position (continued)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	Group							
	2011				2010			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale equity investments	**–**	**–**	**55,900**	**55,900**	–	–	68,300	68,300

There was dividend income in an aggregate of HK$2,601,000 (2010: HK$2,269,000) and fair value decrease of HK$11,160,000 (2010: increase of HK$12,960,000), net of deferred tax, reported in consolidated income statement and consolidated statement of comprehensive income respectively, which related to the Level 3 financial instruments for the year ended 31 December 2011.

46. ENVIRONMENTAL CONTINGENCIES

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.

The Group's subsidiaries in the PRC have not been incurred any significant expenditures for environmental remediation and is currently not involved in any environmental remediation. In addition, the Company and the Group's subsidiaries in the PRC have not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group.

47. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 19 March 2012.