ANNUAL REPORT **2012**

NEW UNIVERSE INTERNATIONAL GROUP LIMITED

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

Corporate Information

PLACE OF INCORPORATION
Cayman Islands

BOARD OF DIRECTORS
Executive Directors
Mr. XI Yu *(Chairman)* [1]
Mr. SONG Yuqing *(Vice-chairman & CEO)* [1]
Mr. HON Wa Fai [1]
Ms. CHEUNG Siu Ling [1]

Non-Executive Director
Mr. SUEN Ki

Independent Non-Executive Directors
Dr. CHAN Yan Cheong [2, 5, 6, 7]
Mr. YUEN Kim Hung, Michael [3, 5, 6, 7]
Mr. HO Yau Hong, Alfred [4, 5, 6, 7]

1 Member of Executive Committee
2 Chairman of Audit Committee
3 Chairman of Nomination Committee
4 Chairman of Remuneration Committee
5 Member of Audit Committee
6 Member of Nomination Committee
7 Member of Remuneration Committee

AUTHORISED 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
Loong & Yeung

As to PRC Laws
Beijing Sinobridge PRC Lawyers

INDEPENDENT AUDITOR
CCIF CPA Limited

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

LISTING INFORMATION
Shares
The issued shares of the Company are listed and traded on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

Stock Code
8068

Board Lot
20,000 shares

WEBSITE
www.nuigl.com

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

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This 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.

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CHAIRMAN'S STATEMENT

I am pleased to present the audited consolidated results of New Universe International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

Overview of Final Results

For the year ended 31 December 2012, the total revenue of Group's continuing operations was HK$162,067,000 (2011: HK$111,254,000) with the reclassification of the revenue from all manufacturing operations amounted to HK$32,523,000 (2011: HK$92,841,000) as discontinued operations. The total revenue of Group's continuing operations that comprised the environmental treatment of industrial and medical wastes and the environmental sewage treatment services and provision of facilities in an eco-plating specialised zone continued to sustain growth in 2012 and the respective post-tax profit margin was slightly decreased.

In the year 2012, the overall profit attributable to owners of the Company was HK$36,097,000, a rise of 18.2% from 2011. Equity attributable to owners of the Company as at 31 December 2012 amounted to HK$488,623,000 (2011: HK$421,298,000). Net asset value per share attributable to owners of the Company was HK$0.19 as at 31 December 2012 (2011: HK$0.20).

Proposed Final Dividend

The board of Directors of the Company ("Board") recommended the payment of a final dividend of HK cents 0.37 per share at a payout ratio of 27.2% of the profit attributable to the shareholders of the Company for the year ended 31 December 2012, which is subject to the approval of the shareholders at the forthcoming annual general meeting. Upon shareholders' approval, the final dividend is expected to be payable on or about 31 July 2013 to shareholders whose names appear on the register of members on 15 May 2013.

Our Commitments

Over the year and since the promulgation of the Twelfth Five-year Plan Period (2011-2015), investments driven by robust growth of the environmental protection industry in Mainland China have remained fruitful. The Group's strategy to re-position itself in line with the national policies to strengthening environmental protection in Jiangsu Province is considered to be effective. When the Jiangsu Province Twelfth Five-year Environmental Protection and Ecological Construction Plan was promulgated by the Jiangsu Provincial Government in 2012, the Group saw it as a performance driver which was well-supported by the local authorities that have made great strides in implementing national policies.

The Group will continue to integrate its resources and to consolidate and enlarge our targeted market share by suitable expansion of waste treatment production capacity and continuing upgrade of our Group's technology expertise on waste treatment and recycling utilisation.

Commencing the third quarter of 2012, the Group decided to cease all manufacturing related operations that comprised the manufacture of injection molds and plastic products and trading plastic materials, so that the Group will prioritise its resources to further specialisation in environmental operations.

Barring any unforeseeable circumstances arising from the global economy with gradually lowering risks, we have a cautiously optimistic view that we shall keep our modest growth in the coming year for a reasonable return to our shareholders.

Our Acknowledgment

I would like to report on few board changes during the year. Mr. CHAN Chun Hing resigned as chief executive officer and executive director and Mr. LEE Kwan Hung resigned as independent non-executive director with effect from 12 June 2012 and 18 July 2012 respectively. On behalf of the Board, I would like to express again our special appreciation to Mr. CHAN for his leadership during his tenure of office, and Mr. LEE for his views to the Board. On behalf of the Board, I am delighted to thank Mr. SONG Yuqing for taking up the roles of executive director and chief executive officer of the Company with effect from 12 June 2012.

Finally, I would like to express my sincere gratitude to our shareholders, business partners, customers and suppliers for their long-term support to the development of the Group. My appreciation also extends to our management team and our colleagues in both the Mainland and Hong Kong for their diligent efforts and invaluable contributions during the year 2012.

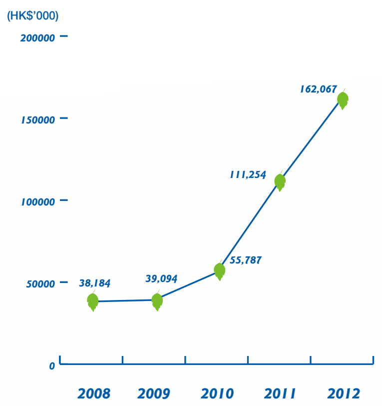
XI Yu
Chairman

Hong Kong, 19 March 2013

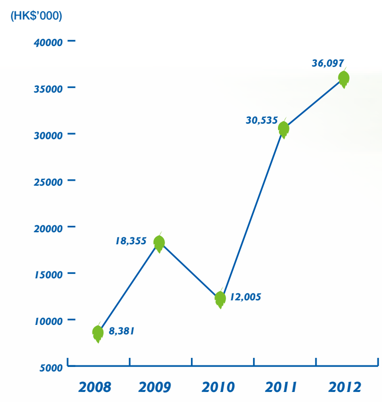
FINANCIAL HIGHLIGHTS

- **Total revenue up 45.7% to HK$162,067,000.**
- **Profit attributable to owners of the Company up 18.2% to HK$36,097,000.**
- **Equity attributable to owners of the Company was HK$488,623,000 at 31 December 2012.**
- **Cash and cash equivalents of the Group amounted to HK$83,305,000 at 31 December 2012.**
- **Total earnings per share attributable to owners of the Company up 10.3% to HK1.61 cents.**
- **The Board resolved to declare a final dividend of HK cents 0.37 per share for the year ended 31 December 2012.**

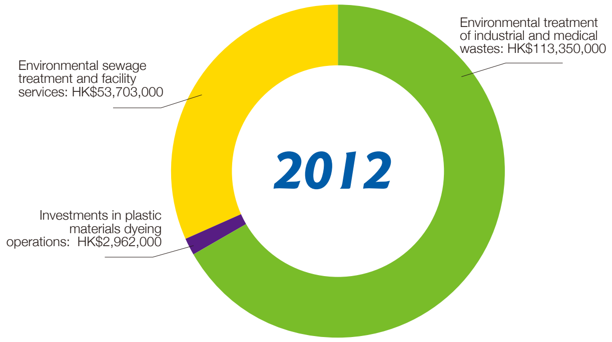
5-Year Group Revenue



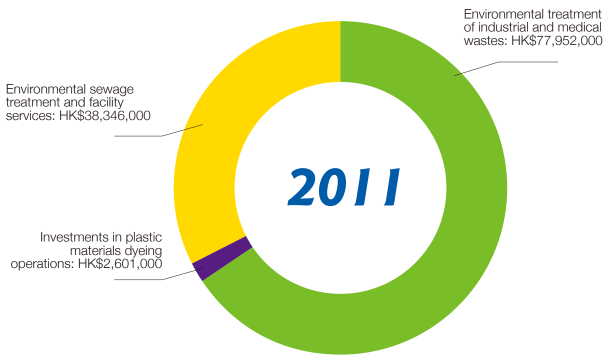
5-Year Profit attributable to shareholders



2012 Segment revenue



2011 Segment revenue



BUSINESS REVIEW

Industrial and Medical Wastes Integrated Treatment Services

In 2012, the Group had collected for treatment in aggregate of approximately 23,014 metric tons of hazardous industrial waste, 7,086 metric tons of general industrial waste, and 3,070 metric tons of regulated medical waste by the subsidiaries of the Group in Zhenjiang, Yancheng and Taizhou compared to 19,678 metric tons, 5,074 metric tons, and 3,758 metric tons respectively in 2011.

The tank truck cleansing service centre of the Group in Zhenjiang had serviced 1,199 truck-times in 2012, a rise of 40.9% compared to 2011. The nitrile rubber recycling centre established in Zhenjiang had handled approximately 750 metric tons of synthetic scrap plastics in 2012 that was similar to 2011.

The subsidiary in the Xiangshui County of Yancheng for industrial waste treatment operations is still under construction at the site selected and is expected to put into trial production by the end of the second quarter of 2013.

The associated entity in Zhenjiang operating an industrial dangerous waste landfill has been put into trial operation since December 2012.

The newly established associated entity in the Dafeng City of Yancheng for industrial and medical wastes integrated treatment operations has been put into trial operation since early 2013.

For the year ended 31 December 2012, by business segment, the segment profit margin of the Group's waste integrated treatment services was 36.3% (2011: 41.7%).

Eco-plating Specialised Zone

As at 31 December 2012, in the Eco-plating Specialised Zone, a 5-storey integrated office building with a total gross area of approximately 4,400 square metres, a centralised plating sewage treatment plant with a total gross area of approximately 3,100 square metres, and nineteen industrial buildings with a total gross floor area of approximately 84,000 square metres were built. The average utilisation rate of the industrial buildings was approximately 70% in 2012. The centralised plating sewage treatment system in Eco-plating Specialised Zone had a maximum capacity to handle 1,500,000 metric tons of plating sewage treatment per annum and handled approximately 371,600 metric tons of plating sewage discharged from the occupants for the year ended 31 December 2012 (2011: 271,500 metric tons). In the zone, there is a plating sludge treatment and resource re-utilisation plant has been under construction and expected to be completed in early 2013 with a complete-innocuity capacity to handle 2,500 metric tons of plating sludge treatment per annum and 2,500 metric tons of electroplating liquid per annum.

For the year ended 31 December 2012, the profit margin of the Group's operations for the Eco-plating Specialised Zone was 11.2% (2011: 31.9%).

Manufacturing Operations

On 3 July 2012, Suzhou New Universe, a 97% indirectly owned subsidiary of the Company, entered into an agreement to sell its land, buildings and ancillary structures at an aggregate consideration of RMB52,000,000 (approximately HK$64,132,000) ("Suzhou Disposal Agreement"). After entering into the Suzhou Disposal Agreement, Suzhou New Universe commenced scaling down and finally closed down all its operations in 2012. The completion of the Suzhou Disposal Agreement took place on 4 January 2013 upon the delivery of vacant possession of the land, buildings and ancillary structures to the purchaser. The operations of Suzhou New Universe comprised (i) the manufacture and sale of molds, (ii) the manufacture and sale of plastic products; and (iii) trading of plastic materials, which were classified as discontinued operations upon entering into the Suzhou Disposal Agreement.

For the year ended 31 December 2012, the average margin of the discontinued operations that comprised plastic injection mold sale, plastic product sale and plastics trading recorded a loss (2011: average profit margin at 0.1%).

The Group keeps holding the equity interests in three manufacturing entities principally engaged in plastic materials dyeing as strategic equity investments. For the year ended 31 December 2012, the profit margins of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei that engaged in plastic materials dyeing business in China were 3.9%, 1.7% and 2.0% respectively (2011: 3.2%, 1.5% and 2.1% respectively).

Fund Raising Exercise

On 13 December 2012, the Company completed an open offer to raise approximately HK$44,262,000 (before share issuance expenses of approximately HK$1,254,000) by the issuance of 442,616,169 offer shares. HK$41,817,000 of the subscription monies payable by NUEL for the open offer was directly off set loans due by the Company to NUEL pursuant to a deed of capitalisation, and the balance of the proceeds from the open offer amounted to HK$2,445,000 received in cash from other shareholders was used as working capital of the Company and for the payment of the related share issuance expenses. The debt gearing ratio of the Company was reduced after the completion of the Open Offer.

Follow-up Actions on disposal of Zhenjiang Dock Project

In 2011, the Group appointed PRC lawyers to pursue for the full settlement of balance consideration in relation to the disposal of the Zhenjiang Dock Project. In January 2012, legal actions were instituted against the purchaser and the guarantors for recovery of the balance of consideration together with claims for compensation in relation to the disposal of the Zhenjiang Dock Project. On 30 March 2012, first hearing with the presence of all relevant parties was held at the Intermediate People's Court of Zhenjiang City, Jiangsu Province in the PRC.

On 7 September 2012, the Group obtained the judgement handed down by the Intermediate People's Court of Zhenjiang City, Jiangsu Province, which confirmed the civil mediation agreement ((2012) 鎮商外初字第2號) entered into between the Plaintiffs (comprising the Group's wholly owned subsidiaries, New Universe International Ports Limited and New Universe International Warehouse & Logistics Limited) and the Defendants (comprising the purchaser and the guarantors to the agreements entered into for disposal of the Zhenjiang Dock Project) had legal effect equivalent to PRC court judgement (the "Settlement Agreement"). Under the enforcement of the Settlement Agreement, the balance of consideration outstanding by the Defendants was fully settled, and compensation on interests and default charge on deferred and overdue consideration as confirmed by the PRC court should be settled by the Defendants by 12 monthly instalments commencing on October 2012, of which 5 instalments were settled up to the date of this report. Net compensation income (after deduction of litigation costs and related transaction costs) amounted approximately to HK$9,420,000 was accounted for by the Group upon the time when the PRC court confirmed the Settlement Agreement.

FINANCIAL REVIEW

Summary of annual results

(Expressed in HK$'000 unless indicated otherwise)

	Note	**Year ended 31 December 2012**	2011 (restated)	**Change** %
Revenue	1	**162,067**	111,254	+45.7
Average gross profit margin (in percentage)	2	**47.9**	51.9	–7.7
Other revenue	3	**8,647**	7,952	+8.7
Other net income	4	**1,147**	4,998	–77.1
Distribution and selling expenses	5	**5,527**	3,694	+49.6
Administrative expenses	6	**27,163**	24,699	+10.0
Other operating expenses	7	**8,018**	6,103	+31.4
Finance costs	8	**4,813**	2,816	+70.9
Share of net profits of associates	9	**604**	1,100	–45.1
Income tax	10	**8,900**	5,116	+74.0
Net profit for the year	11	**42,667**	35,219	+21.1
Profit attributable to owners of the Company for the year	11	**36,097**	30,535	+18.2
Basic and diluted EPS (HK cents)		**1.61**	1.46	+10.3

Summary of quarterly results

Continuing operations	*Note*	**Q1 2012 HK$'000**	**Q2 2012 HK$'000**	**Q3 2012 HK$'000**	**Q4 2012 HK$'000**	**Total 2012 HK$'000**
Revenue						
Environmental waste treatment services		**18,072**	**23,582**	**31,133**	**37,700**	**110,487**
Environmental industrial sewage treatment and facility services		**11,176**	**12,456**	**14,405**	**13,543**	**51,580**
	1	**29,248**	**36,038**	**45,538**	**51,243**	**162,067**
Other revenue	3	**1,179**	**4,842**	**1,358**	**1,268**	**8,647**
Other net income	4	**82**	**450**	**473**	**142**	**1,147**
Distribution and selling expenses	5	**1,737**	**1,785**	**1,632**	**373**	**5,527**
Administrative expenses	6	**5,106**	**6,458**	**5,961**	**9,638**	**27,163**
Other operating expenses	7	**2,450**	**2,375**	**1,747**	**1,446**	**8,018**
Finance costs	8	**1,238**	**1,253**	**1,039**	**1,283**	**4,813**
Share of profit/(loss) of associates	9	**289**	**110**	**257**	**(52)**	**604**
Income tax	10	**1,585**	**1,117**	**4,654**	**1,544**	**8,900**
Net profit for the year from continuing operations	11	**2,381**	**10,791**	**8,342**	**12,035**	**33,549**
Profit attributable to owners of the Company for the period from continuing operations	11	**1,502**	**9,025**	**6,985**	**9,458**	**26,970**

Continuing operations	*Note*	Q1 2011 HK$'000 (restated)	Q2 2011 HK$'000 (restated)	Q3 2011 HK$'000 (restated)	Q4 2011 HK$'000 (restated)	Total 2011 HK$'000 (restated)
Revenue						
Environmental waste treatment services		13,414	19,232	18,081	23,439	74,166
Environmental industrial sewage treatment and facility services		3,369	8,360	9,811	15,548	37,088
	1	16,783	27,592	27,892	38,987	111,254
Other revenue	3	2,073	3,225	1,490	1,164	7,952
Other net income	4	646	864	1,294	2,194	4,998
Distribution and selling expenses	5	995	1,379	1,618	(298)	3,694
Administrative expenses	6	4,802	5,639	6,258	8,000	24,699
Other operating expenses	7	1,123	1,791	1,901	1,288	6,103
Finance costs	8	446	542	704	1,124	2,816
Share of profit of associates	9	67	424	479	130	1,100
Income tax	10	692	836	441	3,147	5,116
Net profit for the period from continuing operations	11	9,960	8,335	6,730	10,100	35,125
Profit attributable to owners of the Company for the period from continuing operations	11	8,817	7,014	5,534	9,079	30,444

Notes to summaries of annual and quarterly results for the year ended 31 December 2012 together with corresponding figures for 2011 being restated are as follows:

1. Net increase in total revenue for the year ended 31 December 2012 was mainly attributable to:

   (i) increase in average processing unit price and increase in quantities of general industrial solid and semi-liquid waste collected for innocuity treatment and disposal; and

   (ii) increase in average charging unit price in the eco-plating industrial zone.

2. Decrease in average gross profit margin of the Group for the year ended 31 December 2012 was mainly attributable to a general increase in direct costs of environmental related operations in Mainland China.

3. Net increase in other revenue for the year ended 31 December 2012 was mainly attributable to an increase in bank interest income and dividend income from available-for-sale equity investments.

4. Net decrease in other net income for the year ended 31 December 2012 was mainly attributable to no net gain on foreign exchange and no significant over-accrued expenses were recorded in current year.

5. Net increase in distribution and selling expenses for the year ended 31 December 2012 was mainly attributable to an increase in marketing expenses to enhance client networks for the environmental related operations of the Group in Mainland China.

6. Net increase in administrative expenses for the year ended 31 December 2012 was mainly attributable to an increase in administration staff costs.

7. Net increase in other operating expenses for the year ended 31 December 2012 was mainly attributable to:

    (i) an increase in legal and professional expenses; and

    (ii) net loss on foreign exchange was recorded in the current year.

8. Net increase in finance costs for the year ended 31 December 2012 was mainly attributable to an increase in bank borrowings of the Group to finance investments and capital expenditure on environmental waste treatment and re-utilisation operations in Jiangsu Province in current year.

9. Net decrease in profits shared from associates for the year ended 31 December 2012 was mainly attributable to:

    (i) a decrease in profit shared from Qingdao Huamei which for the current year;

    (ii) an increase in loss shared from Zhenjiang New District Solid Waste Disposal Co. Limited (鎮江新區固廢處置有限公司); and

    (iii) a loss shared from newly established operations of Yancheng NUHF (鹽城新宇輝豐環保科技有限公司).

10. Net increase in income tax for the year ended 31 December 2012 was mainly attributable to most PRC subsidiaries that engaged in the environmental related operations which were subject to standard PRC Enterprise Income Tax rate of 25% in the current year (2011: 12.5%) after the lapse of the first-two-year-exemption and following-three-year-half-exemption preferential tax benefits, except for Zhenjiang New Universe Solid Waste Disposal Company Limited which will be taxed at 25% commencing 2013.

11. Net increase in net profit of the Group and the profit attributable to the Company's owners for the year ended 31 December 2012 was mainly attributable to:

    (i) net compensation through PRC court mediation claimed against the purchaser of the Zhenjiang Dock Project of approximately HK$9,420,000 was recorded in 2012 as profits from discontinued operations;

    (ii) a gain on deemed disposal of associates amounted to HK$5,817,000 upon the completion of acquisition of additional 60% equity interest in NSIL on 17 February 2011 was recognised in 2011; and

    (iii) profit after tax for continuing operations in current year was less than that for last year by 4.5% owing to increase in effective income tax rate for continuing operations in Mainland China in current year.

Capital expenditure

For the year ended 31 December 2012, the Group incurred capital expenditure to increase property, plant and equipment (i) for the environmental waste treatment services amounted to HK$14,526,000 (2011: HK$37,109,000), (ii) for the environmental sewage treatment and facility rental services in an eco-plating specialised zone amounted to HK$31,399,000 (2011: HK$76,409,000), and (iii) for manufacturing operations comprised manufacturing of molds and plastics and trading plastic materials before being classified as discontinued operations amounted to HK$168,000 (2011: HK$1,505,000).

Commitments

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

	31 December 2012 HK$'000	31 December 2011 HK$'000
Contracted but not provided for:		
– Acquisition of property, plant and equipment	**68,920**	78,243
Authorised but not contracted for:		
– Investment in available-for-sale equity investments	**3,664**	6,724
– Investment in associates	**3,700**	7,401

Significant investments held and their performance

According to the valuation report dated 18 March 2013 issued by an independent professional valuer, Cushman & Wakefield Valuation Advisory Services (HK) Limited ("Cushman & Wakefield"), 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 2012 was HK$37,200,000 and HK$15,800,000 respectively (31 December 2011: HK$37,100,000 and HK$18,800,000 respectively as revalued by BMI Appraisals Limited).

The Group holds 28.67% equity interest in Qingdao Huamei as an associate. According to the valuation report dated 18 March 2013 prepared by Cushman & Wakefield, the fair value attributable to the Group's interest in Qingdao Huamei as at 31 December 2012 was HK$16,200,000 (31 December 2011: HK$17,900,000 as revalued by BMI Appraisals Limited), and no impairment to the carrying amount of the associate was considered necessary for the current year.

For the year ended 31 December 2012, there was no significant change to the carrying amounts of the available-for-sale equity investments that were being stated at cost.

Impairment testing on goodwill

According to the valuation report dated 18 March 2013 issued by an independent professional valuer, Cushman & Wakefield, after their review on the cash flows projection of the environmental entities of the Group comprising Zhenjiang New Universe, Yancheng New Universe, and Taizhou New Universe, no impairment to the carrying amount of the goodwill was considered necessary for the year ended 31 December 2012.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 6 March 2012, the Group entered into a joint venture agreement ("JV Agreement") to form a Sino-foreign joint venture ("JV") to carrying out industrial and medical waste treatment operations. With revision to the mutual agreement of the JV on 12 June 2012, the JV named Yancheng NUHF Environmental Technology Limited ("Yancheng NUHF") was established on 28 June 2012 with 49% owned by New Universe Recyclables Limited ("NURL", a 100% indirectly owned subsidiary of the Group). The registered capital of the Yancheng NUHF is HK$66,000,000, which was fully paid up during the year ended 31 December 2012. Yancheng NUHF is accounted for as an associated company of the Group. Details of the JV Agreement are set out in the announcement dated 6 March 2012 of the Company.

On 3 July 2012, Suzhou New Universe entered into an agreement to sell its land, buildings and ancillary structures at an aggregate consideration of RMB52,000,000 (approximately HK$64,132,000) (therein referred to as the "Suzhou Disposal Agreement"). After entering into the Suzhou Disposal Agreement, Suzhou New Universe commenced scaling down and finally closed down all its operations, and the completion of the Suzhou Disposal Agreement took place on 4 January 2013 upon the delivery of vacant possession of the land, buildings and ancillary structures to the purchaser. The operations of Suzhou New Universe that comprised of (i) the manufacture and sale of molds, (ii) the manufacture and sale of plastic products; and (iii) trading of plastic materials, were classified as discontinued operations of the Group upon entering into the Disposal Agreement. Details of the Suzhou Disposal Agreement are set out in the announcement dated 11 July 2012 and circular dated 24 August 2012 of the Company.

Save as disclosed therein, there were no other significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the year ended 31 December 2012.

Capital structure

On 28 September 2012, the Company announced and proposed an open offer of 442,616,169 new shares at a subscription price of HK$0.10 per offer share ("Offer Share") on the basis of one (1) right share for every five (5) shares held on the record date at 20 November 2012 ("Open Offer"). On 28 September 2012, NUEL and Mr. XI Yu irrevocably undertook under an undertaking letter to take up in full of its entitlement of 290,731,476 Offer Shares relating to the shares then beneficially owned by NUEL ("Irrevocable Undertaking") and also entered into an underwriting agreement with the Company to underwrite the balance of 151,884,693 Offer Shares (the "Underwriting Agreement"). The Company completed the Open Offer by issuing 442,616,169 Offer Shares on 13 December 2012. NUEL subscribed in an aggregate of 418,166,274 Offer Shares, of which 290,731,476 Offer Shares were subscribed pursuant to the Irrevocable Undertaking and 127,434,798 Offer Shares were subscribed pursuant to the Underwriting Agreement. Gross proceeds from the Open Offer amounted approximately to HK$44,262,000 (before share issuance expenses of approximately HK$1,254,000), of which HK$41,817,000 was directly capitalised against loans due by the Company to NUEL by execution of a deed of capitalisation, and the balance of HK$2,445,000 was received in cash from other shareholders of the Company.

Details of movements in the share capital of the Company during the year ended 31 December 2012 are as follows:

	Number of shares	Share capital
	'000	HK$'000
Ordinary shares of HK$0.01each		
Authorised		
At 1 January 2012 and at 31 December 2012	100,000,000	1,000,000
Issued and fully paid		
At 1 January 2012	2,213,081	22,131
Open Offer	442,616	4,426
At 31 December 2012	2,655,697	26,557

Save as disclosed therein, there was no significant change to the capital structure of the Group as at 31 December 2012 compared to that as at 31 December 2011.

Use of proceed from Open Offer

In 2012, the Company raised funds through an Open Offer, which became unconditional on 10 December 2012 and was completed on 13 December 2012. The dealings of the Offer Shares commenced on 14 December 2012. As at 31 December 2012, the net proceeds from the Open Offer approximately amounted to HK$43 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
28 September 2012	21 November 2012	Open Offer	HK$43 million	(i) Maximum of approximately HK$44.26 million for capitalisation of loans due by the Company to NUEL to reduce debt gearing ratio of the Group; and (ii) the Company to settle the related shares issuance costs of approximately HK$1.45 million in cash from its current assets.	(i) Approximately HK$41.81 million had been utilised for the capitalisation of loans due by the Company to NUEL to reduce debt gearing ratio of the Group; and (ii) approximately HK$1.19 million had been utilised as general working capital of the Company.

Liquidity, financial resources and gearing

During the year ended 31 December 2012, the Group financed its operations with internally generated cash flows, banking facilities, loans from the related companies, NUEL and China (HK) Chemical & Plastics Co. Limited, and the Open Offer. The Group remained stable in its financial position with equity attributable to owners of the Company amounted to HK$488,623,000 as at 31 December 2012 (31 December 2011: HK$421,298,000) and total assets amounted to HK$778,176,000 as at 31 December 2012 (31 December 2011: HK$774,030,000).

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

		31 December 2012 HK$'000	31 December 2011 HK$'000
(i)	Cash and bank balances		
	– Continuing operations	**83,305**	128,542
	– Discontinued operations	**27,907**	–
(ii)	Available unused secured banking facilities		
	– Continuing operations	**45,114**	–

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

	31 December 2012 HK$'000	31 December 2011 HK$'000
Current liabilities (excluding government grant, but including liabilities of the disposal groups classified as held for sale)	**171,449**	159,796
Non-current liabilities (excluding government grant and deferred taxes)	**66,990**	142,712
Total debts	**238,439**	302,508
Less: cash and bank balances (including cash of discontinued operations)	**111,212**	128,542
Net debts	**127,227**	173,966
Total equity	**511,106**	442,844
Gearing ratio	**24.9%**	39.3%

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

Charges on assets

The Group pledged certain property, plant and equipment and the land use rights with carrying amounts of HK$53,147,000 (2011: HK$64,775,000) and HK$10,836,000 (2011: HK$13,513,000) respectively to secure bank loans of approximately HK$15,416,000 as at 31 December 2012 (2011: HK$33,921,000) granted to the Group.

The Group also pledged certain property, plant and equipment and the land use rights with carrying amounts of HK$42,575,000 (2011: Nil) and HK$21,522,000 (2011: Nil) respectively to secure undrawn bank loan facilities of approximately HK$45,114,000 as at 31 December 2012 (2011: Nil) available to the Group.

All equity interests in Fair Time and Zhenjiang Sinotech Eco-electroplating Development Limited were pledged under a fixed and floating charges to secure bank loans of HK$30,035,000 (2011: HK$57,304,000) as at 31 December 2012.

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 2012, no related hedging had been arranged by the Group.

Contingent liabilities

There were no significant contingent liabilities of the Group as at 31 December 2012 (2011: Nil).

Employee information

As at 31 December 2012, the Group had 239 (2011: 456) full-time employees, of which 16 (2011: 17) were based in Hong Kong, and 223 (2011: 439) in Mainland China. For the year ended 31 December 2012, staff costs, including Directors' remuneration and amount capitalised as inventories was HK$33,510,000 (2011: HK$25,509,000) for the Group's continuing operations and HK$5,947,000 (2011: HK$13,278,000) for the Group's discontinued operations. 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 continued development and trainings.

5-YEAR FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
Revenue	**162,067**	111,254	55,787	39,094	38,184
Cost of sales	**(84,495)**	(53,568)	(19,116)	(15,013)	(16,151)
Gross profit	**77,572**	57,686	36,671	24,081	22,033
Other revenue	**8,647**	7,952	5,257	3,362	4,361
Other net income	**1,147**	4,998	1,771	15	–
Gain on deemed disposal of associates	**–**	5,817	–	–	–
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	**(5,527)**	(3,694)	(3,434)	(3,797)	(3,715)
Administrative expenses	**(27,163)**	(24,699)	(18,061)	(11,051)	(8,322)
Other expenses	**(8,018)**	(6,103)	(2,939)	(2,631)	(3,048)
Finance costs	**(4,813)**	(2,816)	(975)	(2,296)	(863)
Share of profit of associates, net	**604**	1,100	726	1,303	922
Profit before taxation	**42,449**	40,241	17,700	8,298	11,654
Income tax	**(8,900)**	(5,116)	(2,858)	(1,210)	–
Profit for the year from continuing operations	**33,549**	35,125	14,842	7,088	11,654
Profit/(loss) for the year from discontinued operations	**9,118**	94	551	13,366	(1,204)
Profit for the year	**42,667**	35,219	15,393	20,454	10,450
Other comprehensive income for the year	**(2,901)**	3,319	18,814	(4,762)	12,142
Total comprehensive income for the year	**39,766**	38,538	34,207	15,692	22,592
Profit for the year attributable to:					
Owners of the Company	**36,097**	30,535	12,005	18,355	8,381
Non-controlling interests	**6,570**	4,684	3,388	2,099	2,069
	42,667	35,219	15,393	20,454	10,450
Total comprehensive income attributable to:					
Owners of the Company	**33,178**	32,838	30,385	13,520	19,763
Non-controlling interests	**6,588**	5,700	3,822	2,172	2,829
	39,766	38,538	34,207	15,692	22,592

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**342,740**	343,487	79,520	60,348	63,083
Prepaid lease payments	**97,159**	101,925	21,453	21,819	22,295
Goodwill	**33,000**	33,000	33,000	33,000	33,688
Interests in associates	**46,711**	11,012	60,911	37,411	36,962
Available-for-sale equity investments	**55,026**	57,926	68,670	53,900	48,900
	574,636	547,350	263,554	206,478	204,928
Current assets					
Inventories	**1,187**	20,425	14,689	12,343	10,052
Trade and bills receivables	**41,234**	40,008	19,428	17,071	13,811
Prepayments, deposits and other receivables	**22,102**	3,779	3,025	952	3,603
Consideration receivable on disposal of discontinued operation	**–**	31,208	50,878	87,389	–
Prepaid lease payments	**2,658**	2,718	512	508	508
Cash and cash equivalents	**83,305**	128,542	76,907	42,823	23,128
	150,486	226,680	165,439	161,086	51,102
Assets of disposal groups classified as held for sale	**53,054**	–	–	–	90,103
	203,540	226,680	165,439	161,086	141,205
Total assets	**778,176**	774,030	428,993	367,564	346,133

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current liabilities					
Interest-bearing bank borrowings	**92,872**	82,997	10,575	5,121	10,170
Trade payables	**1,087**	14,610	13,103	10,614	4,437
Accrued liabilities and other payables	**48,401**	42,203	16,721	13,746	12,209
Deposits received from customers	**1,449**	10,415	8,606	6,135	8,177
Government grant	**269**	269	–	–	–
Obligation under finance leases	**–**	–	–	–	4
Income tax payable	**2,999**	1,777	1,915	2,184	–
Amounts due to related companies	**–**	2,794	–	19	19
Amounts due to ultimate holding company	**5,000**	5,000	–	–	–
	152,077	160,065	50,920	37,819	35,016
Liabilities associated with assets of disposal groups classified as held for sale	**19,641**	–	–	–	1
	171,718	160,065	50,920	37,819	35,017
Non-current liabilities					
Interest-bearing bank borrowings	**12,354**	45,528	–	–	–
Promissory notes	**–**	–	–	22,185	19,956
Government grant	**3,124**	3,146	–	–	–
Deferred tax liabilities	**25,238**	25,263	6,479	5,147	5,065
Loan from a related company	**–**	–	–	3,042	–
Amounts due to ultimate holding company	**54,636**	97,184	–	–	2,416
	95,352	171,121	6,479	30,374	27,437
Total liabilities	**267,070**	331,186	57,399	68,193	62,454
Net assets	**511,106**	442,844	371,594	299,371	283,679
Share capital	**26,557**	22,131	20,119	18,259	18,259
Reserves	**462,066**	399,167	334,200	270,694	257,174
Equity attributable to owners of the Company	**488,623**	421,298	354,319	288,953	275,433
Non-controlling interests	**22,483**	21,546	17,275	10,418	8,246
Total equity	**511,106**	442,844	371,594	299,371	283,679

DIRECTORS

XI Yu ("Mr. XI", aged 55)

Chairman, Executive Director, Compliance Officer and Authorised Representative

Mr. XI was appointed as executive director on 7 June 2002, and nominated as the chairman of the Board, compliance officer and authorised 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, long-term development of the Group, and leads the Group to positioning itself in the environmental industry. He 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. Mr. XI is the director of New Universe Enterprises Limited ("NUEL") and a shareholder who holds 83.66% equity interests in NUEL; and NUEL is the controlling shareholder of the Company. Mr. XI is also currently the director of China (HK) Chemical & Plastics Company Limited ("China (HK) Chemical") and its holding company, New Universe Holdings Limited ("NUHL").

SONG Yuqing ("Mr. SONG", aged 64)

Vice-chairman, Chief Executive Officer and Executive Director

Mr. SONG was appointed as vice-chairman of the Board and non-executive director on 15 June 2010, and was re-designated as an executive Director and the chief executive officer of the Company with effect from 12 June 2012. He is responsible for advising the Board 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 corporate and strategic planning functions.

HON Wa Fai ("Mr. HON", aged 52)

Executive Director, Financial Controller, Company Secretary, and Authorised Representative

Mr. HON was appointed to the Group as financial controller on 6 September 2004. He was nominated as the qualified accountant, company secretary and authorised 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 financial management, financial reporting, corporate secretarial functions and compliance system of the Group. Mr. HON has extensive experience in accounting, auditing, taxation and finance. He holds a Master of Business Administration 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 ("Ms. CHEUNG", aged 51)

Executive Director

Ms. CHEUNG was appointed as executive director of the Company on 1 April 2005. Ms. CHEUNG is the director of various subsidiaries of the Group. She is responsible for human resources management and daily administration at the head office of the Group in Hong Kong. Ms. CHEUNG has extensive experience in business administration in the commercial fields of both manufacturing and trading. She holds a Master of Business Administration 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 and its holding company, NUHL.

SUEN Ki ("Mr. SUEN", aged 59)
Non-executive Director
Mr. SUEN was appointed as non-executive director of the Company on 28 September 2006. Mr. SUEN is a director and shareholder of the Company's controlling shareholder, NUEL. Mr. SUEN is responsible for advising the Board on strategies and policies of the Group. He is currently the managing director of China (HK) Chemical. 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 ("Dr. CHAN", aged 59)
Independent non-executive Director
Dr. CHAN was appointed as 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. 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 a Bachelor of Science degree in Electrical Engineering, a Master of Science degree in Materials Science, and a Doctor of Philosophy degree in Electrical Engineering, from Imperial College of Science and Technology, University of London. He also holds a Master of Business Administration 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 research interests include RoHS & WEEE research, green electronics manufacturing, failure analysis, and reliability engineering.

YUEN Kim Hung, Michael ("Mr. YUEN", aged 51)
Independent non-executive Director
Mr. YUEN was appointed as 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 practicing certified public accountant of the Hong Kong Institute of Certified Public Accountants, a certified general accountant of the Canadian Certified General Accountants Association of Hong Kong, and a fellow member of the Chartered Association of 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 ("Mr. HO", aged 55)
Independent non-executive Director
Mr. HO was appointed as 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 a 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.

CHANGE IN DIRECTORS' INFORMATION

Changes in details of the Directors' information since the date of last annual report of the Company for the year ended 31 December 2011 are set out as follows:

Mr. XI, Ms. CHEUNG and Mr. SUEN

On 11 May 2012, NUEL increased its interest in the issued share capital of the Company from 64.55% to 65.68%. On 13 December 2012, NUEL increased its interest in the issued share capital of the Company from 65.68% to 70.48%.

CHAN Chun Hing ("Mr. CHAN")

On 11 May 2012 (after trading hours of the Stock Exchange), Mr. CHAN tendered his resignation as the executive director and chief executive officer of the Company with effect from 12 June 2012. Details of Mr. CHAN's resignation are set out in the announcement of the Company dated 11 May 2012.

Mr. SONG

On 12 June 2012, Mr. SONG was re-designated as the executive director and Chief Executive Officer of the Company with effect from 12 June 2012. Mr. SONG is also retained in his position as the Vice-chairman of the Board. Details of Mr. SONG's re-designation are set out in the announcement of the Company dated 12 June 2012.

LEE Kwan Hung ("Mr. LEE")

On 18 July 2012 (after trading hours of the Stock Exchange), Mr. LEE tendered his resignation as the independent non-executive director of the Company with immediate effect. Details of Mr. LEE's resignation are set out in the announcement of the Company dated 19 July 2012.

Notes:

(a) Mr. SONG, Mr. SUEN, Dr. CHAN, Mr. YUEN and Mr. HO shall retire as Directors at the forthcoming annual general meeting in accordance with the Articles of Association of the Company, and being eligible, they offer themselves for re-election thereat.

(b) Details of Directors' and past directors' emoluments provided pursuant to Rule 18.28 of the GEM Listing Rules are set out set out in note 14 to the financial statements on pages 101 to 102 of this annual report.

(c) Save as disclosed therein, there is no other information to be disclosed pursuant to the requirements of the Rule 17.50(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

WONG Lai Wa (aged 42)

Deputy General Manager of New Universe International Group Limited
Supervisor of Zhenjiang Sinotech Eco-electroplating Development Limited
Supervisor of Zhenjiang Sinotech Environmental Technology Limited
Supervisor of Zhenjiang New Universe Solid Waste Disposal Company Limited
Supervisor of Zhenjiang New Universe Rubber Limited

Ms. WONG was appointed as deputy general manager of the Company in June 2007. Ms. WONG is the supervisor of the major subsidiaries of the Group in China who is responsible for monitoring their financial budgetary and internal control systems. She has served as a project manager since May 2010 to monitor the development and management of the existing investment projects on solid waste disposal operations and the eco-plating industrial park of the Group in China. Ms. WONG holds a Diploma in Business Management from the Chinese University of Hong Kong. The total remuneration of Ms. WONG was within the band of not more than HK$500,000 for the year ended 31 December 2012.

WONG Mui Kwai, Portia (aged 48)

Corporate planning audit manager of New Universe International Group Limited

Ms. WONG was appointed as corporate planning audit manager of the Company in July 2012. Ms. WONG had been a deputy general manager of the Group for the period from June 2002 to June 2005. Ms. WONG is responsible for monitoring the financial budgetary and internal control systems of all subsidiaries of the Group in China. She has also served as a project manager to monitor the development and management of various new investment projects of the Group on waste disposal and resource re-utilisation operations in China. Ms. WONG holds a Bachelor's degree of Arts in Accountancy and a Postgraduate Diploma in Corporate Administration from the Hong Kong Polytechnic University. She is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants. She is also an associate both of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. The total remuneration of Ms. WONG was within the band of not more than HK$500,000 for the year ended 31 December 2012.

WANG Wenhui (aged 43)

Director & General Manager of Zhenjiang Sinotech Eco-electroplating Development Limited
General Manager of Zhenjiang Sinotech Environmental Technology Limited

Mr. WANG was appointed in July 2007 as director & general manager of the Group's subsidiary, Zhenjiang Sinotech Eco-electroplating Development Limited. He is responsible for formulating business strategies, implementing corporate and operational decisions. 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 and senior economist in Mainland China. The total remuneration of Mr. WANG was within the band of not more than HK$500,000 for the year ended 31 December 2012.

LIU Yuan (aged 42)

Director & General Manager of Zhenjiang New Universe Solid Waste Disposal Company Limited
Director of Zhenjiang New Universe Rubber Limited

Ms. LIU was appointed in January 2009 as director & general manager of the Group's subsidiary, Zhenjiang New Universe Solid Waste Disposal Company Limited, and director of Zhenjiang New Universe Rubber Company Limited. She is responsible for formulating business strategies, implementing corporate and operational decisions. Ms. LIU graduated from Nanjing College of Economics (having been renamed as Nanjing University of Finance and Economics) with a professional certificate in accounting and statistics, and she holds the title of intermediate accountant in Mainland China. The total remuneration of Ms. LIU was within the band of more than HK$2,000,000 and less than HK$2,500,000 for the year ended 31 December 2012.

LIU Laigen (aged 58)

Director and General Manager of Yancheng New Universe Solid Waste Disposal Company Limited
Director and General Manager of Taizhou New Universe Solid Waste Disposal Company Limited
Director of Xiangshui New Universe Environmental Technology Limited

Mr. LIU was appointed in 2003 as general manager of the Group's subsidiaries, Yancheng New Universe Solid Waste Disposal Company Limited and Taizhou New Universe Solid Waste Disposal Company Limited. He is responsible for formulating business strategies, implementing corporate and operational decisions. Mr. LIU was also appointed as director of the Group's subsidiary, Xiangshui New Universe Environmental Technology Limited in 2012. The total remuneration of Mr. LIU was within the band of more than HK$1,500,000 and less than HK$2,000,000 for the year ended 31 December 2012.

ZHANG Shunyu (aged 64)

General Manager of Xiangshui New Universe Environmental Technology Limited

Mr. ZHANG was appointed in August 2011 as general manager of the Group's subsidiary, Xiangshui New Universe Environmental Technology Limited that is engaged in setting up a new plant to carry out industrial waste treatment and resource re-utilisation operations in Xiangshui, a county at Yancheng of the Jiangsu Province, China. He is responsible for the daily operations, management and development of the newly established subsidiary. The total remuneration of Mr. ZHANG was within the band of more than HK$1,000,000 and less than HK$1,500,000 for the year ended 31 December 2012.

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Directors") (collectively as the "Board") of the New Universe International Group Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") and its senior management are committed to ensuring good standard of corporate governance practices and procedures in the interests of the Company's shareholders ("Shareholders"). The Company believes the maintenance of high standard of business ethics and corporate governance practices provides a framework for effective management and a corporate culture, which drives the Group to grow successfully and enhance the shareholders' value.

The Board has applied the principles set out in the Corporate Governance Code (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 (the "Stock Exchange") ("GEM Listing Rules"). The Stock Exchange issued amendments to the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules effective on 1 April 2012 (the "New CG Code").

On 19 March 2012, to fully comply with all the New CG Code provisions, a meeting of all Directors of the Company as chaired by Mr. XI Yu was held to discuss on roles and functions of the Board for corporate governance functions and has adopted relevant amendments and new adoptions of the Company as follows:

(a) Terms of Reference of Audit Committee;
(b) Terms of Reference of Remuneration Committee;
(c) Terms of Reference of Nomination Committee;
(d) Terms of Reference of Corporate Governance Functions;
(e) Responsibilities of the Chairman and the Chief Executive;
(f) List of Directors and Their Roles and Functions;
(g) Shareholders Communication Policy;
(h) Code of Conduct for Securities Transactions by Relevant Employees;
(i) Policy for Employees for Raising Possible Improprieties; and
(j) Procedures for Shareholders to Propose a Person for Election as a Director.

To align with the latest requirements of the GEM Listing Rules, the Company adopted a new Memorandum and Articles of Association ("New M&A") by a special resolution duly passed by the shareholders of the Company on 4 May 2012, and registered with the Registrar of Companies in the Cayman Islands on 10 May 2012. The major differences between the old memorandum and articles of association and the new M&A of the Company are summarised below:

(i) the share capital clause in the Memorandum be amended to reflect the current authorised share capital and par value of shares of the Company;

(ii) all resolutions at general meetings of the Company shall be decided on a poll except that the chairman of the meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the GEM Listing Rules to be voted on by a show of hands;

(iii) to remove the exemption which allows a Director to vote on a Board resolution of the Company approving any proposal concerning any other company in which such Director or his associate(s) is/are interested only as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in less than 5% of that company's issued shares or voting rights;

(iv) to require a physical board meeting in lieu of written resolutions where a Director or substantial shareholder has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material;

(v) if the Company proposes the removal of its auditor prior to the expiration of his term of office, the auditor must be allowed to attend the relevant general meeting and make verbal or written representations to the Shareholders at the general meeting;

(vi) to require not less than 21 clear days and 20 clear business days' notice to be given for an annual general meeting of the Company, not less than 21 clear days and 10 clear business days' notice to be given for any extraordinary general meeting at which a special resolution is to be passed and not less than 14 clear days and 10 clear business days' notice to be given for any other extraordinary general meeting;

(vii) to remove the requirement of a special resolution to approve reduction in the share premium account if permitted by the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;

(viii) to allow the Company to, subject to applicable law, rules and regulations, send to its shareholders summary financial statements; and

(ix) to allow the Company, to the extent permitted by applicable laws, to serve notice or documents to its shareholders by electronic means including by placing such documents on its website.

The Company had complied with all code provisions of the CG Code for the period from 1 January 2012 to 31 March 2012, and the code provisions of the New CG Code from the period from 1 April 2012 to 31 December 2012. On 19 March 2013, the Directors reviewed the corporate governance functions undertaken by the Board and confirmed they were not aware of any deviation from the CG Code and/or the New CG Code during the year ended 31 December 2012.

DIRECTORS' SECURITIES TRANSACTIONS

During the year ended 31 December 2012, the Company had 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 had complied with or they were not aware of any non-compliance with the Required Standard of Dealing during the year ended 31 December 2012.

On 19 March 2012, the Company adopted its Code of Conduct for Securities Transactions by Relevant Employees, which sets out a required standard against which relevant employees of the Company, relating to corporate finance engagement, including, but not limited to, the company secretary, financial controller, chief operation officer, deputy chief operation officer, all department heads of the head office and all staff under company secretarial department and accounting department of the Company and its subsidiaries, must measure their conduct regarding transactions in securities of the Company.

BOARD OF DIRECTORS

Board composition

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

As at 31 December 2012, the Board comprised: –

Executive Directors

Mr. XI Yu (Chairman of the Board and Compliance Officer)
Mr. SONG Yuqing (Vice-chairman of the Board and Chief Executive Officer)
Mr. HON Wa Fai (Financial Controller and Company Secretary)
Ms. CHEUNG Siu Ling

Non-executive Director

Mr. SUEN Ki

Independent non-executive Directors

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

Directors' attendance to board meetings and shareholders meetings

The following table shows the attendance record of each Board member for the board meetings and shareholders' meetings of the Company held during the year ended 31 December 2012:

	Number of meetings attended/held					
Board member	**Regular board meeting**	**Ad hoc board meeting**	**Working committee meeting**	**Independent board committee meeting**	**AGM**	**EGM**
Executive director						
Mr. XI Yu	4/4	8/8	–	–	1/1	0/1
Mr. SONG Yuqing (i)	4/4	6/8	–	–	0/1	0/1
Mr. HON Wa Fai	4/4	8/8	1/1	–	1/1	1/1
Ms. CHEUNG Siu Ling	4/4	8/8	1/1	–	1/1	1/1
Mr. CHAN Chun Hing (ii)	2/2	2/2	–	–	1/1	–
Non-executive director						
Mr. SUEN Ki	4/4	8/8	–	–	0/1	1/1
Independent non-executive director						
Dr. CHAN Yan Cheong	4/4	6/8	–	1/1	0/1	1/1
Mr. YUEN Kim Hung, Michael	4/4	7/8	–	1/1	0/1	1/1
Mr. HO Yau Hong, Alfred	4/4	8/8	–	1/1	0/1	1/1
Mr. LEE Kwan Hung (iii)	2/2	2/3	–	–	1/1	–

Notes:

(i) Mr. SONG Yuqing was re-designated from a non-executive director to an executive director and the chief executive officer of the Company with effect from 12 June 2012.

(ii) Mr. CHAN Chun Hing resigned as director and chief executive officer of the Company with effect from 12 June 2012.

(iii) Mr. LEE Kwan Hung resigned as independent non-executive director of the Company with effect from 18 July 2012.

Board meetings and procedures

The Board conducts regularly scheduled meetings on a quarterly basis. Regular Board meetings of the Company shall involve active participation and presence in person of all Directors. Ad-hoc meetings are convened when a board-level decision on a particular matter is required which include obtaining Board consent through circulating written resolutions. Board 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 has delegated the responsibility of preparing the agenda for each Board meeting to the company secretary of the Company ("Company Secretary"). Each Director may request to include any matter in the agenda for regular board meetings. Notice of at least 14 days is given for all regular board meetings of the Company. For all other Board meetings, reasonable notice should be given.

The Company Secretary shall be the secretary of all board meetings who is responsible for keep minutes of all board meetings and meetings of board committees. Minutes of all board meetings and meetings of board committees have recorded in sufficient detail considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of the board minutes have been sent to all Directors for their comments and records respectively, within a reasonable time after the board meeting is being held.

Any Director may request the Board in writing to seek independent professional advice in appropriate circumstances at the expense of the Company. The Board shall resolve to provide separate independent professional advice to the Directors to assist them to discharge their 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 which the Board has determined to be material, the matter shall be dealt with by a physical board meeting rather than by written resolutions (except for a Board committee 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 shall 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 Board committees adopted the same principles and procedures used in the Board meetings.

Relationship between the Board members

Each of Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki is a director and shareholder of the Company's controlling shareholder, New Universe Enterprises Limited ("NUEL"). NUEL is considered to be the ultimate holding of the Company, which beneficially interested in 70.48% of the issued share capital of Company as at 31 December 2012.

Each of Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki is a director of China (HK) Chemical and Plastics Company Limited ("China (HK) Chemical"), which provides temporary short-term loans to the Company for working capital purposes during the year on normal commercial terms.

Each of Mr. XI Yu and Ms. CHEUNG Siu Ling is a director of New Universe Holdings Limited ("NUHL"). NUHL is the holding company that interested in 97% of the issued share capital of China (HK) Chemical.

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/or between the chairman and the chief executive officer of the Company. All of the Board members are free to exercise their independent judgment.

Directors' insurance

The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

Continuing professional development of Directors

On appointment to the Board, each Director shall be briefed by the lawyers as to Hong Kong Laws engaged by the Company, and will receive comprehensive induction materials covering the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the GEM Listing Rules and other relevant regulatory requirements.

The Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

During the year ended 31 December 2012, the Company organised professional seminars in an aggregate of 11 hours for the Directors and senior executives on the GEM Listing Rules, and the amendments to or updates on the relevant laws, rules and regulations conducted by a law firm in Hong Kong, Messrs. Loong & Yeung.

According to the records maintained by the Company, each of the Directors received training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the New CG Code on continuous professional development for the year ended 31 December 2012 as follows:

	Corporate governance/ Updates on laws, rules and regulations		Accounting/financial/management or other professional knowledge	
Board member	**Reading materials**	**Attend seminar or briefing**	**Reading materials**	**Attend seminar or briefing**
Executive director				
Mr. XI Yu	✓	✓	–	–
Mr. SONG Yuqing	✓	✓	–	–
Mr. HON Wa Fai	✓	✓	✓	✓
Ms. CHEUNG Siu Ling	✓	✓	–	–
Non-executive director				
Mr. SUEN Ki	✓	✓	–	–
Independent non-executive director				
Dr. CHAN Yan Cheong	✓	✓	–	–
Mr. YUEN Kim Hung, Michael	✓	✓	✓	✓
Mr. HO Yau Hong, Alfred	✓	✓	✓	✓

Notes:

(1) Mr. CHAN Chun Hing resigned as director with effect from 12 June 2012. The Company did not have records of Mr. CHAN receiving relevant professional training for the period from 1 January 2012 to 12 June 2012.

(2) Mr. LEE Kwan Hung resigned as director with effect from 18 July 2012. According to records provided by Mr. LEE, he had received relevant professional training of approximately 15 hours for the period from 1 January to 18 July 2012.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. XI Yu is chairman of the Board ("Chairman") and he is the chairman and legal representative of all major subsidiaries of Group.

During the year, Mr. CHAN Chun Hing was the chief executive officer of the Company ("ex-CEO") for the period up to 12 June 2012, and Mr. SONG Yuqing was re-designated as executive director and taken up the role of being the chief executive officer ("CEO") of the Company with effect from 12 June 2012 right upon the resignation of Mr. CHAN Chun Hing.

The Chairman and the ex-CEO or CEO of the Company had taken up separate roles with division of responsibilities clearly established between the two positions during the year.

The Chairman provides leadership for the Board of the Company. The Chairman ensures all Directors are properly briefed on issues arising at the Board meetings. The Chairman is responsible for ensuring all Directors receive, in a timely manner, adequate information which is accurate, clear, compete and reliable. The Chairman ensures that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting. He takes into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The Chairman delegates this responsibility to the Company Secretary (who is also an executive Director).

The Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established. He encourages all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. The Chairman encourages any Director with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus.

During the year the Chairman held a meeting once on 19 March 2012 with the independent non-executive Directors and non-executive Directors without the executive Directors present to discuss on various corporate governance functions of the Company.

The Chairman ensures that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular and ensuring constructive relations between executive and non-executive Directors.

The ex-CEO or CEO 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.

NON-EXECUTIVE DIRECTORS

The GEM Listing Rules require every listed issuer to have at least three independent non-executive directors, and at least one of whom must have the appropriate professional qualifications, or accounting or related financial management expertise. As at 31 December 2012, two of the independent non-executive Directors of the Company had the appropriate professional qualifications or accounting or related financial management expertise.

Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

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.

Dr. CHAN Yan Cheong has been an independent non-executive Director of the Company since 2000, and Mr. YUEN Kim Hung, Michael has been an independent non-executive Director of the Company since 2002. Each of Dr. CHAN Yan Cheong and Mr. YUEN Kim Hung, Michael having served as the Company's independent non-executive Directors for more than 9 years, further appointment for each of them will be subject to a separate resolution to be approved by the Shareholders at the forthcoming annual general meeting in compliance with Code Provision A.4.3 of the CG Code and New CG Code. Each of Dr. CHAN Yan Cheong and Mr. YUEN Kim Hung, Michael has undertaken in writing to the Board that he shall continue to be independent to the Company pursuant to Rule 5.09 of the GEM Listing Rules. The Board believes each of Dr. CHAN Yan Cheong and Mr. YUEN Kim Hung, Michael is still independent.

Each of the non-executive Director, Mr. SUEN Ki, and the independent non-executive Directors, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has signed letter of appointment with the Company for a term of two years. The renewed letter of appointment signed by each of Mr. SUEN Ki, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred would commence from 1 February 2013 for a further tenure of two years. The renewed letter of appointment signed by Dr. CHAN Yan Cheong shall commence from 1 April 2013 for a further tenure of two years.

The letters of appointment signed by each of the non-executive director of the Company are subject to the termination by either party giving not less than three month's prior written notice and also subject to retirement by rotation and re-election in accordance with the Company's New M&A.

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 organisational 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 and/or the CEO 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	– Leading the Board – Ensuring good corporate governance practices – Development of vision and strategies of the Group – Development of long term mission of the Group – Strategic planning – Investors relations
SONG Yuqing	CEO, Vice-chairman and executive director	– Advising on corporate goals and targets of the Group
HON Wa Fai	Executive director, financial controller, and Company Secretary	– Overseeing financial control, accounting, treasury, corporate finance and compliance system – Formulation of merger and acquisition exercise
CHEUNG Siu Ling	Executive director	– Administration of head office – Human resources management of head office – Overseeing daily operations

Non-executive Director

Name	Position	Current Function/Experience
SUEN Ki	Non-executive Director	– Advising on strategies of the Group

Independent non-executive Directors

Name	Independence	Experience/Skill
CHAN Yan Cheong	✓	– Corporate strategies – Relationship with academic and industrial expertise
YUEN Kim Hung, Michael	✓	– Advising on auditing, taxation, compliance and financial matters – Possess with professional accounting qualification and financial experience
HO Yau Hong, Alfred	✓	– Advising on auditing, taxation, compliance and financial matters – Possess with professional accounting qualification and financial experience

SUPPLY OF AND ACCESS TO INFORMATION

For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers will be sent, in full, to all Directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting, and for other ad hoc or urgency meetings at other agreed period.

The senior management of the Group has an obligation to supply the Board its committees of the Company with appropriate and adequate 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, board papers and related materials from either the Chairman or the Company Secretary of the Company. Where any Director requires more information than is volunteered by senior management, he/she makes further enquiries where necessary and shall separate and independent access to the senior management of the Company.

BOARD COMMITTEES

The Company established four Board committees. The table below provides membership information of these committees on which each Board member serves:

	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee
XI Yu				C
SONG Yuqing				M
HON Wa Fai				M
CHEUNG Siu Ling				M
SUEN Ki				
CHAN Yan Cheong	C	M	M	
YUEN Kim Hung, Michael	M	M	C	
HO Yau Hong, Alfred	M	C	M	

Notes:

C: Chairman of the relevant Board committee
M: Member of the relevant Board committee

AUDIT COMMITTEE

The Company's Audit Committee was initially established on 30 May 2000 with written terms of reference adopted. On 19 March 2012, the terms of reference of the Company's Audit Committee were reviewed and amended to cope with the New CG Code provisions.

Composition of Audit Committee

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

Roles and functions of Audit Committee

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to develop and implement policy on engaging an external auditor to supply non-audit services;

(d) to act as the key representative body for overseeing the Company's relations with the external auditor;

(e) to monitor integrity of the Company's financial statements and annual report and accounts, quarterly reports, and half-year reports, and to review significant financial reporting judgments contained in them;

(f) regarding (e) above:–

(i) members of the Audit Committee should liaise with the Board and senior management and the person appointed as the Company's qualified accountant and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors;

(g) to review the Company's financial controls, internal control and risk management systems;

(h) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system;

(i) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative, and to consider any management's response to these findings accordingly;

(j) to discuss problems and reservations arising from the interim review and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);

(k) to review the external auditor's management letter (if any), any material queries raised by the auditor to management about accounting records, financial accounts or systems of controls, and to consider any management's response accordingly;

(l) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;

(m) where an internal audit function exists or external professionals engaged to review any internal audit system of the Company, to review the relevant internal audit programme, to ensure co-ordination between the internal reviews and external audits, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter (if any);

(o) to report to the Board on the matters set out in provision of terms of reference of the Audit Committee;

(p) to review the group's financial and accounting policies and practices;

(q) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, to which the Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

(r) to consider other topics, as defined by the Board.

Meetings of Audit Committee

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

Committee member	Number of meetings attended/held
Dr. CHAN Yan Cheong *(chairman of committee)*	4/4
Mr. YUEN Kim Hung, Michael	4/4
Mr. HO Yau Hong, Alfred	4/4

The Audit Committee had four meetings during the year ended 31 December 2012 mainly for the purposes as follows:

(i) reviewed the annual report for the year ended 31 December 2011;

(ii) reviewed the interim results for 6 months ended 30 June 2012 as reviewed by independent accountants, CCIF CPA Limited;

(iii) reviewed the quarterly reports for 3 months and 9 months respectively ended 31 March and 30 September 2012;

(iv) reviewed quarterly on the valuation reports and/or indications prepared by the independent professional valuers engaged by the Board in relation to the value of the available-for-sale equity investments and goodwill on of environmental entities of the Group; and

(v) reviewed the financial information contained in the circular dated 29 August 2012 in relation to a major disposal transaction, the circular dated 26 October 2012 in relation to a connection transaction as contemplated under a deed of capitalisation, and the prospectus dated 21 November 2012 in relation to the open offer of the Company.

Remuneration Committee

The Company's Remuneration Committee was initially established on 1 May 2005 with written terms of reference adopted. On 19 March 2012, the terms of reference of the Company's Remuneration Committee were reviewed and amended to cope with the New CG Code provisions.

Composition of Remuneration Committee

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

Roles and functions of Remuneration Committee

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

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to either (i) determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments that including any compensation payable for loss or termination of their office or appointment; or (ii) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no director or any of his associates is involved in deciding his own remuneration;

(i) to advise shareholders on how to vote with respect to any service contracts of Directors that requires shareholders' approval;

(j) to make 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;

(k) to consider and resolve upon all grants of options under the Company's share option schemes; and

(l) to oversee the preparation of any report or summary of work of the Remuneration Committee to be included in the annual report of the Company.

Meetings of Remuneration Committee

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

Committee member	Number of meetings attended/held
Mr. HO Yau Hong, Alfred *(chairman of committee)*	3/3
Dr. CHAN Yan Cheong	3/3
Mr. YUEN Kim Hung, Michael	3/3

The Remuneration Committee had three meetings during the year ended 31 December 2012 mainly for the purposes as follows:

(i) reviewed the remuneration of non-executive Directors, executive Directors and senior management for the year ended 31 December 2012;

(ii) assessed performance of executive Directors; and

(iii) discussion on the budget and necessary fee adjustment for each of the independent non-executive Directors to carry out duties and independent site visiting to the operations of the Group's subsidiaries in China.

Nomination Committee

The Company's Nomination Committee was initially established on 1 May 2005 with written terms of reference adopted. On 19 March 2012, the terms of reference of the Company's Nomination Committee were reviewed and amended to cope with the New CG Code provisions.

Composition of Nomination Committee

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

Roles and functions of Nomination Committee

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive Directors;

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

(e) to further assess the independence of an independent non-executive director who has served the Company for over nine (9) years when considering his further appointment by adopting a separate resolution being approved by shareholders, in particular, the Board must explain to the shareholders the reasons why it still believes such independent non-executive director is still independent and should be re-elected in the papers attaching to the resolution.

Meetings of Nomination Committee

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

Committee member	Number of meetings attended/held
Mr. YUEN Kim Hung, Michael *(chairman of committee)*	2/2
Dr. CHAN Yan Cheong	2/2
Mr. HO Yau Hong, Alfred	2/2

The Nomination Committee had two meetings during the year ended 31 December 2012 mainly for the purposes as follows:

(i) reviewed the composition of the Board;

(ii) assessed the independence of independent non-executive Directors proposed for re-election at the annual general meeting;

(iii) reviewed with the Board on the resignation of the ex-CEO and discussed on individual qualified and re-designated to take up the position of CEO; and

(iv) discussed and reviewed the reasons with the Board for the resignation of an independent non-executive director during the year.

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 delegates 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 *(committee chairman)*
Mr. SONG Yuqing
Mr. HON Wa Fai
Ms. CHEUNG Siu Ling
Mr. CHAN Chun Hing (resigned on 12 June 2012)

Authority of Executive Committee

(a) The Executive Committee is vested with the following powers and authorities:

(i) to manage generally the operations of the Group in its ordinary course of business;

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

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

(iv) to consider and approve any transaction (the "Authorised 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

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

(b) The Executive Committee is authorised 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 authorised to access to professional advice at the Company's expense if it considers necessary.

(c) The Executive Committee shall be provided with sufficient resources to discharge its duties.

(d) The Executive Committee shall be entitled to sub-delegate any of its power or authority within the Company.

Role and function of Executive Committee

(a) to refer the transactions to the Board for decision making if any member of the Executive Committee has doubt on any compliance issue under the Applicable Rules in respect of the transactions under consideration and in any event, seek professional advice on any compliance issue;

(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.

Meetings of Executive Committee

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

Committee member	Number of meetings attended/held
Mr. XI Yu *(chairman of committee)*	16/16
Mr. SONG Yuqing (appointed on 12 June 2012)	7/8
Mr. HON Wa Fai	16/16
Ms. CHEUNG Siu Ling	16/16
Mr. CHAN Chun Hing (resigned on 12 June 2012)	4/8

The Executive Committee had 16 meetings held mainly for the consideration and approval of Authorised Transactions and for the purposes of working capital management during the year ended 31 December 2012.

AUDITOR'S REMUNERATION

During the year ended 31 December 2012 and 2011, the remuneration paid/payable to the independent auditors, CCIF CPA Limited, in respect of their audit and non-audit services was as follows:

	2012	2011
	HK$'000	HK$'000
Audit services	**870**	745
Non-audit services	**295**	65

ACCOUNTABILITY AND AUDIT

The Audit Committee has reviewed with the Board on the Company's financial statements for the year ended 31 December 2012. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment for the Company's performance, position and prospects. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CCIF CPA Limited acknowledge their reporting responsibilities in the independent auditor's report to the consolidated financial statements of the Company for the year ended 31 December 2012.

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

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 and goals, safeguard assets against unauthorised use or disposition, control over operating and capital expenditure, ensure the maintenance of proper books and records for providing reliable financial information used for internal or publication purposes, and ensure compliance with relevant legislation and regulations.

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

Senior and qualified management team of the whole Group maintains and monitors the internal control systems on an ongoing basis.

For the year ended 31 December 2012, a project controlling team comprising, amongst other assistants, the deputy general manager and the corporate planning audit manager of the Company who took up the responsibilities of monitoring the day-to-day management and internal control system of every operating unit of Group, especially with key operations in Mainland China, to identify any risks or possible failure of operating units, and to monitor, report, and make suggestions on how each operating unit to achieve the objectives and goals set. The project controlling team meets regularly with the Executive Directors and reports on matters to be updated to the Board in a timely manner.

To engage with an independent professional party to review on the Group's compliance with the New CG Code and, if necessary on a sampling basis, the internal control systems will be carried out on a continuous basis. The Audit Committee required that the internal control systems of the Group to be improved continuously in line with the growth of the Group.

COMPANY SECRETARY

Mr. HON Wa Fai is an executive Director and the Company Secretary of the Company, and is also the financial controller of the Group. He has been the Company Secretary of the Company since 6 October 2004. According to the record of the Company, Mr. HON has taken no less than 15 hours of relevant professional training on corporate governance, financial management and accountancy for the year ended 31 December 2012. Pursuant to Rule 5.15 of the GEM Listing Rules, Mr. HON shall take no less than 15 hours of relevant professional training in each financial year commencing on or after 1 January 2013.

SHAREHOLDERS' RIGHTS

Communication with Shareholders

On 19 March 2012, the Company adopted a Shareholders Communication Policy with the following key principles that:

(a) aims at promoting and facilitating effective communication with Shareholders of the Company and selects this policy with the objective to ensure that the Company provides timely, clear, reliable and material information for its Shareholders in exercising their rights as Shareholders in an informed manner;

(b) the policy shall be reviewed and updated regularly to ensure its effectiveness;

(c) the Board shall be responsible for maintaining an on-going dialogue with the Shareholders; and

(d) the Board shall communicate with the Shareholders through general meetings, including annual general meetings, and other corporate communication.

The Board encourages the participation of the Shareholders to the general meetings of the Company, and the Chairman of the Board shall attend the annual general meeting of the Company.

The Chairman invites the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend, or failing their presence, their duly appointed delegate to attend and be available to answer questions at annual general meeting. The chairman of the independent board committee (if any) is available to answer questions at the general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

The management of the Company ensures the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

For each substantially separate issue at the general meetings, a separate resolution is to be proposed by the chairman of that meeting. The Company shall avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", the Company shall explain the reasons and material implications in the notice of the general meetings. The chairman of the general meetings shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from Shareholders on voting by poll.

The Company shall arrange for the notice to the Shareholders to be sent in the case of for annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case for all other general meetings. Any notice to be given by the Company shall be in writing. The Company shall send notices to all Shareholders whether or not their registered address is in Hong Kong. The Company shall ensure that notice of the general meetings is published on the websites of the Company and the Stock Exchange.

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 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.

Procedures for Shareholders to convene a general meeting

According to the New M&A, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

Upon receipt of the requisition, the Company shall request the Share Registrar to verify and confirm on the particular of the requisitionist(s), and arrange the Board to consider the proposal and convene a general meeting by serving sufficient notice to all the registered Shareholders. If the particulars of the requisitionist(s) is verified as not in order, the requisitionist(s) will be advised accordingly, and a general meeting may not be convened as requested.

If within twenty-one (21) days of such deposit of the requisition the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days but if permitted by the rules of the Stock Exchange, a general meeting may be called by shorter notice, subject to the Companies Law of the Cayman Islands, if it is so agreed.

Procedures for proposing a person for election as a Director

On 19 March 2012, the Company adopted the Procedures for Shareholders to Propose a Person for Election as a Director.

Save for the procedures adopted, no person, other than a retiring director of the Company shall, unless recommended by the Board of the Company for election, be eligible for election to the office of Director at any general meeting according to the Company's New M&A, and relevant laws and regulations applicable to the Company. Pursuant to the procedure adopted, only Shareholder(s) of the Company duly qualified to attend and vote at the general meeting shall propose a person for election as a Director.

If a Shareholder who is duly qualified to attend and vote at the general meeting wishes to propose a person other than a Director for election as a Director, the following documents shall be lodged at the principal place of business of the Company in Hong Kong at Rooms 2110 – 2112, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong for the Board to recommend that person for election to the office of Director at any general meeting:–

(i) a notice signed by the Shareholder of the intention to propose that person for election as a Director and the notice shall set out the contact details of the proposing shareholder, including correspondence address, contact phone number;

(ii) a notice signed by that person to be proposed of his willingness to be elected as a Director; and the duly completed checklist attach to these procedures.

The minimum length of the period during which the above-mentioned notices are given shall be at least ten (10) business days and that the period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end not later than fourteen (14) business days prior to the date of such general meeting.

If the Company receives the notice as required after publication of the notice of meeting, the Company shall publish an announcement or issue a supplementary circular upon receipt of such a notice. Full particulars of the proposed director as required under Rule 17.50(2) of the GEM Listing Rules must be included in the announcement or supplementary circular. However, if the Company receives insufficient information for the purposes of publishing an announcement or issuing a supplementary circular, the Company shall contact the proposing shareholder and/or the proposed director for further information.

In the event that the Company is not able to publish an announcement or issue a supplementary circular on a day, which is at least ten (10) business days prior to the general meeting of the Company, the said nomination of shareholder will be presented at the next following general meeting.

Procedures for directing Shareholders' enquiries to the Board

Shareholders shall direct their questions about their shareholdings to the Company's Branch Share Registrar in Hong Kong. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

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

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

INVESTOR RELATIONS

The Company is committed to maintaining a 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 public relation consultant to enhance media and investor relations of the Group. 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 public relation consultant through the following means: –

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

On behalf of the Board

XI Yu
Chairman

Hong Kong, 19 March 2013

The directors ("Directors") of New Universe International Group Limited ("Company") submit their report together with the audited financial statements of the Group and the Company for the year ended 31 December 2012.

PRINCIPAL PLACE OF BUSINESS

The Company 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 the principal subsidiaries are summarised as follows:

(a) provision of environmental industrial and medical wastes treatment services;

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

(c) investment in plastic materials dyeing business.

SEGMENT INFORMATION

An analysis of the group's performance for the year by reportable and operating segment of the Group is set out in note 6 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2012 and the state of the Group and the Company's affairs as at that date are set out in the financial statements on pages 58 to 140 of this annual report.

DIVIDEND

At the Directors' meeting held on 19 March 2013, the Directors proposed a final dividend of HK$0.0037 per share of the Company for the year ended 31 December 2012 (2011: HK$0.0045 per share) amounting to approximately HK$9,826,000 subject to approval of the shareholders at the forthcoming annual general meeting:

Annual general meeting date	:	Monday, 6 May 2013
Book close date for final dividend	:	Friday, 10 May 2013 to Wednesday, 15 May 2013
Record date for final dividend	:	Wednesday, 15 May 2013
Final dividend payment date	:	Wednesday, 31 July 2013

RESERVES

Profits attributable to owners of the Company, before dividends, of HK$36,097,000 for the year ended 31 December 2012 (2011:HK$30,535,000) have been transferred to reserves. Other movements in the reserves of the Group and the Company during the year are set out in the note 37 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2012, the Company's reserves available for distribution to its shareholders amounted to HK$343,975,000 (2011: HK$294,565,000). According to the articles of association of the Company, dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law (revised) of the Cayman Islands and every modification thereof.

FIVE-YEAR 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 2012 is set out on pages 16 to 18 of this annual report.

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 2012.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under 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.

SHARE CAPITAL

On 13 December 2012, the Company completed an open offer by the allotment and issuance of 442,616,169 offer shares at a subscription price of HK$0.1 per offer share ("Offer Share") on the basis of one (1) Offer Share for every five (5) shares held on the record date at 20 November 2012 pursuant to the terms and conditions of the underwriting agreement dated 28 September 2012 entered into between the Company and New Universe Enterprises Limited ("NUEL", as the underwriter) ("Open Offer").

Details of the movements in share capital of the Company during the year are set out in note 36 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in fixed assets or property, plant and equipment of the Group during the year are set out in note 19 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2012 are set out in note 22 to the financial statements.

ASSOCIATES

Particulars of the Company's associates as at 31 December 2012 are set out in note 23 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 2012 are set out in notes 29, 34 and 35 to the financial statements.

INTEREST CAPITALISED

The Group has not capitalised any interest during the year (2011: Nil).

DIRECTORS

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

Executive Directors:

XI Yu, *Chairman*	
SONG Yuqing, *Vice-chairman and Chief Executive Officer*	(re-designated with effect on 12 June 2012)
HON Wa Fai	
CHEUNG Siu Ling	
CHAN Chun Hing	(resigned with effect on 12 June 2012)

Non-Executive Director:

SUEN Ki

Independent Non-Executive Directors:

CHAN Yan Cheong	
YUEN Kim Hung, Michael	
HO Yau Hong, Alfred	
LEE Kwan Hung	(resigned with effect on 18 July 2012)

In accordance with the Company's articles of association, Mr. SONG Yuqing, Mr. SUEN Ki, Mr. HO Yau Hong, Alfred, 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 that is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory obligations.

DIRECTORS' SERVICE CONTRACTS

Pursuant to the Code Provision A.4.1 set out in the Appendix 15 of the Rules Governing the Listing Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM Listing Rules"), non-executive Directors of the Company are appointed for a specific term, 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.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Pursuant to the Code Provision A.4.3 set out in the Appendix 15 of the GEM Listing Rules, each of Dr. CHAN Yan Cheong and Mr. YUEN Kim Hung, Michael serving as the Company's independent non-executive Directors for more than 9 years, the further appointment of them should be subject to a separate resolution to be approved by the shareholders at the forthcoming annual general meeting. The Board believes each of Dr. CHAN Yan Cheong and Mr. YUEN Kim Hung, Michael is still independent and proposes each of them to be re-elected at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 19 to 23 of this annual report.

EMOLUMENTS OF THE DIRECTORS AND CHIEF EXECUTIVES AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the chief executives and of the five highest paid individuals in the Group are set out respectively in notes 14 and 15 to the financial statements.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee based on 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.

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 authorised, at their discretion, to invite employees of the Group, including Directors of any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

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 2012 was 182,589,168 shares of the Company which represented the existing 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 2009.

As at the latest practicable date prior to the issue of this annual report, no option has been granted or outstanding under the Company's Share Option Scheme.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the approval of the scheme and ending on 9 December 2013, after which no further options will be granted.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2012, 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 required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they 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, to be entered in the register referred therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, 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 *	–	–	1,871,823,656	1,871,823,656	70.48

Note:

* Mr. XI Yu is the shareholder of 16,732 shares of US$1.00 each in NUEL, representing 83.66% of the issued share capital of NUEL, which in turn beneficially interested in 1,871,823,656 shares of the Company, representing approximately 70.48% of the issued share capital of the Company.

Associated corporation

Long positions in issued shares of NUEL

Name of director	Number of ordinary shares of US$1.00 each 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 2012, 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 to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed herein, at no time during the year was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its holding company a party to any arrangement to enable the Directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2012, so far as is known to any director or the chief executive of the Company, the interests or short positions of any person, other than a director or the chief executive of the Company, in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in issued shares of the Company

Name of shareholder	Number of ordinary shares of HK$0.01 each Beneficial owner	Family interests	Interest of controlled corporation	Number of shares held	% of total shares in issue
NUEL *	1,871,823,656	–	–	1,871,823,656	70.48

Note:

* Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki, all of whom are Directors of the Company, are directors of NUEL.

Save as disclosed above, as at 31 December 2012, the Directors of the Company were not aware of any other person who had an interest or short position in the shares and underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning for the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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**	
	2012	2011	**2012**	2011
The largest customer	**5.6%**	7.3%		
Five largest customers in aggregate	**16.6%**	19.6%		
The largest supplier			**14.7%**	19.9%
Five largest suppliers in aggregate			**34.9%**	42.7%

At no time during the year ended 31 December 2012 did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers or customers. For the year ended 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. 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 ended 31 December 2012 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.

CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2012 is set out in note 44 to the financial statements.

The following transactions between certain connected parties (as defined in the GEM Listing Rules) and the Company have been entered into for which relevant announcements, if necessary, had been made by the Company in accordance with Chapter 20 of the GEM Listing Rules:

1. Underwriting Agreement

   On 28 September 2012, the Board proposed an open offer to raise approximately HK$44,261,616 before expenses by issuing 442,616,169 offer shares at the subscription price of HK$0.10 per offer share on the basis of one (1) offer share for every five (5) shares held on the record date ("Open Offer"). The Open Offer was fully underwritten by NUEL (as the underwriter) under an underwriting agreement dated 28 September 2012 to underwrite up to 151,884,693 offer shares ("Underwriting Agreement") other than the offer shares that would be provisionally allotted to and undertaken to be taken up by NUEL pursuant to an undertaking letter. Pursuant to the Underwriting Agreement, NUEL as the underwriter was called upon to subscribe for 127,434,798 untaken shares under the open offer. The Open Offer became unconditional on 10 December 2012.

Since the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the announcement dated 28 September 2012 in relation to the Open Offer, the Open Offer is not subject to shareholders' approval under the GEM Listing Rules. Under the GEM Listing Rules, NUEL being the underwriter of the Open Offer is regarded as a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction under Chapter 20 of the GEM Listing Rules but are, pursuant to Rule 20.31(3)(c) of the GEM Listing Rules, exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Open Offer was carried out in compliance with Rule 10.42(1) of the GEM Listing Rules.

2. Deed of Capitalisation

On 28 September 2012, at the time when the Open Offer was being announced by the Company, the Company also announced the deed dated 28 September 2012 entered into between the Company and New Sinotech Investments Limited ("NSIL") with NUEL in relation to the capitalisation of an amount up to the maximum amount of HK$44,261,616.90 ("Capitalised Amount"), comprising of HK$26,080,000 of loan due by the Company to NUEL and up to HK$18,181,616.90 of loan due by NSIL to NUEL ("Deed of Capitalisation"). Pursuant to the Deed of Capitalisation, NUEL would apply the Capitalised Amount to satisfy (i) the subscription monies payable by NUEL for its assured entitlement to 290,731,476 offer shares under the Open Offer, and (ii) the subscription monies payable by NUEL for those (if any) of the underwritten 151,884,693 Offer Shares not taken up by the qualifying shareholders under the Open Offer and not applied for by the qualifying shareholders under the excess application, on the terms but subject to the conditions of the Deed of Capitalisation.

The Deed of Capitalisation constitutes a connected transaction of the Company and is subject to the requirements under the GEM Listing Rules for announcement, circular and Independent Shareholders' approval. Accordingly, NUEL was then interested in 1,453,657,382 Shares, representing approximately 65.68% of the then issued share capital of the Company as at the date of the announcement dated 28 September 2012, abstained from voting on the resolution to approve the Deed of Capitalisation and the transactions contemplated thereunder at the extraordinary general meeting of the Company held on 12 November 2012 ("EGM").

Details of the Open Offer, the Underwriting Agreement, and the Deed of Capitalisation are set out in the announcement for the proposed Open Offer dated 28 September 2012, the circular for the Deed of Capitalisation dated 26 October 2012, and the prospectus for the Open Offer dated 21 November 2012 of the Company. Results of the EGM in relation to the ordinary resolution duly passed by majority of the independent shareholders (with NUEL abstained from voting) to approve the Deed of Capitalisation are set out in the announcement dated 12 November 2012 of the Company. Results of the Open Offer are set out in the announcement dated 12 December 2012 of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at 31 December 2012, contracts or arrangements subsisted, of which certain Directors had interests that were deemed significant to the business of the Group are set out as follows:

1. Mr. XI Yu has provided personal guarantees, and New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)") and New Universe Holdings Limited ("NUHL"), both of which Mr. XI Yu and Ms. CHEUNG Siu Ling are directors of, have provided corporate guarantees in the following arrangements:

   (i) The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and DBS Bank (Hong Kong) Limited have, pursuant to a Facility Agreement dated 8 August 2008, agreed to grant the loan facilities of up to US$14,000,000 to Fair Time International Limited ("Fair Time"), which are guaranteed by Mr. XI Yu and NUHL. As at 31 December 2012, the outstanding loan is US$3,875,000 (approximately HK$30,035,000);

   (ii) The Hongkong and Shanghai Banking Corporation Limited has pursuant to its letter dated 14 June 2011 and a renewed facility letter dated 13 April 2012, granted banking facilities of up to HK$10,000,000 to NUET(JS), which are guaranteed by the Company and Mr. XI Yu, each up to a limit of HK$10,000,000. As at 31 December 2012, the outstanding loan is HK$9,375,000;

   (iii) Standard Chartered Bank (Hong Kong) Limited has pursuant to its letter dated 1 March 2012, granted banking facilities of up to HK$50,700,000 to the Company, which are guaranteed by Mr. XI Yu and NUET(JS). As at 31 December 2012, the outstanding loan is HK$23,400,000;

   (iv) The Hongkong and Shanghai Banking Corporation Limited has pursuant to its letter dated 6 July 2012, granted banking facilities of up to HK$12,000,000 to NUET(JS), which were guaranteed by Mr. XI Yu up to a limited of HK$12,000,000, and Ms. CHEUNG Siu Ling and Mr. SUEN Ki, each up to a limit of HK$2,000,000. Pursuant to a letter dated 5 November 2012, The Hongkong and Shanghai Banking Corporation Limited has agreed to extend the latest drawdown date for the banking facilities of up to HK$12,000,000 granted to NUET(JS), and has revised the security for the said banking facilities, which is currently guaranteed by Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki, each up to a limit of HK$12,000,000. As at 31 December 2012, the outstanding loan is HK$12,000,000; and

   (v) Hang Seng Bank Limited has pursuant to its letter dated 21 August 2012, granted banking facilities of up to HK$15,000,000 to NUET(JS), which are guaranteed by the Company and Mr. XI Yu, each up to a limit of HK$15,000,000. As at 31 December 2012, the outstanding loan is HK$15,000,000.

2. Each of Mr. XI Yu and Ms. CHEUNG Siu Ling is a director of the landlord to both of the following tenancy agreements entered into by the Group as tenants:

   (i) A 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 subsidiary of NUHL which board of directors comprises Mr. XI Yu and Ms. CHEUNG Siu Ling) 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 2011 to 31 July 2012. On 26 July 2012, the tenancy agreement was renewed for a further term from 1 August 2012 to 31 July 2013 at a monthly rental of HK$20,000.

   (ii) A tenancy agreement dated 8 December 2010 entered into between Smartech Services as tenant and Sun Ngai as landlord. Pursuant to which, Smartech Services rented a factory unit for use as warehouse located at Suite 12, 5th Floor, Yuen Fat Industrial Building, 25 Wang Chiu Road, Kowloon Bay, Hong Kong from Sun Ngai at a monthly rental of HK$4,000 for the term from 1 January 2011 to 31 December 2013.

3. Each of Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki beneficially holds 83.66%, 12.14% and 4.2% of the issued share capital of NUEL respectively and are directors of NUEL. NUEL is a party to the following contracts and arrangements:

   (i) The deed of loan dated 17 February 2011 entered into between NUEL, NSIL, Smartech International Group Limited, Mr. CHAN Son Neng, and Fair Time, amongst others, in respect of an interest free loan due by NSIL to NUEL in the amount of approximately HK$36,083,920.17, of which a maximum amount of HK$18,181,616.90 would be novated to the Company pursuant to a novation deed ("Novation Deed") and to be capitalised as contemplated under the Deed of Capitalisation. The Novation Deed was executed on 7 December 2012, pursuant to which loan due by NSIL to NUEL of HK$15,736,627.40 was novated as loan due by the Company to NUEL.

   (ii) The loan agreement dated 6 May 2011 entered into between the Company and NUEL in respect of an interest free loan for HK$26,080,000 to be capitalised as contemplated under the Deed of Capitalisation.

   (iii) The deed of indemnity dated 23 June 2011 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 the consideration under the disposal of the Group's discontinued operation in relation to the dock project in Zhenjiang in full.

   (iv) The Underwriting Agreement dated 28 September 2012.

   (v) The Deed of Capitalisation dated 28 September 2012.

   (vi) The Novation Deed dated 7 December 2012.

4. Each of Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki is a director of China (HK) Chemical & Plastics Co. Limited ("China (HK) Chemical"); and Mr. XI Yu and Ms. CHEUNG Siu Ling are directors NUHL, which holds 97% of the issued share capital of China (HK) Chemical. China (HK) Chemical is a party to a loan agreement dated 27 July 2012 with the Company, pursuant to which China (HK) Chemical granted an unsecured loan of HK$12,000,000 bearing interest at the rate of HIBOR plus 2.5% per annum to the Company for investment and development of environmental related business in the PRC. The loan has been fully paid on 17 December 2012.

Save as disclosed therein, no contract of significance to which the Company, its subsidiaries, its fellow subsidiaries or its holding company 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 that competes or may compete with the business of the Group.

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.

CORPORATE GOVERNANCE

A report on the principal corporate practices of the Company for the year ended 31 December 2012 and significant subsequent events, if any, up to the date of publication of this annual report is set out in the Corporate Governance Report on pages 24 to 44 of this annual report.

SUBSEQUENT EVENTS

Details of significant subsequent events occurring after the reporting period are set out in note 43 to the financial statements.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred, has reviewed with the management the audited consolidated financial statements of the Company for the year ended 31 December 2012.

INDEPENDENT AUDITOR

The financial statements for the years ended 31 December 2011 and 2012 were 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 2013

INDEPENDENT AUDITOR'S REPORT

CCIF
CCIF CPA LIMITED
9/F Leighton Centre
77 Leighton Road
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 58 to 140, which comprise the consolidated and company's statements of financial position as at 31 December 2012, 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, for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material statement, 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 2012 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 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000 (restated)
Continuing operations			
Revenue	5	**162,067**	111,254
Cost of sales		**(84,495)**	(53,568)
Gross profit		**77,572**	57,686
Other revenue	7	**8,647**	7,952
Other net income	8	**1,147**	4,998
Gain on deemed disposal of associates	9	**–**	5,817
Distribution and selling expenses		**(5,527)**	(3,694)
Administrative expenses		**(27,163)**	(24,699)
Other operating expenses		**(8,018)**	(6,103)
Finance costs	10	**(4,813)**	(2,816)
Share of profits of associates	23	**604**	1,100
Profit before taxation		**42,449**	40,241
Income tax	11	**(8,900)**	(5,116)
Profit for the year from continuing operations		**33,549**	35,125
Discontinued operations			
Profit for the year from discontinued operations	12	**9,118**	94
Profit for the year	13	**42,667**	35,219
Profit attributable to:			
Owners of the Company	18	**36,097**	30,535
Non-controlling interests		**6,570**	4,684
		42,667	35,219
Profit attributable to owners of the Company arises from:			
Continuing operations		**26,970**	30,444
Discontinued operations		**9,127**	91
		36,097	30,535
		HK cents	HK cents
Earnings per share from continuing and discontinued operations attributable to owners of the Company during the year (expressed in HK cents per share)			
Basic and diluted earnings per share	17		
Continuing operations		**1.20**	1.46
Discontinued operations		**0.41**	–
		1.61	1.46

The notes on pages 58 to 140 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000 (restated)
Profit for the year		**42,667**	35,219
Other comprehensive income:			
Exchange differences			
– on translation of financial statements of overseas subsidiaries		**(494)**	16,861
– on translation of financial statements of overseas associates		**240**	361
– reclassification of translation reserve included in gain on deemed disposal of associates		**–**	(2,743)
Fair value changes on available-for-sale equity investments, net of deferred tax credit of HK$253,000 (2011:HK$1,240,000)		**(2,647)**	(11,160)
Other comprehensive income for the year, net of tax		**(2,901)**	3,319
Total comprehensive income for the year		**39,766**	38,538
Attributable to:			
Owners of the Company		**33,178**	32,838
Non-controlling interests		**6,588**	5,700
Total comprehensive income for the year		**39,766**	38,538
Total comprehensive income attributable to owners of the Company arises from:			
Continuing operations		**24,110**	33,317
Discontinued operations		**9,068**	(479)
		33,178	32,838

The notes on pages 58 to 140 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

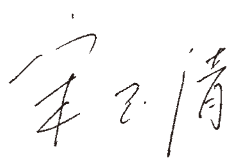
	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	19	**342,740**	343,487
Prepaid lease payments	20	**97,159**	101,925
Goodwill	21	**33,000**	33,000
Interests in associates	23	**46,711**	11,012
Available-for-sale equity investments	24	**55,026**	57,926
		574,636	547,350
Current assets			
Inventories	25	**1,187**	20,425
Trade and bills receivables	26	**41,234**	40,008
Prepayments, deposits and other receivables	27	**22,102**	34,987
Prepaid lease payments	20	**2,658**	2,718
Cash and cash equivalents	28	**83,305**	128,542
		150,486	226,680
Assets of disposal group classified as held for sale	12	**53,054**	–
		203,540	226,680
Current liabilities			
Interest-bearing bank borrowings	29	**92,872**	82,997
Trade payables	30	**1,087**	14,610
Accrued liabilities and other payables	31	**48,401**	42,203
Deposits received from customers		**1,449**	10,415
Deferred government grant	32	**269**	269
Income tax payable	33(a)	**2,999**	1,777
Amount due to a related company	34	**–**	2,794
Amount due to ultimate holding company	35	**5,000**	5,000
		152,077	160,065
Liabilities of disposal group classified as held for sale	12	**19,641**	–
		171,718	160,065
Net current assets		**31,822**	66,615
Total assets less current liabilities		**606,458**	613,965

The notes on pages 58 to 140 are an integral part of these financial statements.

	Note	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Interest-bearing bank borrowings	29	**12,354**	45,528
Deferred government grant	32	**3,124**	3,146
Deferred tax liabilities	33(b)	**25,238**	25,263
Amount due to ultimate holding company	35	**54,636**	97,184
		95,352	171,121
Net assets		**511,106**	442,844
Capital and reserves			
Share capital	36	**26,557**	22,131
Reserves	37	**462,066**	399,167
Equity attributable to owners of the Company		**488,623**	421,298
Non-controlling interests		**22,483**	21,546
Total equity		**511,106**	442,844

The notes on pages 58 to 140 are an integral part of these financial statements.

XI Yu
Chairman



SONG Yuqing
Chief Executive Officer

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Interests in subsidiaries	22	**395,487**	383,786
Current assets			
Amount due from subsidiaries	22	**36,161**	26,316
Prepayments	27	**814**	232
Cash and cash equivalents	28	**1,727**	2,901
		38,702	29,449
Current liabilities			
Interest-bearing bank borrowings	29	**23,400**	27,300
Accrued liabilities and other payables	31	**968**	345
Amount due to a related company	34	**–**	2,794
Amount due to ultimate holding company	35	**5,000**	5,000
		29,368	35,439
Net current assets/(liabilities)		**9,334**	(5,990)
Total assets less current liabilities		**404,821**	377,796
Non-current liabilities			
Amount due to ultimate holding company	35	**34,289**	61,100
Net assets		**370,532**	316,696
Capital and reserves			
Share capital	36	**26,557**	22,131
Reserves	37	**343,975**	294,565
Total equity		**370,532**	316,696

The notes on pages 58 to 140 are an integral part of these financial statements.

XI Yu	**SONG Yuqing**
Chairman	*Chief Executive Officer*

	Attributable to owners of the Company										
	Issued share capital HK$'000 *(note 36)*	**Share premium** HK$'000 *(note 37(i))*	**Translation reserve** HK$'000 *(note 37(ii))*	**Investment revaluation reserve** HK$'000 *(note 37(iii))*	**General reserve** HK$'000 *(note 37(iv))*	**Capital reserve** HK$'000 *(note 37(v))*	**Statutory reserve** HK$'000 *(note 37(vi))*	**Retained profits** HK$'000 *(note 37(vii))*	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 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	–	–	–	–	–	–	–	–	–	1,881	1,881
Deemed contribution from shareholders of the Company, net of related costs HK$1,398,000	–	–	–	–	–	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 relating to 2010	–	–	–	–	–	–	–	–	–	(2,259)	(2,259)
At 31 December 2011 and 1 January 2012	22,131	266,502	28,503	6,437	–	4,185	8,197	85,343	421,298	21,546	442,844
Profit for the year	–	–	–	–	–	–	–	36,097	36,097	6,570	42,667
Other comprehensive income											
Exchange differences											
– on translation of financial statements of overseas subsidiaries	–	–	(512)	–	–	–	–	–	(512)	18	(494)
Fair value changes on available-for-sale equity investments, net of deferred tax	–	–	–	(2,647)	–	–	–	–	(2,647)	–	(2,647)
Share of other comprehensive income of associates	–	–	240	–	–	–	–	–	240	–	240
Total comprehensive income for the year	–	–	(272)	(2,647)	–	–	–	36,097	33,178	6,588	39,766
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(75)	(75)
Open Offer, net of share issuance costs of HK$1,254,000	4,426	38,582	–	–	–	–	–	–	43,008	–	43,008
Transfer to statutory reserve	–	–	–	–	–	–	3,959	(2,862)	1,097	(1,097)	–
Dividend relating to 2011	–	–	–	–	–	–	–	(9,958)	(9,958)	–	(9,958)
Dividend paid to non-controlling shareholders relating to 2011	–	–	–	–	–	–	–	–	–	(4,479)	(4,479)
At 31 December 2012	**26,557**	**305,084**	**28,231**	**3,790**	**–**	**4,185**	**12,156**	**108,620**	**488,623**	**22,483**	**511,106**

The notes on pages 58 to 140 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Profit for the year from continuing operations		**33,549**	35,125
Profit for the year from discontinued operations		**9,118**	94
		42,667	35,219
Adjustments for:			
Income tax		**8,900**	5,116
Finance costs		**5,167**	3,547
Interest income		**(2,276)**	(1,091)
Dividends from available-for-sale equity investments		**(2,962)**	(2,601)
Share of profits of associates		**(604)**	(1,100)
Depreciation of property, plant and equipment		**21,079**	14,597
Amortisation of land use rights		**2,439**	2,266
Gain on deemed disposal of associates		**–**	(5,817)
Gain on voluntary dissolution of a subsidiary		**(759)**	–
Gain on disposal of property, plant and equipment		**145**	17
Impairment loss on inventories		**–**	45
Impairment on inventories written back		**(46)**	–
Impairment loss on trade receivables		**153**	–
Release of deferred government grant		**(269)**	(247)
Operating cash flows before movements in working capital		**73,634**	49,951
Decrease/(increase) in inventories		**19,284**	(5,781)
Increase in trade and bills receivables		**(1,379)**	(17,684)
(Increase)/decrease in prepayments, deposits and other receivables		**(32,697)**	115
(Decrease)/increase in trade payables		**(13,523)**	1,507
Increase in accrued liabilities and other payables		**6,600**	12,594
Decrease in deposits received from customers		**(8,966)**	(145)
Cash generated from operations		**42,953**	40,557
Income tax paid		**(7,450)**	(2,888)
Interest received		**2,276**	1,040
Interest paid		**(4,478)**	(2,940)
Net cash from operating activities		**33,301**	35,769

The notes on pages 58 to 140 are an integral part of these financial statements.

	Note	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Dividends received from associates		**1,185**	1,107
Dividends received from available-for-sale equity investments		**2,962**	2,601
Capital contribution to available-for-sale equity investments		**–**	(2,020)
Capital contribution to associates		**(36,040)**	(3,701)
Receipt of consideration balance in relation to the disposal of subsidiaries in prior year		**31,208**	21,000
Receipt of compensation on legal actions against purchaser of subsidiaries disposed of in prior year		**4,230**	–
Payments for acquisition of interests in subsidiaries, net of cash acquired		**(296)**	25,786
Expenses paid on acquisition of subsidiaries		**–**	(1,398)
Proceeds from disposal of available-for-sale equity investments		**–**	363
Deposits received from purchaser of land and properties		**19,239**	–
Proceeds from disposal of property, plant and equipment		**12,874**	241
Payments for purchases of property, plant and equipment		**(45,871)**	(115,023)
Receipt of government grant		**247**	617
Net cash used in investing activities		**(10,262)**	(70,427)
FINANCING ACTIVITIES			
Dividends paid to shareholders of the Company		**(9,958)**	–
Dividends paid to non-controlling interests		**(4,479)**	(2,259)
Proceeds from bank borrowings		**61,500**	60,120
Repayments of interest-bearing bank borrowings		**(84,798)**	(27,195)
Proceeds of borrowings from a related company		**40,925**	2,790
Repayments of borrowings from a related company		**(43,719)**	(310)
Proceeds of borrowings from ultimate holding company		**–**	34,139
Repayments of borrowings from ultimate holding company		**(43,237)**	(5,156)
Proceeds from issuance of ordinary shares		**44,262**	30,178
Expenses paid in relation to issuance of shares		**(1,254)**	(1,273)
Capital contributions from non-controlling interests		**222**	–
Repayment of capital contributions from non-controlling interests		**–**	(5,503)
Net cash (used in)/from financing activities		**(40,536)**	85,531
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(17,497)**	50,873
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**128,542**	76,907
Effect of foreign exchange rate changes		**167**	762
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	28	**111,212**	128,542

The notes on pages 58 to 140 are an integral part of these financial statements

1. GENERAL INFORMATION

(a) 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 registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) 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.

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

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

(i) environmental treatment of industrial and medical wastes;

(ii) the environmental plating sewage treatment services and provision of facilities in an eco-plating specialised zone; and

(iii) the investments in plastic materials dyeing operations.

(e) Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe", a 97% indirectly owned subsidiary of the Company) was principally engaged in the manufacturing and sale of molds and plastic products, and trading of plastic materials. Owing to the change in state policy of the PRC, the use of land owned by Suzhou New Universe was changed to non-industrial use. On 3 July 2012, the Group entered into a conditional agreement ("Suzhou Disposal Agreement") with the purchaser, the Administrative Committee of Mudu Tourism Development Zone in Wuzhong District of Suzhou City (蘇州市吳中區木瀆旅遊開發區管理委員會) ("Suzhou Land Purchaser"), pursuant to which, the Group agreed to sell and the Suzhou Land Purchaser agreed to buy the land, buildings and ancillary structures owned by Suzhou New Universe ("Suzhou Disposal Properties")("Suzhou Property Disposal"). After the entering into of the Suzhou Disposal Agreement, the Group decided to discontinue the operations of Suzhou New Universe which comprised of (i) the manufacture and sale of molds, (ii) the manufacture and sale of plastic products; and (iii) trading of plastic materials. At 31 December 2012, deposit received from the purchaser of Suzhou Disposal Properties amounted to approximately HK$19,239,000. The Suzhou Property Disposal has been completed on 4 January 2013 upon the Suzhou Land Purchaser accepted and confirmed on the delivery of vacant possession of the Suzhou Disposal Properties by Suzhou New Universe ("Suzhou Disposal Completion"). These operations had been accounted for as discontinued operations and disposal group held for sale in accordance with the Hong Kong Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations".

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

In the current year, the Group has applied the following revised HKFRS ("new HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Income taxes – Deferred tax: Recovery of underlying assets

Except as described below, the application of the new and revised HKFRS 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.

Amendments to HKFRS 7 Financial instruments: Disclosures – Transfers of financial assets

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity needs not provide the disclosures for comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12 Income Taxes – Deferred tax: Recovery of underlying assets

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the assets in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40 Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. As the Group does not have investment property, the amendments have no financial impact on the Group.

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 7	Disclosures-Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transitional disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, Joint arrangements and disclosure of interests in other entities – Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interest in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC) –Int 20	Stripping costs in the production phase of a surface mine[1]

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

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 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (therein referred to as "HKFRSs"), of which the collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (therein referred to as "HKASs") and Interpretations, issued by the 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 (therein referred to as the "GEM Listing Rules"). 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 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 values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods 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 major sources of estimation uncertainty 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 unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly into 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.

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates (continued)

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 (or included in a disposal group that 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 the investee's net assets 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 recognised in the consolidated income statement, whereas the Group's share of the post-acquisition of post-tax items of the investees' other comprehensive income is recognised 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 investee. 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.

Unrealised 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 unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

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 recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised 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 jointly-controlled entity.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses, 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 recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combination (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised 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 carry forwards of an acquiree that existed at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 *Income Tax*;

– assets or liabilities relating to employee benefit arrangements are recognised 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.

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 recognised 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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combination (continued)

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 re-measured 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 re-measured 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 recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured 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 recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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 recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(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 recognised directly in profit or loss in the consolidated income statement. Any impairment loss recognised 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 debt and 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 recognised in profit or loss as incurred. At the end of each reporting period, the fair value is re-measured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies as set out in notes 3(t)(iv) and (v).

– 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 recognised in the statement of financial position at cost less impairment losses (see note 3(k)).

– Investments in securities that 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 re-measured, with any resultant gain or loss being recognised 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 amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised directly in profit or loss in accordance with policy set out in note 3(t)(iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with policy set out in note 3(t)(v). When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to profit or loss.

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

(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)).

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 are depreciated over the unexpired term of lease

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

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 recognised 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 derecognised. All other repairs and maintenance are recognised 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.

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

(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(u)) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases that 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.

(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 that 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 recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets

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

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at 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;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For investments in subsidiaries and associates (including those recognised 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 amortised 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 that are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

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

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

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

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised 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 recognised 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 recognised no longer exists or may have decreased:

– property, plant and equipment;
– construction in progress;
– prepaid lease payments;
– investments in subsidiaries and associates; and
– goodwill.

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

– Calculation of recoverable amount

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

Impairment losses recognised 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 recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

Inventories are carried at the lower of cost and net realisable 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 realisable 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 recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction for inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter measured at amortised 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.

(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 recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised 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 recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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.

Contributions to Mandatory Provident Funds (the "MPF") as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and other retirement benefit schemes, are recognised as an expense in profit or loss and when incurred.

Annual contributions to pension schemes operated by the government in the PRC are recognised as an expense in profit or loss as and when incurred.

(ii) *Share-based payments*

The fair value of share options granted to employees is recognised 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 recognised 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 recognised 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 recognised 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).

(iii) *Termination benefits*

Termination benefits are recognised 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 that is without realistic possibility of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary 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 recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

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

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

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

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

  - the same taxable entity; or

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

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised in accordance with note 3(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Provisions and contingent liabilities

Provisions are recognised 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.

(t) 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 recognised in profit or loss as follows:

(i) Revenue from provision of services

Revenue from provision of services of waste and sewage treatment is recognised when services are provided.

(ii) Revenue from provision of industrial sewage and sludge treatment facilities

Revenue from provision of industrial sewage and sludge treatment facilities is recognised when facilities are provided and on a straight line basis over the period of the relevant agreements.

(iii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises 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.

(iv) Dividend income

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

(v) Interest income

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

(vi) Government grants

Government grants are recognised 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 recognised in profit or loss on a systematic and rational basis over the useful lives of the related assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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 capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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

(v) 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 recognised in profit or loss.

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 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 recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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 recognised.

(w) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Non-current assets held for sale (continued)

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

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

(ii) Discontinued operations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 note 3(x)(i).

(7) A person identified in note 3(x) (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 that are not individually material may be aggregated if they share a majority of these criteria.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) 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 24 to the financial statements. 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 24 to the financial statements, certain investments were carried at cost of HK$2,026,000 as at 31 December 2012, 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.

(b) Sources of estimation uncertainty

(i) 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 2012, the carrying amounts of trade and bills receivables, other receivables and compensation receivable were HK$41,234,000, HK$11,002,000 and HK$11,100,000 respectively, which approximate the present value of their respective estimated future cash flows.

(ii) Impairment of goodwill

As at 31 December 2012, the carrying amount of goodwill was HK$33,000,000 (2011: HK$33,000,000). The Group tests quarterly 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.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Sources of estimation uncertainty (continued)

(iii) 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.

(iv) Net realisable value of inventories

Net realisable 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 realisable value.

(v) Income taxes and deferred taxation

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for taxation. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred taxation provisions in the financial period in which such determination is made. Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences will impact the recognition of deferred tax and tax in the periods in which such estimate is changed.

(vi) 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. REVENUE

An analysis of the Group's revenue is as follows:

	2012 **HK$'000**	2011 HK$'000
Continuing operations		
Environmental waste treatment services	**110,487**	74,166
Industrial sewage treatment services	**51,580**	37,088
	162,067	111,254

6. SEGMENT INFORMATION

The Group manages its business by divisions which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's executive directors, being the most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three segments. These segments are managed separately. No operating segments have been aggregated to form the following reporting segments.

Continuing operations

(i) provision of environmental waste treatment services;
(ii) provision of environmental industrial sewage treatment and facility services in an eco-plating specialised zone; and
(iii) investment in plastic materials dyeing business.

Operating segments regarding the manufacture and sale of molds, manufacture and sale of plastic products and trading of plastic materials were discontinued in the current year. The segment information reported below does not include any amounts from the discontinued operations, which are described in more detail in note 12.

(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:

Segment assets include all current and non-current assets with the exception of assets of disposal group classified as held for sale and other corporate assets. Segment liabilities include all current and non-current liabilities with the exception of liabilities of disposal group classified as held for sale and corporate liabilities attributable to head office in Hong Kong.

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

The measurement used for reporting segment profit is "reportable segment result". To arrive at "reportable segment result", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs. Taxation charge is not allocated to reportable segments.

6. SEGMENT INFORMATION (continued)

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

In addition to receiving segment information concerning "reportable segment result", management is provided with segment information including revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below:

For the year ended 31 December 2012
Continuing operations

	Operating segments			
	Environmental waste treatment services HK$'000	Environmental sewage treatment and facility services HK$'000	Plastic dyeing investments HK$'000	Total HK$'000
Revenue from external customers	110,487	51,580	–	162,067
Other revenue	2,863	2,123	2,962	7,948
Reportable segment revenue	113,350	53,703	2,962	170,015
Reportable segment results	41,142	5,996	4,344	51,482
Other net income	836	311	–	1,147
Interest income	666	1,542	–	2,208
Interest expenses	2,239	2,574	–	4,813
Depreciation and amortisation	9,868	11,599	–	21,467
Impairment of trade receivables	24	–	–	24
Reportable segment assets	281,113	366,124	61,051	708,288
Additions to non-current segment assets	14,526	31,399	–	45,925
Reportable segment liabilities	87,869	153,139	310	241,318

6. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2011

Continuing operations

	Operating segments			
	Environmental waste treatment services HK$'000	Environmental sewage treatment and facility services HK$'000	Plastic dyeing investments HK$'000	Total HK$'000
Revenue from external customers	74,166	37,088	–	111,254
Other revenue	3,786	1,258	2,601	7,645
Reportable segment revenue	77,952	38,346	2,601	118,899
Reportable segment results	32,508	12,246	4,307	49,061
Other net income	4,397	44	57	4,498
Interest income	573	503	–	1,076
Interest expenses	578	2,238	–	2,816
Depreciation and amortisation	5,086	7,755	–	12,841
Impairment of trade receivables	45	–	–	45
Reportable segment assets	239,120	359,393	63,962	662,475
Additions to non-current segment assets	37,109	76,409	–	113,518
Reportable segment liabilities	64,929	226,092	563	291,584

6. SEGMENT INFORMATION (continued)

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

	2012 HK$'000	2011 HK$'000
Revenue		
Consolidated revenue	**162,067**	111,254
Elimination of inter-segment revenue	**–**	–
Other revenue	**7,948**	7,645
Reportable segment revenue	**170,015**	118,899
Profit		
Reportable segment profit	**51,482**	49,061
Unallocated head office and corporate expenses	**(9,033)**	(8,820)
Consolidated profit from continuing operations before taxation	**42,449**	40,241
Assets		
Reportable segment assets	**708,288**	662,475
Assets of disposal group classified as held for sale	**53,054**	73,527
Unallocated head office and corporate assets	**16,834**	38,028
Consolidated total assets	**778,176**	774,030
Liabilities		
Reportable segment liabilities	**241,318**	291,584
Liabilities of disposal group classified as held for sale	**19,641**	37,726
Unallocated head office and corporate liabilities	**6,111**	1,876
Consolidated total liabilities	**267,070**	331,186

(c) Geographic information

As the Group's business participates in only one geographical location classified by the location of assets, i.e. the PRC, 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:

	2012 HK$'000	2011 HK$'000
Mainland China	**170,015**	118,899

(d) Major customers

During the years ended 31 December 2012 and 2011, there was no major customer accounted for more than 10% of the total revenue of the Group.

7. OTHER REVENUE

	2012 HK$'000	2011 HK$'000
Continuing operations		
Bank interest income	**2,265**	1,076
Dividend income from available-for-sale equity investments	**2,962**	2,601
Scrap sales	**3,420**	3,115
Consultancy fee	**–**	1,160
	8,647	7,952

8. OTHER NET INCOME

	2012 HK$'000	2011 HK$'000
Continuing operations		
Government grant	**269**	247
Net gain on foreign exchange	**–**	2,661
Reversal of over accrued expenses	**–**	2,090
Sundry	**878**	–
	1,147	4,998

9. GAIN ON DEEMED DISPOSAL OF ASSOCIATES

On 13 December 2010, the Company entered into a sale and purchase agreement with NUEL and Mr. CHAN Son Neng ("S&P Agreement") to acquire additional 60% equity interests in New Sinotech Investments Limited ("NSIL", 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 "NSIL Group"). The S&P Agreement was approved by the Company's independent shareholders at the extraordinary meeting held on 16 February 2011.

The Company held 38% equity interest in NSIL since 8 August 2008 before entering into the S&P Agreement. The NSIL Group is principally engaged in the provision of environmental industrial sewage treatment services in the PRC. In order to strengthen the Group's market position and geographical coverage of environmental operations in the PRC, the Group acquired a further 60% equity interest in the NSIL Group not already held by the Group. The S&P Agreement was completed on 17 February 2011 and control over the NSIL Group passed to the Group on the same date. The fair value of the 38% equity interest in the NSIL Group previously held by the Group had been re-measured as of the date of acquisition at HK$33,567,000 by an independent professional valuer, BMI Appraisals Limited, resulting in a gain of HK$5,817,000 credited in profit or loss for the year ended 31 December 2011.

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	**3,887**	2,206
Borrowings from a related company wholly repayable within five years	**237**	6
Borrowings from ultimate holding company wholly repayable within five years	**689**	604
Total borrowing costs	**4,813**	2,816

11. INCOME TAX

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

	2012 HK$'000	2011 HK$'000
Continuing operations		
Current tax		
Hong Kong Profits Tax	**–**	–
PRC Income Tax	**10,556**	4,469
Over-provision in respect of prior years	**(1,884)**	(606)
	8,672	3,863
Deferred tax	**228**	1,253
	8,900	5,116

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the periods. No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits arising in Hong Kong for the years.

The subsidiaries of the Company in the PRC are subject to the PRC enterprise income tax ("EIT") at a rate of 25% (2011: 25%), except for the following subsidiary:

Zhenjiang New Universe (as defined in note 22) is exempt from EIT for two years commenced from 1 January 2008, followed by a 50% reduction for the next three years. Accordingly, the tax rate for Zhenjiang New Universe is 12.5% for the years ended 31 December 2011 and 2012.

11. INCOME TAX (continued)

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

	2012 HK$'000	2011 HK$'000
Continuing operations		
Profit before taxation	**42,449**	40,241
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdiction concerned	**11,331**	9,851
Tax effect of expenses not deductible for tax purpose	**1,248**	1,769
Tax effect of income not taxable for tax purpose	**(1,061)**	(2,641)
Tax effect of tax losses not recognised	**2,131**	728
Tax effect of tax losses utilised	**–**	(1,265)
Over provision in relation to prior years	**(1,884)**	(606)
Tax effect of temporary differences recognised	**228**	1,253
Effect of tax exemptions in PRC	**(3,093)**	(3,973)
Income tax for the year	**8,900**	5,116

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

	2012 HK$'000	2011 HK$'000
Discontinued operations		
Profit for the year from discontinued operations:		
– Manufacture and sale of molds and plastic products, and trading of plastic materials (note (a)(i) below)	**(302)**	94
– Net compensation from the purchaser of the Zhenjiang Dock Project (note (b) below)	**9,420**	–
	9,118	94

(a) Suzhou New Universe and related operations

(i) As disclosed in note 1(e) to the financial statements, the Directors of the Company has resolved to cease the Group's operations of manufacture and sale of molds, manufacture and sale of plastic products and trading of plastics materials. The assets and liabilities attributable to the discontinued operations, which were disposed of on 4 January 2013, have been classified as a disposal group held for sale and are presented separately in consolidated statement of financial position. The business segments of manufacture and sale of molds, manufacture and sale of plastic products and trading of plastics materials were classified as discontinued operations. The net proceed of disposals is expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised.

The comparative figures in consolidated income statement of the Company for the year ended 31 December 2011 was restated to present the profit from the discontinued operations for the year then ended.

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS (continued)

(a) Suzhou New Universe and related operations (continued)

(i) (continued)

The results of discontinued operations that comprised the manufacture and sale of molds and plastic products, and trading of plastic materials for the period to the date of cease of operations, which have been included in the consolidated income statement, were as follows:

	2012 HK$'000	2011 HK$'000
Revenue	**32,523**	92,841
Cost of sales	**(29,561)**	(85,183)
Gross profit	**2,962**	7,658
Other revenue		
– interest income	**11**	15
– sundry	**47**	5
Other net income	**–**	13
Distribution and selling expenses	**(792)**	(2,308)
Administrative expenses	**(1,828)**	(3,974)
Other operating expenses	**(348)**	(584)
Finance costs	**(354)**	(731)
(Loss)/profit before taxation	**(302)**	94
Income tax	**–**	–
(Loss)/profit for the year from discontinued operations	**(302)**	94
Other comprehensive income	**(57)**	(553)
Total comprehensive income for the year from discontinued operations	**(359)**	(459)
(Loss)/profit from discontinued operation attributable to:		
Owners of the Company	**(293)**	91
Non-controlling interests	**(9)**	3
	(302)	94
Total comprehensive income from discontinued operation attributable to:		
Owners of the Company	**(352)**	(479)
Non-controlling interests	**(7)**	20
	(359)	(459)

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS (continued)

(a) Suzhou New Universe and related operations (continued)

(i) (continued)

(Loss)/profit for the year from discontinued operations included the following:

	2012 HK$'000	2011 HK$'000
Discontinued operations		
Amortisation of land lease prepayments	30	58
Depreciation for property, plant and equipment	2,021	3,964
Impairment of trade receivables	129	–
Net loss on disposal of property, plant and equipment	–	13
Net loss on foreign exchange	18	–
Staff costs		
– Salaries, wages and other benefits of employees	5,288	12,060
– Contributions to retirement benefits scheme	659	1,218
Cost of sales	5,947	13,278
– Cost of goods sold	29,561	85,183

(ii) The major classes of assets and liabilities of the discontinued operations and disposal group classified as held for sale as at 31 December 2012 in relation to Suzhou New Universe and related operations, which have been presented separately in the consolidated statement of financial position, are as follows:

	2012 HK$'000
Assets	
Property, plant and equipment	11,149
Prepaid lease payments	2,383
Prepayments, deposits and other receivables	11,615
Cash and cash equivalents	27,907
Assets of disposal group classified as held for sale	53,054
Liabilities	
Accrued liabilities and other payables	402
Deposits received from purchaser of land and properties	19,239
Liabilities of disposal group classified as held for sale	19,641
Net assets of disposal group classified as held for sale	33,413

12. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS (continued)

(a) Suzhou New Universe and related operations (continued)

(iii) During the year, the cash flows contributed by the discontinued operations to Group were as follows:

	2012 HK$'000
Discontinued operations	
Net cash generated from operating activities	**3,393**
Net cash generated from investing activities	**27,773**
Net cash used in financing activities	**(11,101)**

(b) Zhenjiang Dock Project and related follow-up legal actions

During the year ended 31 December 2009, the Group completed the disposal of the interests in the Zhenjiang Dock Project, but the purchaser defaulted in settlement of the outstanding consideration in the agreed payment schedule.

On 7 September 2012, the Intermediate People's Court of Zhenjiang City, Jiangsu Province confirmed the civil mediation agreement ((2012) 鎮商外初字第2號) entered into between the Plaintiffs (that comprised the Group's wholly owned subsidiaries, New Universe International Ports Limited and New Universe International Warehouse & Logistics Limited) and the Defendants (that comprised the purchaser and the guarantors to the agreements entered into for disposal of the Zhenjiang Dock Project) which has legal effect equivalent to PRC court judgement (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the purchaser should compensate the Plaintiffs for interests and default charge on those overdue outstanding consideration, which shall be settled by 12 monthly instalments commencing from October 2012. As at 31 December 2012, all the remaining consideration for the disposal of Zhenjiang Dock Project was fully settled by the purchaser. As at 31 December 2012, the remaining gross compensation receivable of RMB9,000,000 (approximately HK$11,100,000) shall be settled by the purchaser in 9 monthly instalments pursuant to the Settlement Agreement (note 27(b)). The Group accounted for the net compensation income (after deduction of litigation costs and related transaction costs) as contemplated under the Settlement Agreement amounted approximately to HK$9,420,000 in the current year.

13. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2012 HK$'000	2011 HK$'000
Continuing operations		
Amortisation of land lease prepayments	**2,409**	2,208
Depreciation for property, plant and equipment	**19,058**	10,633
Operating lease charges in respect of:		
– land and buildings in Hong Kong	**288**	288
– landfill in PRC	**86**	84
	374	372
Impairment of trade receivables	**24**	–
Write-down of inventories	**–**	45
Net loss on disposal of property, plant and equipment	**145**	17
Net loss on foreign exchange	**94**	–
Auditor's remuneration:		
– Audit service	**870**	745
– Non-audit services	**295**	65
	1,165	810
Staff costs:		
– Directors' emoluments *(note 14)*	**2,515**	3,279
– Salaries, wages and other benefits of employees other than Directors	**28,858**	20,415
– Contributions to retirement benefits schemes	**2,137**	1,815
Total staff costs	**33,510**	25,509
Cost of sales:		
– Cost of services rendered *(note below)*	**84,495**	53,568

Note:

Included in cost of services rendered were raw materials consumed of HK$11,915,000 (2011: HK$8,182,000), staff costs of HK$14,771,000 (2011: HK$15,177,000) and depreciation of HK$12,765,000 (2011: HK$12,902,000) which have been included in the respective total amounts disclosed above for each of staff costs and depreciation.

14. DIRECTORS' EMOLUMENTS

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

	Fee	Salaries and allowance	Benefits in kind	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2012					
Executive Directors					
Mr. XI Yu	30	–	–	–	30
Mr. SONG Yuqing *(note (i) below)*	–	600	–	14	614
Mr. CHAN Chun Hing *(note (ii) below)*	–	555	–	6	561
Mr. HON Wa Fai	–	863	–	14	877
Ms. CHEUNG Siu Ling	7	–	–	–	7
Non-executive Director					
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 *(note (iii) below)*	66	–	–	–	66
	463	2,018	–	34	2,515
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	2,065	62	36	3,279

14. DIRECTORS' EMOLUMENTS (continued)

Notes

(i) Mr. SONG Yuqing was re-designated from a non-executive Director to an executive Director and the chief executive officer of the Company with effect from 12 June 2012.
(ii) Mr. CHAN Chun Hing resigned as Director and chief executive officer of the Company with effect from 12 June 2012.
(iii) Mr. LEE Kwan Hung resigned as independent non-executive Director of the Company with effect from 18 July 2012.

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 2012 and 2011.

15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with highest emoluments was a Director of the Company (2011: one Director) whose emoluments are disclosed in note 14 to the financial statements. The aggregate of the emoluments in respect of the five (2011: four) individuals with highest emoluments are as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**1,648**	1,751
Discretionary bonuses	**5,546**	3,355
Retirement benefits scheme contribution	**–**	–
	7,194	5,106

The emoluments of the five (2011: four) individuals with the highest emoluments are within the following bands:

	2012 Number of individuals	2011 Number of individuals
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**3**	3
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	–
	5	4

16. DIVIDEND

	2012 HK$'000	2011 HK$'000
Final dividend proposed after the end of the reporting period HK$0.0037 (2011: HK$0.0045) per share	**9,826**	9,958

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

17. 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$36,097,000 (2011: HK$30,535,000) and the weighted average number of 2,236,058,191 (2011: 2,096,225,771) ordinary shares of the Company in issue during the year.

(i) Profit attributable to owners of the Company

	2012 HK$'000	2011 HK$'000
Profit for the year from continuing operations	**26,970**	30,444
Profit for the year from discontinued operations	**9,127**	91
	36,097	30,535

(ii) Weighted average number of ordinary shares

	2012	2011
Issued ordinary shares at 1 January	**2,213,080,849**	2,011,891,681
Effect of issue of shares upon Open Offer	**22,977,342**	–
Effect of issue of shares upon Rights Issue	**–**	84,334,090
Weighted average number of issued ordinary shares at 31 December	**2,236,058,191**	2,096,225,771

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.

18. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company includes a profit of HK$20,786,000 for the year ended 31 December 2012 (2011: HK$10,415,000) which has been dealt with in the financial statements of the Company.

19. 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 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	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 and at 1 January 2012	207,795	56,981	115,066	5,171	521	5,512	391,046
Exchange adjustments	(34)	(9)	(17)	(1)	–	(1)	(62)
Additions	4,310	39,259	1,323	667	10	524	46,093
Disposals	(171)	(656)	(28,968)	(1,850)	(9)	(547)	(32,201)
Reclassification	2,114	(6,693)	4,550	29	–	–	–
Transfer to disposal group classified as held for sale	(14,018)	–	(5,276)	(306)	(456)	–	(20,056)
At 31 December 2012	**199,996**	**88,882**	**86,678**	**3,710**	**66**	**5,488**	**384,820**
Depreciation and impairment							
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 and at 1 January 2012	13,259	–	28,814	2,925	441	2,120	47,559
Exchange adjustments	(4)	–	(5)	–	–	–	(9)
Charge for the year	9,512	–	9,998	657	7	905	21,079
Eliminated on disposals	(71)	–	(15,769)	(1,430)	(5)	(367)	(17,642)
Reclassification	–	–	–	–	–	–	–
Transfer to disposal group classified as held for sale	(5,129)	–	(3,103)	(271)	(404)	–	(8,907)
At 31 December 2012	**17,567**	**–**	**19,935**	**1,881**	**39**	**2,658**	**42,080**
Carrying amount							
At 31 December 2012	**182,429**	**88,882**	**66,743**	**1,829**	**27**	**2,830**	**342,740**
At 31 December 2011	194,536	56,981	86,252	2,246	80	3,392	343,487

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

As at 31 December 2012, certain property, plant and equipment with an aggregate carrying amount of approximately HK$53,147,000 (2011: HK$64,775,000) had been pledged to secure banking facilities granted to the Group (note 29).

20. PREPAID LEASE PAYMENTS

	Group HK$'000
Cost	
At 1 January 2011	24,350
Exchange adjustments	1,425
Acquisition of subsidiaries	83,660
At 31 December 2011 and at 1 January 2012	109,435
Exchange adjustments	(5)
Transfer to disposal group classified as held for sale *(note 12)*	(3,393)
At 31 December 2012	**106,037**
Amortisation and impairment	
At 1 January 2011	2,385
Exchange adjustments	141
Charge for the year	2,266
At 31 December 2011 and at 1 January 2012	4,792
Exchange adjustments	(1)
Charge for the year	2,439
Transfer to disposal group classified as held for sale *(note 12)*	(1,010)
At 31 December 2012	**6,220**
Carrying amount	
At 31 December 2012	**99,817**
At 31 December 2011	104,643

Analysed for reporting purposes as:

	Group	
	2012 HK$'000	2011 HK$'000
Current asset	**2,658**	2,718
Non-current asset	**97,159**	101,925
	99,817	104,643

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 40 to 45 years as at 31 December 2012.

As at 31 December 2012, certain land use rights with an aggregate carrying amount of approximately HK$10,836,000 (2011: HK$13,513,000) had been pledged to secure banking facilities granted to the Group (note 29).

21. GOODWILL

	Group	
	2012	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**33,000**	33,000
Impairment loss recognised 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, which 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.

As at 31 December 2012, the assessment on the recoverable amount of this CGU was determined by Cushman & Wakefield Valuation Advisory Services (HK) Limited ("Cushman & Wakefield"), an independent firm of professional valuers, who has qualification and experience in the asset being valued, on a value-in-use calculations (2011: by BMI Appraisals Limited). This calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a pre-tax discount rate of 19.63% (2011: 20.19%) which reflects specific risks relating to the specific segment. The cash flows beyond the five-year period are extrapolated using an annual growth rate of 1.65% (2011: 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 on 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 2012 (2011: Nil).

22. INTERESTS IN SUBSIDIARIES

	Group	
	2012	2011
	HK$'000	HK$'000
Unlisted securities, at cost	**58,156**	58,156
Amounts due from subsidiaries – non-current assets *(note (a) below)*	**337,331**	325,630
Interests in subsidiaries	**395,487**	383,786
Amounts due from subsidiaries – current assets *(note (b) below)*	**36,161**	26,316

22. INTERESTS IN SUBSIDIARIES (continued)

Notes

(a) Amounts due from subsidiaries are unsecured and interest free, except for (i) the amount of HK$24,468,000 (2011: HK$26,281,000) which bears interest at 5% (2011: 5%) per annum, and (ii) the amount of HK$588,000 (2011: HK$7,800,000) which bears interest at 3% (2011: 3%) per annum. The Directors of the Company consider that these 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 has materially 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 activity
Smartech International Group Limited ("SIGL")	British Virgin Islands/ Hong Kong	Limited liability company	US$1,000,000 (2011: US$1,000,000)	100	100	–	Investment holding
New Universe International Holdings Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$10,000 (2011: US$10,000)	100	100	–	Investment holding
Smartech Manufacturing Limited ("HK Smartech")	Hong Kong	Limited liability company	HK$70,380,000 (2011: HK$70,380,000)	100	–	100	Business ceased
Smartech Plastic Moulding Limited	Hong Kong	Limited liability company	HK$100 (2011: HK$100)	100	–	100	Business ceased
Smartech Services Limited ("Smartech Services")	Hong Kong	Limited liability company	HK$2 (2011: HK$2)	100	–	100	Provision of management services
New Universe International Ports & Logistics Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$25,000,000 (2011: US$25,000,000)	100	–	100	Investment holding
New Universe International Ports Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$15,000,000 (2011: US$15,000,000)	100	–	100	Investment holding
New Universe International Warehouse & Logistics Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$10,000,000 (2011: US$10,000,000)	100	–	100	Investment holding
New Universe (China) Investment Limited ("NUCIL")	British Virgin Islands/ Hong Kong	Limited liability company	US$1,800,000 (2011: US$1,800,000)	100	–	100	Investment holding
New Universe (China) Limited ("NUCL")	Hong Kong	Limited liability company	HK$1,000,000 (2011: HK$1,000,000)	100	–	100	Investment holding

22. 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 activity
Bestwin (China) Limited ("Bestwin")	Hong Kong	Limited liability company	HK$15,000,000 (2011: HK$15,000,000)	97	–	97	Investment holding
Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe")	PRC	Wholly foreign-owned enterprise	US$4,600,000* (2011: US$4,600,000) * reduced to US$100,000 on 25 February 2013	97	–	100	Business ceased *(note 12(a))*
New Universe Environmental Protection Investment Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$4,000,000 (2011: US$4,000,000)	100	–	100	Investment holding
New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)")	Hong Kong	Limited liability company	HK$21,640,000 (2011: HK$21,640,000)	82	–	82	Investment holding
Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe")	PRC	Wholly foreign owned enterprise	US$6,850,000 (2011: US$4,350,000)	82	–	100	Environmental waste treatment services and landfill operations
Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe")	PRC	Wholly foreign owned enterprise	US$700,000 (2011: US$700,000)	82	–	100	Environmental waste treatment services
Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe")	PRC	Wholly foreign owned enterprise	US$700,000 (2011: 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 (2011: US$10,000)	100	–	100	Investment holding
New Universe Recyclables Limited	Hong Kong	Limited liability company	HK$10,000 (2011: HK$10,000)	100	–	100	Investment holding
New Universe International Ecology Limited	British Virgin Islands/ Hong Kong	Limited liability company	US$10,000 (2011: US$10,000)	100	–	100	Investment holding
Zhenjiang New Universe Rubber Limited (鎮江新宇橡塑有限公司)	PRC	Joint equity enterprise	RMB2,000,000 (2011: RMB2,000,000)	51.66	–	63	Environmental waste recycling services

22. 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 activity
New Sinotech Investments Limited ("NSIL")	British Virgin Islands/ Hong Kong	Limited liability company	US$5,000,000 (2011: US$5,000,000)	98	–	98	Investment holding
Fair Time International Limited ("Fair Time")	Hong Kong	Limited liability company	HK$99,327,000 (2011: HK$99,327,000)	98	–	100	Investment holding
Zhenjiang Sinotech Eco-Electroplating Development Limited ("Zhenjiang Sinotech")	PRC	Wholly foreign owned enterprise	US$31,000,000 (2011: US$31,000,000)	98	–	100	Environmental industrial sewage and sludge treatment and facility services in an eco-plating zone
Zhenjiang Sinotech Environmental Technology Limited (鎮江華科環保科技有限公司)	PRC	Wholly owned domestic enterprise	RMB600,000 (incorporated on 15 December 2012)	98	–	100	Environmental technical consultancy services
Xiangshui New Universe Environmental Technology Limited (响水新宇科技有限公司)	PRC	Wholly foreign owned enterprise	HK$32,000,000 (2011: HK$32,000,000)	100	–	100	Environmental waste treatment and consultancy services

23. INTERESTS IN ASSOCIATES

	Group 2012 HK$'000	2011 HK$'000
Share of net assets		
At 1 January	**11,012**	60,911
Capital contribution to an associate	**36,040**	3,701
Share of profits	**604**	1,100
Share of other comprehensive income	**240**	361
Dividends received	**(1,185)**	(1,107)
Equity advance to associates reclassified as interests in subsidiaries *(note 9)*	**–**	(23,461)
Transfer to interests in subsidiaries *(note 9)*	**–**	(30,493)
At 31 December	**46,711**	11,012

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.

23. INTERESTS IN ASSOCIATES (continued)

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 activity
Qingdao Zhongxin Huamei Plastics Co., Limited ("Qingdao Huamei")	PRC	Sino foreign joint equity enterprise	US$1,000,000 (2011: 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	Joint equity enterprise	RMB20,000,000 (2011: RMB10,000,000)	24.60	–	30	Hazardous waste landfill operations
Yancheng NUHF Environmental Technology Limited ("Yancheng NUHF", 鹽城新宇輝豐環保科技有限公司)	PRC	Sino foreign joint equity enterprise	HK$66,000,000 (incorporated on 28 June 2012)	49	–	49	Environmental waste treatment services

Summary financial information on associates:

Qingdao Huamei

	2012 HK$'000	2011 HK$'000
Total assets	**35,266**	43,123
Total liabilities	**(7,852)**	(16,396)
Net assets	**27,414**	26,727
Revenue	**244,215**	269,024
Profit after taxation for the year	**4,824**	5,754
Other comprehensive income	**(4)**	1,288

	Group	
	2012 HK$'000	2011 HK$'000
Group's share of net assets of associate	**7,860**	7,663
Group's share of post-tax profit and other comprehensive income of associate for the year	**1,382**	2,019

23. INTERESTS IN ASSOCIATES (continued)

Zhenjiang New District

	2012 HK$'000	2011 HK$'000
Total assets	**39,769**	12,383
Total liabilities	**(17,173)**	(1,219)
Net assets	**22,596**	11,164
Revenue	**–**	–
Loss for the year	**(899)**	(1,144)
Other comprehensive income	**(2)**	(28)

	Group	
	2012 HK$'000	2011 HK$'000
Group's share of net assets of associate	**6,779**	3,349
Group's share of post-tax loss and other comprehensive income of associate for the year	**(270)**	(352)

Yancheng NUHF

	2012 HK$'000	2011 HK$'000
Total assets	**72,205**	–
Total liabilities	**(6,752)**	–
Net assets	**65,453**	–
Revenue	**–**	–
Loss for the year	**(1,039)**	–
Other comprehensive income	**492**	–

	Group	
	2012 HK$'000	2011 HK$'000
Group's share of net assets of associate	**32,072**	–
Group's share of post-tax profits and other comprehensive income of associate for the year	**(268)**	–

24. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Unlisted equity investments at fair value *(note (a) below)*	**53,000**	55,900
Unlisted equity investments at cost less impairment *(note (b) below)*	**2,026**	2,026
	55,026	57,926

Notes

(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. As at 31 December 2012, 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 Cushman & Wakefield, an independent firm of professional valuers (2011: by BMI Appraisals Limited), 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. For the year ended 31 December 2012, a net fair value loss of HK$2,647,000 (2011: HK$11,160,000) was recognised 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 2012, the Directors of the Company considered that there is no impairment on these investments.

As at 31 December 2012, 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 activity
Suzhou New Huamei Plastics Co., Limited ("Suzhou New Huamei")	PRC	Sino foreign joint equity enterprise	US$5,000,000	18.62	–	18.62	Plastic materials dyeing
Danyang New Huamei Plastics Co., Limited ("Danyang New Huamei")	PRC	Sino foreign joint equity enterprise	US$1,600,000	24.50	–	24.50	Plastic materials dyeing
Fair Industry Waste Recyclables Limited ("FIWRL")	British Virgin Islands/ Hong Kong	Limited liability company	US$10,000	4	–	4	Environmental waste recycling services
Ever Champ (China) Limited ("ECCL")	British Virgin Islands/ Hong Kong	Limited liability company	US$10,000	4	–	4	Environmental waste disposal services

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

(i) 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 is accounted for as an available-for-sale equity investment.

(ii) The Company has disposed of all interests and rights in FIWRL after the year ended 31 December 2012 (note 43(b)).

25. INVENTORIES

	Group	
	2012	2011
	HK$'000	HK$'000
Raw materials	**1,187**	8,634
Work in progress	**–**	9,091
Finished goods	**–**	2,700
	1,187	20,425

The carrying amount of inventories recognised as expenses were HK$11,915,000 (2011: HK$36,261,000) for the year ended 31 December 2012 in relation to the continuing operations.

26. TRADE AND BILLS RECEIVABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Trade receivables	**38,998**	38,806
Less: allowance for doubtful debts	**–**	(481)
	38,998	38,325
Bills receivable	**2,236**	1,683
	41,234	40,008

26. TRADE AND BILLS RECEIVABLES (continued)

(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	
	2012	2011
	HK$'000	HK$'000
0 to 30 days	**16,644**	20,075
31 days to 60 days	**9,796**	8,961
61 days to 90 days	**4,331**	5,266
91 days to 180 days	**8,574**	3,783
181 days to 360 days	**1,883**	1,517
Over 360 days	**6**	406
	41,234	40,008

The Group's trading terms with its customers are mainly on credit. The Group allows an average credit period of 60 days to its customers of the environmental services segment.

(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	
	2012	2011
	HK$'000	HK$'000
At 1 January	**481**	481
Impairment loss recognised	**153**	–
Amounts written off as uncollectible	**(634)**	–
At 31 December	**–**	481

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

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**26,440**	29,036
Less than 30 days past due	**4,331**	5,266
More than 30 days but less than 90 days past due	**8,574**	3,783
More than 90 days but less than 360 days past due	**1,889**	1,923
	41,234	40,008

26. TRADE AND BILLS RECEIVABLES (continued)

(b) Impairment losses of trade receivables (continued)

Receivables that were neither past due nor impaired relate to a wide range of independent customers for whom there was no recent history of default and have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Deposits paid to suppliers	**–**	661	**–**	232
Prepayments and other receivables	**11,002**	3,118	**814**	–
	11,002	3,779	**814**	232
Consideration receivable on disposal of Zhenjiang Dock Project *(note (a) below)*	**–**	31,208	**–**	–
Compensation receivable *(note (b) below)*	**11,100**	–	**–**	–
	22,102	34,987	**814**	232

Note:

(a) During the year, the Group instituted legal proceedings against the purchaser and its guarantors for the recovery of the balance of consideration receivable together with claims for compensation. The consideration balance was fully settled by the purchaser after the PRC court handed down the Settlement Agreement entered into between the Group and the purchaser dated 7 September 2012.

(b) As at 31 December 2012, remaining compensation receivable from the purchaser of the Zhenjiang Dock Project amounted to RMB9,000,000 (approximately HK$11,100,000) will be settled in 9 instalments in 2013 pursuant to the Settlement Agreement (note 12(b) to the financial statements).

28. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**83,305**	128,542	**1,727**	2,901
Cash and bank balances in disposal group classified as held for sale *(note 12)*	**27,907**	–	**–**	–
Cash and cash equivalents in the consolidated statement of cash flow	**111,212**	128,542	**1,727**	2,901

The bank balances carried interest at market rates that range from 0.01% to 3.1% (2011: 0.01% to 3.1%) per annum for the year ended 31 December 2012.

29. INTEREST-BEARING BANK BORROWINGS

As at 31 December 2012, interest-bearing bank borrowings were secured as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities:				
– Secured	**38,035**	46,322	**–**	–
– Secured non-current portion of bank loans repayable on demand	**31,437**	9,375	**–**	–
– Unsecured	**23,400**	27,300	**23,400**	27,300
	92,872	82,997	**23,400**	27,300
Non-current liabilities:				
– Secured	**12,354**	45,528	**–**	–
	105,226	128,525	**23,400**	27,300

29. INTEREST-BEARING BANK BORROWINGS (continued)

As at 31 December 2012, interest-bearing bank borrowings were repayable as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Within 1 year or on demand	**92,872**	82,997	**23,400**	27,300
Non-current liabilities				
After 1 year but within 2 years	**12,354**	33,159	**–**	–
After 2 years but within 5 years	**–**	12,369	**–**	–
After 5 years	**–**	–	**–**	–
	12,354	45,528	**–**	–
	105,226	128,525	**23,400**	27,300

(a) As at 31 December 2012, certain land use rights and property, plant and equipment held for own use with carrying amount of approximately HK$10,836,000 (2011: HK$11,100,000) and HK$53,147,000 (2011: HK$55,693,000) respectively were pledged to a bank for bank loans of approximately HK$15,416,000 (2011: HK$22,820,000) owed by a subsidiary, Zhenjiang New Universe. The bank loans bear interest at rates ranging from 7.04% to 7.59% per annum in current year (2011: 7.59% per annum).

(b) As at 31 December 2012, bank loan of HK$9,375,000 (2011: HK$10,000,000) owed by a subsidiary, NUET (JS) was secured by a fixed and floating charge over all assets of NUET(JS) and was guaranteed by Mr. XI Yu. The bank loan bears interest at rates ranging from 2.75% to 2.84% per annum in current year (2011: 2.71% to 2.77% per annum).

(c) As at 31 December 2012, bank loans of approximately HK$30,035,000 (2011: HK$57,304,000) owed by a subsidiary, Fair Time, was secured by a fixed and floating charge over all assets of Fair Time, and guaranteed by a related company, New Universe Holdings Limited and by Mr. XI Yu. The banking facilities are subject to the fulfillment of covenants relating to certain financial ratios of the subsidiaries' statements of financial position, which 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 46. As at 31 December 2012, none of the covenants relating to drawn down facilities had been breached. The bank loans bear interest at rates ranging from 1.71% to 1.79% per annum in current year (2011: 1.69% to 1.78% per annum).

(d) As at 31 December 2012, bank loan of HK$12,000,000 (2011: Nil) owed by a subsidiary, NUET (JS) was guaranteed by Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki, each up to a limit of HK$12,000,000. The bank loan bears interest at rates ranging from 2.10% to 2.11% per annum in current year.

29. INTEREST-BEARING BANK BORROWINGS (continued)

(e) As at 31 December 2012, bank loan of HK$15,000,000 (2011: Nil) owed by a subsidiary, NUET (JS) was guaranteed by the Company and Mr. XI Yu, each up to a limit of HK$15,000,000. The bank loan bears interest at rates ranging from 2.78% to 2.80% per annum in current year.

(f) As at 31 December 2012, bank loans of HK$23,400,000 (2011: HK$27,300,000) owed by the Company was guaranteed by Mr. XI Yu. The bank loans bear interest at rates ranging from 3.47% to 4.47% per annum in current year (2011: 3.12% to 3.71% per annum).

30. 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	
	2012	2011
	HK$'000	HK$'000
0 to 30 days	**877**	4,748
31 days to 60 days	**195**	4,432
61 days to 90 days	**–**	3,278
Over 91 days	**15**	2,152
	1,087	14,610

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

31. ACCRUED LIABILTIES AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Salaries and bonuses payable	**10,372**	8,893	**–**	–
Payable for acquisition of property, plant and equipment	**18,223**	20,729	**–**	–
Other payables	**19,806**	12,581	**968**	345
	48,401	42,203	**968**	345

32. DEFERRED GOVERNMENT GRANT

Government grants were obtained by a subsidiary, Zhenjiang Sinotech to subsidise the construction of plant facilities for energy saving and control of sewage discharge in the eco-plating specialised zone. The grant is recognised as other revenue over the estimated useful lives of the specified plant facilities.

	Group HK$'000
Receipt of grant	
At 1 January 2011	–
Exchange adjustments	144
Acquisition of subsidiaries *(note 9)*	2,907
Receipt for the year	617
At 31 December 2011 and at 1 January 2012	3,668
Exchange adjustments	(1)
Receipt for the year	247
At 31 December 2012	**3,914**
Release of grant	
At 1 January 2011	–
Exchange adjustments	6
Release for the year	247
At 31 December 2011 and at 1 January 2012	253
Exchange adjustments	(1)
Release for the year	269
At 31 December 2012	**521**
Carrying amount	
At 31 December 2012	**3,393**
At 31 December 2011	3,415

Analysed for reporting purposes as:

	Group	
	2012 **HK$'000**	2011 HK$'000
Current asset	**269**	269
Non-current asset	**3,124**	3,146
	3,393	3,415

33. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Group	
	2012	2011
	HK$'000	HK$'000
Continuing operations		
Provision for PRC Income Tax for current year	**10,859**	4,460
PRC Income Tax relating to prior years	**1,777**	1,915
Over provision of PRC Income Tax relating to prior years	**(1,395)**	–
Exchange adjustments	**–**	90
Tax paid	**(8,242)**	(4,688)
	2,999	1,777

(b) The components of deferred tax (assets)/liabilities recognised 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 2011	1,803	4,676	–	6,479
Acquisition of subsidiaries *(note 9)*	–	18,771	–	18,771
(Credit)/charge to other comprehensive income	(1,240)	–	–	(1,240)
(Credit)/charge to profit or loss	–	(215)	1,468	1,253
At 31 December 2011 and 1 January 2012	563	23,232	1,468	25,263
(Credit)/charge to other comprehensive income	(253)	–	–	(253)
(Credit)/charge to profit or loss	–	(545)	773	228
At 31 December 2012	**310**	**22,687**	**2,241**	**25,238**

(c) Deferred tax assets not recognised:

At the end of the reporting period, the Group had unused tax losses of HK$39,706,000 (2011: HK$38,974,000) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams of the relevant group entities. The unused tax losses do not expire under current tax legislation

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

(d) Deferred tax liabilities not recognised:

At 31 December 2012, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's PRC subsidiaries as the Group had no significant liability to additional tax should such amounts be remitted.

34. AMOUNT DUE TO A RELATED COMPANY

	Group		**Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities:				
Loans – unsecured	**–**	2,794	**–**	2,794

Loans from the related company, China (HK) Chemical & Plastics Company Limited, were unsecured and bearing interest at rates ranging from 2.78% to 4% per annum (2011: 3% per annum), which were fully repaid.

35. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

	Group		**Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities	**5,000**	5,000	**5,000**	5,000
Non-current liabilities	**54,636**	97,184	**34,289**	61,100
	59,636	102,184	**39,289**	66,100

(a) As at 31 December 2012, an amount of HK$5,000,000 (2011: HK$5,000,000) was owed by the Company to the ultimate holding company, NUEL, is unsecured, interest-free and repayable within the next twelve months and accordingly, and is classified under current liabilities in the statements of financial position.

(b) As at 31 December 2012, an amount of HK$33,000,000 (2011: HK$34,420,000) was owed by the Group to the ultimate holding company, NUEL, 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 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 2012 from the ultimate holding company, NUEL has undertaken not to actively demand repayment of the amount due by the Group to NUEL totaling HK$54,636,000 (2011: HK$97,184,000) until 30 September 2014. Therefore, the balance is included as non-current liabilities. In the opinion of the Directors of the Company, the carrying amount of the amount due to NUEL approximated its fair value at the end of the reporting period.

36. SHARE CAPITAL

	Number of shares		Share capital	
	2012	2011	**2012**	2011
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.01each				
Authorised				
At 1 January and 31 December	**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid				
At 1 January	**2,213,081**	2,011,892	**22,131**	20,119
Open Offer *(note (a) below)*	**442,616**	–	**4,426**	–
Rights Issue *(note (b) below)*	**–**	201,189	**–**	2,012
At 31 December	**2,655,697**	2,213,081	**26,557**	22,131

Notes

(a) Open Offer

On 13 December 2012, the Company issued 442,616,169 new shares at a price of HK$0.10 each ("Offer Shares") on the basis of one (1) Offer Share for every five (5) of the then existing shares held on the record date at 20 November 2012 ("Open Offer"). Net proceeds from the Open Offer in aggregate of approximately HK$43,008,000, of which amount of HK$41,817,000 was capitalised against amount owed by the Group to the ultimate holding company, NUEL, and approximately HK$2,445,000 received in cash as subscribed by other shareholders of the Company. Net proceeds of HK$4,426,000 was recorded in share capital and HK$38,582,000 (after share issuance related costs of approximately HK$1,254,000) was recorded in share premium.

(b) 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 costs of approximately HK$1,273,000) was recorded in share premium.

(c) As at 31 December 2012, the holders of ordinary shares in issue of the Company are entitled to receiving 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.

37. RESERVES

Group

	Attributable to owners of the Company							
	Share premium HK$'000 (note 37(i))	Translation reserve HK$'000 (note 37(ii))	Investment revaluation reserve HK$'000 (note 37(iii))	General reserve HK$'000 (note 37(iv))	Capital reserve HK$'000 (note 37(v))	Statutory reserve HK$'000 (note 37(vi))	Retained profits HK$'000 (note 37(vii))	Total HK$'000
At 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 of distributable reserves	–	–	–	(31,929)	–	–	31,929	–
Deemed contribution from shareholders of the Company, net of related costs HK$1,398,000	–	–	–	–	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 and 1 January 2012	266,502	28,503	6,437	–	4,185	8,197	85,343	399,167
Profit for the year	–	–	–	–	–	–	36,097	36,097
Other comprehensive income								
Exchange differences								
– on translation of financial statements of overseas subsidiaries	–	(512)	–	–	–	–	–	(512)
Fair value changes on available-for-sale equity investments, net of deferred tax	–	–	(2,647)	–	–	–	–	(2,647)
Share of other comprehensive income of associates	–	240	–	–	–	–	–	240
Total comprehensive income for the year	–	(272)	(2,647)	–	–	–	36,097	33,178
Open Offer, net of share issuance costs of HK$1,254,000	38,582	–	–	–	–	–	–	38,582
Transfer to statutory reserve	–	–	–	–	–	3,959	(2,862)	1,097
Dividend relating to 2011	–	–	–	–	–	–	(9,958)	(9,958)
At 31 December 2012	**305,084**	**28,231**	**3,790**	**–**	**4,185**	**12,156**	**108,620**	**462,066**

37. RESERVES (continued)

Company

	Share premium HK$'000 *(note 37 (i))*	General reserve HK$'000 *(note 37 (iv))*	Retained profits HK$'000 *(note 37 (vii))*	Total HK$'000
At 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 and 1 January 2012	266,502	–	28,063	294,565
Dividend relating to 2011	–	–	(9,958)	(9,958)
Profit for the year	–	–	20,786	20,786
Open Offer, net of share issuance costs	38,582	–	–	38,582
At 31 December 2012	**305,084**	**–**	**38,891**	**343,975**

Notes:

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

(i) Share premium

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

(ii) Translation reserve

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

(iii) Investment revaluation reserve

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

37. RESERVES (continued)

Notes: (continued)

(iv) General reserve

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

(v) Capital reserve

On 17 February 2011, the Group's effective interest in NSIL Group was increased from 38% to 98%, and NSIL 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 NSIL Group of HK$4,185,000 (after deduction of acquisition related costs) was recognised 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).

(vi) 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 capitalisation by way of paid-up capital.

(vii) Distributability of reserves

At 31 December 2012, the Company had reserves available for distribution to its owners in the amount of HK$343,975,000 (2011: HK$294,565,000).

38. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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 received from the outstanding consideration of the disposal was analysed as follows:

	2012 **HK$'000**	2011 HK$'000
PRC Income Tax paid for the disposal	**–**	(1,203)
Consideration received in cash	**31,208**	22,203
Cash inflow received from the outstanding consideration of the disposal during the reporting period	**31,208**	21,000

39. OPERATING LEASES COMMITMENTS

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Office premises	**270**	273	**–**	–
Landfill	**173**	259	**–**	–
	443	532	**–**	–

As at 31 December 2012, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fell due as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**204**	202	**–**	–
After 1 year but within 5 years	**239**	330	**–**	–
After 5 years	**–**	–	**–**	–
	443	532	**–**	–

40. CAPITAL COMMITMENTS

At 31 December 2012, the Group had the following capital commitments:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for				
Acquisition of property, plant and equipment	**68,920**	78,243	**–**	–
Authorised and not contracted for				
Investment in available-for-sale equity investments	**3,664**	6,724	**3,664**	6,724
Investment in associates	**3,700**	7,401	**–**	–

41. PLEDGE OF ASSETS

The Group pledged certain property, plant and equipment and the land use rights with carrying amounts of HK$53,147,000 (2011: HK$64,775,000) and HK$10,836,000 (2011: HK$13,513,000) respectively to secure bank loans of approximately HK$15,416,000 as at 31 December 2012 (2011: HK$33,921,000) granted to the Group (notes 19 and 20).

The Group also pledged certain other property, plant and equipment and the land use rights with carrying amounts of HK$42,575,000 (2011: Nil) and HK$21,522,000 (2011: Nil) respectively to secure bank loan facilities of approximately HK$45,114,000 as at 31 December 2012 (2011: Nil) available to draw down by a subsidiary of the Group.

All equity interests in Fair Time and Zhenjiang Sinotech Eco-electroplating Development Limited were pledged under a fixed and floating charges to secure bank loans of HK$30,035,000 (2011: HK$57,304,000) as at 31 December 2012.

42. 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 authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The Share Option Scheme shall be valid and effective for a period of 10 years ending on 9 December 2013, after which no further options will be granted. The total number of securities available for issue under the Share Option Scheme as at 31 December 2012 was 119,168,000 shares (2011: 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 2012 and 2011, no options had 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") organised 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$25,000 (2011: 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.

43. EVENT AFTER THE REPORTING PERIOD

(a) Completion of Suzhou Disposal Agreement

(i) On 4 January 2013, the Suzhou Disposal Agreement, *as set out to in notes 1(e) and 12(a),* was completed upon the delivery of the vacant possession of the Suzhou Disposal Properties to the Suzhou Land Purchaser. Expected net gain on the disposal amounted approximately to HK$18,523,000 would be accounted for by the Group upon the Suzhou Disposal Completion in the year ending 31 December 2013.

	HK$'000
Net assets disposed of:	
Net assets of discontinued operations and disposal group classified as held for sale at Suzhou Disposal Completion	33,413
Direct costs relating to the Suzhou Property Disposal	12,196
Expected net gain on disposal	18,523
Consideration	64,132

(ii) In accordance with the Suzhou Disposal Agreement, the total consideration for the disposal is RMB52,000,000 (approximately HK$64,132,000). As at 31 December 2012, RMB15,600,000 (approximately HK$19,239,000) had been paid by the Suzhou Land Purchaser as deposits.

	HK$'000
Total cash consideration	
Consideration received in cash up to 31 December 2012 *(note 1(e))*	19,239
Consideration received in cash after the Suzhou Disposal Completion on 4 January 2013	19,239
Consideration receivable within one year after the Suzhou Disposal Completion	25,654
	64,132

(b) Disposal of available-for-sale equity investments:

On 31 January 2013, the Company terminated the co-operative agreement dated 18 June 2010 for the participation into the development and establishment of an environmental sludge treatment project in Jiangsu, China, and disposed of the Group's 4% equity and shareholder's loan interests in FIWRL ("Termination Agreement") to the shareholder who is currently interested in 96% equity and shareholder's loan interests in FIWRL. Pursuant to the Termination Agreement, the Company disposed of all the Group's interests and rights in FIWRL and its project at a total consideration of HK$1,943,120 which was equivalent to the carrying amount of the Group's investment as of 31 December 2012. There was no significant gain or loss arising from the disposal accounted for by the Group upon the completion.

44. RELATED PARTY TRANSACTIONS

(a) List of related parties

During the years ended 31 December 2012 and 2011, the Directors were of the view that the following companies were related parties to the Group:

Name of the related party	Relationship
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

(b) Transactions with related parties

		Group		Company	
	Note	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Recurring transactions					
Purchases of raw materials					
– China (HK) Chemical	(i)	**–**	12,960	**–**	–
Rental expenses					
– Sun Ngai	(ii)	**288**	288	**–**	–
Non-recurring transaction					
Loan interest payable					
– China (HK) Chemical	(iii)	**237**	6	**237**	4
– NUEL	(iv)	**689**	604	**689**	604

Notes:

(i) For the year ended 31 December 2012, the Group did not make any purchase from China (HK) Chemical. In 2011, the purchases were amounted to HK$12,960,000 from China (HK) Chemical pursuant to a supply contract dated 26 February 2009, which constituted continuing connected transactions with an annual cap amount 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 loans obtained as disclosed in note 34 to the financial statements.

(iv) Interest expenses were charged by NUEL for loans obtained as disclosed in note 35 to the financial statements.

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.

44. RELATED PARTY TRANSACTIONS (continued)

(c) Non-trade balances

Details of the Group's non-trade balances in connection with the related parties are set out in notes 34 and 35 to the financial statements.

(d) Guarantees

(i) As at 31 December 2012, the Group's bank borrowings of HK$30,035,000 (2011: HK$57,304,000) were secured by corporate guarantee provided by NUHL as disclosed in note 29(c) to the financial statements.

(ii) As at 31 December 2012, the Group's bank borrowings of HK$89,810,000 (2011: HK$94,604,000) were secured by personal guarantee provided by Mr. XI Yu, the chairman and executive Director of the Company as disclosed in notes 29(b), 29(c), 29(d), 29(e) and 29(f) to the financial statements.

(iii) As at 31 December 2012, the Group's bank borrowings of HK$12,000,000 (2011: Nil) were secured by personal guarantee provided by Ms. CHEUNG Siu Ling, the executive Director of the Company as disclosed in note 29(d) to the financial statements.

(iv) As at 31 December 2012, the Group's bank borrowings of HK$12,000,000 (2011: Nil) were secured by personal guarantee provided by Mr. SUEN Ki, the non-executive Director of the Company as disclosed in note 29(d) to the financial statements.

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group and the Company, including amounts paid to the Directors of the Company as disclosed in note 14 and certain of the highest paid individual as disclosed in note 15 to the financial statements, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Continuing operations		
Salaries and other benefits	**6,863**	7,583
Retirement scheme contributions	**68**	69
Discretionary bonuses	**6,685**	4,672
	13,616	12,324

45. 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 maximise the return to shareholders;

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

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

45. CAPITAL RISK MANAGEMENT (continued)

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 maintain its gearing ratio to less than 50%.

The gearing ratios as at 31 December 2012 and 2011 were as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Current liabilities		
Interest-bearing bank borrowings	**92,872**	82,997
Trade payables	**1,087**	14,610
Accrued liabilities and other payables	**48,401**	42,203
Deposits received from customers	**1,449**	10,415
Income tax payable	**2,999**	1,777
Amount due to a related company	**–**	2,794
Amount due to ultimate holding company	**5,000**	5,000
Liabilities of disposal group classified as held for sale	**19,641**	–
	171,449	159,796
Non-current liabilities		
Interest-bearing bank borrowings	**12,354**	45,528
Amount due to ultimate holding company	**54,636**	97,184
	66,990	142,712
Total debts	**238,439**	302,508
Less: Cash and cash equivalents		
– Continuing operations	**83,305**	128,542
– Discontinued operations	**27,907**	–
	111,212	128,542
Net debts	**127,227**	173,966
Total equity	**511,106**	442,844
Gearing ratio	**24.9%**	39.3%

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

46. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include loans and receivables, available-for-sale equity investments, and liabilities measured at amortised cost. The carrying amount of each category of the Group's financial assets and liabilities recognised at 31 December 2012 and 2011 are as follows.

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

	Group	
	2012	2011
	HK$'000	HK$'000
(i) Financial assets		
Loans and receivables at amortised cost		
Trade and bills receivables	**41,234**	40,008
Other receivables	**11,002**	3,118
Consideration receivable on disposal of discontinued operation	**–**	31,208
Compensation receivable	**11,100**	–
Cash and cash equivalents	**83,305**	128,542
Available-for-sale financial assets		
Available-for-sale equity investments	**55,026**	57,926
	201,667	260,802

	Group	
	2012	2011
	HK$'000	HK$'000
(ii) Financial liabilities		
At amortised cost		
Interest-bearing bank borrowings	**105,226**	128,525
Trade payables	**1,087**	14,610
Accrued liabilities and other payables	**48,401**	42,203
Deposits received from customers	**1,449**	10,415
Amount due to a related company	**–**	2,794
Amount due to ultimate holding company	**59,636**	102,184
	215,799	300,731

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 headquarters in Hong Kong monitors and manages the risk exposures to ensure appropriate measures are implemented in a timely and effective manner.

46. 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 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 2012, approximately 0.4% (2011: 0.2%) and 10.3% (2011: 11.5%) of the Group's sales were denominated in US$ and EUR respectively which were mainly attributable to discontinued operations.

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 2012

	Group		Company	
	US$'000	EUR'000	US$'000	EUR'000
Monetary financial assets				
Trade and bills receivables	–	–	–	–
Other receivables	10	–	10	–
Cash and cash equivalents	226	2	133	–
	236	2	143	–
Monetary financial liabilities				
Interest bearing bank borrowings	3,875	–	–	–
Trade payables	–	–	–	–
Deposits received from customers	–	–	–	–
Amount due to a related company	–	–	–	–
Amount due to ultimate holding company	–	–	–	–
	3,875	–	–	–
Current net exposure	(3,639)	2	143	–

46. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

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	–	–	–
Deposits received from customers	253	9	–	–
Amount due to a related company	300	–	300	–
Amount due to ultimate holding company	3,357	–	3,357	–
	11,907	9	3,657	–
Current net exposure	(11,193)	11	(3,646)	–

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 2012 and 2011. Therefore, no hedging or similar measures had been implemented by the Group. At 31 December 2012 and 2011, the impact of the Group's and the Company's exposure to currency risk was minimal. Accordingly, no sensitivity analysis was presented.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (note 29 to the financial statements for details of these borrowings) and bank balances (note 28 to the financial statements for details of these deposits) and fair value interest rate risk in relation to fixed-rate borrowings from related parties (notes 34 and 35 to the financial statements). It is the Group's policy to keep its borrowing at floating rate of interests so as to minimise fair value interest rate risk in relation to fixed-rate bank borrowing. The Group has no significant interest-bearing assets apart from bank balances with their interest rate profile disclosed in note 28 to the financial statements. The interest rate profiles of the bank borrowings and loans from related parties are disclosed in notes 29, 34 and 35 to the financial statements respectively.

46. 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
(Decrease)/increase in profit after tax	**(1,052)**	(1,285)	**1,052**	1,285
(Decrease)/increase in total equity	**(1,052)**	(1,285)	**1,052**	1,285

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 2011.

Other price risk

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

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

Sensitivity analysis 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% (2011: 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.

46. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis of other price risk (continued)

	Group			
	+ 5% impact		– 5% impact	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Increase/(decrease) in profit after tax	**–**	–	**–**	–
Increase/(decrease) in total equity	**2,385**	2,516	**(2,385)**	(2,516)

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

Credit risk

As at 31 December 2012, 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 of the respective financial assets as stated in the consolidated statement of financial position as summarised below by key geographical locations:

	Group					
	By geographical locations					
	Mainland China		Other countries (including Hong Kong)		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Classes of financial assets						
Trade and bills receivables	**41,234**	36,913	**–**	3,095	**41,234**	40,008
Other receivables	**10,145**	2,840	**857**	278	**11,002**	3,118
Consideration receivable on disposal of discontinued operation	**–**	31,208	**–**	–	**–**	31,208
Compensation receivable	**11,100**	–	**–**	–	**11,100**	–
Cash and cash equivalents	**78,039**	122,657	**5,266**	5,885	**83,305**	128,542
	140,518	193,618	**6,123**	9,258	**146,641**	202,876
Financial assets of disposal group classified as held for sale						
– Other receivables	**25,147**	–	**–**	–	**25,147**	–
– Cash and cash equivalents	**27,907**	–	**–**	–	**27,907**	–
	53,054	–	**–**	–	**53,054**	–
	193,572	193,618	**6,123**	9,258	**199,695**	202,876

46. 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 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 Mainland China, which accounted for 98.6% (2011: 92.2%) of the total receivables (being the total classified under "Trade and bills receivables" and "Other receivables") as at 31 December 2012.

The Group has concentration of credit risk by customers as for 11.0% (2011: 21.9%) of the total receivables classified under "Trade and bills receivables" which were due from the Group's five largest customers and the largest customer respectively as at 31 December 2012.

Liquidity risk

The Group manages its liquidity through maintaining an 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. The Group has secured loan facilities of approximately HK$45,114,000 not yet drawn down by the Group as at 31 December 2012.

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 29 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.

46. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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 2012						
	Carrying amount HK$'000	Total undiscounted cash flows HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000
Financial liabilities							
Bank borrowings							
– at variable rate	**105,226**	**105,226**	**–**	**7,407**	**85,465**	**12,354**	**–**
Trade payables	**1,087**	**1,087**	**877**	**195**	**15**	**–**	**–**
Accrued liabilities and other payables	**48,401**	**48,401**	**44,411**	**–**	**3,990**	**–**	**–**
Deposits received from customers	**1,449**	**1,449**	**1,449**	**–**	**–**	**–**	**–**
Amount due to ultimate holding company	**59,636**	**59,636**	**–**	**–**	**5,000**	**54,636**	**–**
	215,799	**215,799**	**46,737**	**7,602**	**94,470**	**66,990**	**–**

	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 rate	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	–	–
Amount 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	–

46. FINANCIAL RISK MANAGEMENT (continued)

Fair value

Financial instruments carried at amortised cost

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

Fair value measurements recognised 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(highest level): fair value measured using quoted prices (unadjusted) in active markets for identical financial instruments

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

– Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data

During the years ended 31 December 2012 and 2011, there were no significant transfers between instruments in Level 1, Level 2 and Level 3.

	Group							
	2012				2011			
	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	**–**	**–**	**53,000**	**53,000**	–	–	55,900	55,900

There was dividend income in an aggregate of HK$2,962,000 (2011: HK$2,601,000) and fair value decrease of HK$2,647,000 (2011: HK$11,160,000), 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 2012.

47. 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 require 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 complies with the relevant regulations to ensure continuous renewal of the licenses concerned.

The Group's subsidiaries in the PRC have not incurred any significant expenditures for environmental remediation and are 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 their 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.

48. COMPARATIVE FIGURES

As a result of the application of HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" certain comparative figures were restated so as to present the results for the continuing operations and discontinued operations.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 19 March 2013.