NEW UNIVERSE INTERNATIONAL GROUP LIMITED
新宇國際實業（集團）有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code:8068

ANNUAL REPORT 2006

Corporate Information

BOARD OF DIRECTORS

Executive Directors
XI Yu *(Chairman)*
CHEUNG Siu Ling
HON Wa Fai
KUNG May Lan*

Non-Executive Directors
SUEN Ki

Independent Non-Executive Directors
CHAN Yan Cheong
YUEN Kim Hung, Michael
HO Yau Hong, Alfred

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

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

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

AUTHORISED REPRESENTATIVES
XI Yu
HON Wa Fai

COMPLIANCE OFFICER
XI Yu

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY
HON Wa Fai

AUDITORS
CCIF CPA Limited
Certified Public Accountants

* *Ms. KUNG May Lan resigned as executive director/managing director of the Company on 1 February 2007.*

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Rooms 2110-2112
Telford House
16 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICES

Principal
Bank of Bermuda (Cayman) Limited
P.O. Box 513 G.T.
3rd Floor British American Tower
Dr. Roy's Drive
Grand Cayman
Cayman Islands

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

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Industrial and Commercial Bank of China
Suzhou Wuzhong Branch
398 East Baodai Road
Wuzhong Zone, Suzhou City
Jiangsu Province
The People's Republic of China

STOCK CODE
8068

WEBSITE
www.nuigl.com

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

This annual report, for which the directors (the "Directors") of NEW UNIVERSE INTERNATIONAL GROUP LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this annual report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Chairman's Statement

To assure quality

To sustain growth

To exceed expectation

Chairman's Statement

On behalf of the board of directors (the "Board") of New Universe International Group Limited, I present to the shareholders the annual report of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2006.

For the year 2006, both turnover and gross profit of the Group improved, whereas the turnover and gross profit has increased respectively by 12.7% to approximately HK$68,099,000 (2005: approximately HK$60,442,000) and by 14.4% to approximately HK$11,803,000 (2005: approximately HK$10,313,000). However, the loss attributable to equity holders of the Company has increased to HK$11,210,000 (2005: approximately HK$5,683,000).

With the experience of another challenging year 2006, the following vision and missions have motivated the Group to improve continuously in the future:

Vision

To exceed expectations of customers, shareholders, employees, and suppliers by provision of effective, efficient and high quality management, and thus become a profitable organisation and the best mold supplier.

Missions

To ensure customers' goals are met and business with customers and suppliers is conducted in an efficient and effective manner.

To ensure working and production environment is maintained at a high quality and environmentally sound manner.

To sustain growth by business diversification.

BUSINESS REVIEW

Overview

The Group's core business sustained growth in terms of sales in 2006. Overall production flows on mold making and plastics injection were smooth and efficient. Sales of mold products and plastic products represented 76.5% and 23.5% respectively of the Group's turnover for the year ended 31 December 2006, as compared to 77.9% and 22.1% respectively in 2005.

Quality Control

The Board is committed to enhance quality control of its existing production facilities. Planning, assessments and training to gain certification to ISO/TS16949 standard are underway for the Group's subsidiaries in the Mainland China, Dongguan Smartech Tooling & Plastics Limited ("Dongguan Smartech") and Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe").

Performance of Smartech

Dongguan Smartech is a 100% owned injection molds and plastics manufacturer of the Group situated at the Pearl River Delta, Mainland China. As the key vendor and manufacturer of its foreign investor, Smartech Manufacturing Limited ("HK Smartech"), Dongguan Smartech sells its products both locally in the Mainland China and through HK Smartech to the overseas customers. HK Smartech and Dongguan Smartech (collectively referred to as "Smartech") are wholly owned subsidiaries of the Group, which has recorded total turnover for the year ended 31 December 2006 of HK$48,058,000 representing an increase of 7.0% as compared to 2005. Smartech with its core competence on plastic injection molds for domestic appliance, office equipment, medical equipment, automobile parts and kiddy wares restored its growth in terms of sales in 2006. Production lead-time and overall efficiency have improved after certain old machineries having been replaced during the year.

Performance of Suzhou New Universe

Suzhou New Universe is a 97% owned manufacturer of the Group situated at Changjiang River Delta, Mainland China. Suzhou New Universe manufactures and sells injection molds both locally and overseas, which has also launched plastics injection production since third quarter of 2006. Turnover of Suzhou New Universe for the year ended 31 December 2006 was HK$20,041,000 representing an increase of 29.0% as compared to 2005. Suzhou New Universe with its core competence on production of automobile parts and office equipment maintained stable growth in terms of sales in 2006.

Capital Re-organisation of the Company

On 8 December 2006, the Cayman Islands Court approved the capital re-organisation of the Company which became fully effective on 18 December 2006 ("Capital Re-organisation"). The Capital Re-organisation involved share consolidation, capital reduction, cancellation of share premium and share subdivision respectively on the then share capital of the Company. The Directors believed that completion of the Capital Re-organisation would provide better flexibility to the Company in conducting fund raising exercises for future expansion and would allow the Company to pay dividend when it makes profit in the future.

Investments and finance

During the year, the Group has incurred total capital expenditure amounted to HK$5,505,000, which were mainly for enhancing productivity of the two factories in the Mainland China by replacing certain old machineries of Dongguan Smartech and purchase of new machineries for Suzhou New Universe.

In January 2006, the Company has purchased a German made high speed milling machine with standard spindle speed at 42,000 rpm ("Machinery") at EUR205,000 (equivalent approximately to HK$2,034,000) which constituted a discloseable transaction of the Company under the GEM Listing Rules. The Machinery was originally planned for the use of Dongguan Smartech; but in June 2006, the Board decided to deliver the Machinery to Suzhou New Universe for enhancing its mold-making precision and productivity.

On 18 July 2006, a co-operative agreement ("Co-operative Agreement") was entered into between the Company and the China parties (comprising The District Government of Jingkou, Zhenjiang and State Owned Gongqingtuan Farm of Jiangsu Province) in relation to a property investment and development project to establish wholly foreign owned enterprises in Mainland China with total registered capital of USD25,000,000 (equivalent approximately to HK$194,000,000) ("Docks Project") to undertake construction of dock infrastructure and operation and development of dock and depot facilities in a parcel of vacant land with site area of around 3,100 mu (equivalent to approximately 2,066,665 sq. m.) in the Jingkou District, Zhenjiang City, Jiangsu Province, Mainland China. The Co-operative Agreement constituted a very substantial acquisition of the Company under the GEM Listing Rules. At an extraordinary general meeting of the Company held on 18 September 2006 ("EGM"), the implementation of the Co-operative Agreement and the Docks Project was approved by the Company's shareholders. To finance the Docks Project, the Company was granted interest free loans in an aggregate of USD5,400,000 (equivalent approximately to HK$41,904,000) ("Shareholder's Project Loans") from the Company's controlling shareholder, New Universe Enterprises Limited ("NUEL") up to 31 December 2006. Pursuant to the Co-operative Agreement, the Company injected the entire proceeds of the Shareholder's Project Loans as initial capital contributions into two newly established wholly foreign owned enterprises in Mainland China, namely, New Universe International (Zhenjiang) Port Company Limited（新宇國際（鎮江）港務有限公司）and New Universe International (Zhenjiang) Warehouses Company Limited（新宇國際（鎮江）倉儲有限公司）. On 28 September 2006, New Universe International (Zhenjiang) Port Company Limited has made payment of RMB20,000,000 (equivalent approximately to HK$19,324,000) to the Zhenjiang Jingkou local authority as deposit for the development of the Docks Project. The construction feasibility studies are still underway as of the date of this annual report. The Company has obtained a letter of intent from a bank in the Mainland China which indicated its intention to finance the Docks Project subject to the approval by the relevant authorities. In addition, a related company, China (HK) Chemical & Plastics Co. Limited also agreed to provide financial support to the Docks Project.

Subsequent to the year-end date on 19 January 2007, the Company completed a fund raising exercise by rights issue of 1,042,720,000 rights shares at a subscription price of HK$0.10 each on the basis of seven rights shares for every share held on 28 December 2006 ("Rights Issue"). The net proceeds of the Rights Issue (after deduction of expenses) were approximately HK$103,000,000, but the amount of cash received by the Company from the Rights Issue was approximately HK$56,880,000; as the amount of HK$46,124,400 payable by the Company's controlling shareholder, NUEL, was being capitalised and offset on a dollar-to-dollar basis against interest free shareholder's loans (including the aforementioned Shareholder's Project Loans) granted to the Company.

PROSPECTS

The business environment for mold making and plastics industries has been competitive in recent years. Improvement in overall performance of the Group in the future will be closely tied to (i) the continuous betterment of the productivity, engineering technology and quality control of Group, (ii) feasible business plan to sustain growth and diversification to be implemented, and (iii) acquiring profitable opportunities to the Group.

The Group's mold making facilities in Dongguan Smartech and Suzhou New Universe contain the latest state-of-the-art mold making equipment and technology. The Group's engineering and production teams provide design services, sophisticated engineering and project management. In-process quality control on manufacturing of our own molds and plastics ensures competitive pricing and reduced lead-time. From conceptual prototype to final product packaging and shipment, the Group's facilities provide complete value chain to satisfy customers' need.

With the existing production facilities in Dongguan Smartech and Suzhou New Universe, the Group is expected to strengthen its customer network on mold making and plastics industries surrounding both the Pearl River Delta and the Changjiang River Delta in the Mainland China. The Board considers Dongguan Smartech and Suzhou New Universe are complimentary to each other. On the other hand, the Group has also set up an experienced management team to facilitate the implementation of the Project for developing port and warehouses in Zhenjiang, Mainland China. The Board remains confident in sustainable growth of the Group in the future and that the Group's performance will be better in the coming year.

By Order of the Board

XI Yu
Chairman

Hong Kong, 21 March 2007

FINANCIAL REVIEW

The Group's turnover was HK$68,099,000 for the year ended 31 December 2006, reflecting a increase of 12.7% from HK$60,442,000 for last year. Two factories of the Group in Dongguan Smartech and Suzhou New Universe contributed 70.6% and 29.4% respectively to the Group's turnover in 2006. The gross profit of the Group in 2006 increased by 14.4% to HK$11,803,000 as compared to HK$10,313,000 in 2005. With tight control on production cost in current year, gross profit margin was kept at 17.3% in 2006 as compared to last year of 17.1%.

The Group's selling and distribution costs decreased by 3.5% to HK$5,306,000 in current year, representing 7.8% to the Group's turnover in 2006, as compared to HK$5,499,000 in last year that representing 9.1% to the turnover in 2005. The current decrease in selling and distribution expenses was mainly attributable to decrease in expenses for after sales services during the year.

The Group's administrative expenses increased by 8.0% to HK$13,271,000 in current year, representing 19.5% to the Group's turnover in 2006, as compared to HK$12,292,000 in last year that representing 20.3% to the turnover in 2005. The current increase in administrative expenses was mainly attributable to increases in administrative staff costs and staff welfare of the Group in Mainland China during the year.

The Group's other operating expenses slightly decreased to HK$5,884,000 in current year, representing 8.6% to the Group's turnover in 2006, as compared to HK$4,180,000 in last year that representing 6.9% to the turnover in 2005. The current increase in other operating expenses was mainly attributable to increases in repairs and maintenance costs, provision for impairment losses on inventories and trade receivables during the year.

The total finance costs of the Group increased by 31.9% to HK$1,046,000 in 2006 as compared to




HK$793,000 in 2005. The increase was mainly attributable to increase in interest on import loans for financing extended lead-time of certain projects and increase in interest rate during 2006.

The Group's net loss attributable to equity holders for the year ended 31 December 2006 was HK$11,210,000 as compared to loss of HK$5,683,000 in 2005. Basic loss per share was Hong Kong cents 6.21 for the year 2006 as compared to basic loss per share (as restated) of Hong Kong cents 3.15 for last year. The increase in net loss in current year was mainly attributable to the decrease in other revenue and increase in other operating expenses in 2006.

Segment results

Details of segment results of the Group are set out in note 3 to the financial statements.

Save as disclosed in the financial statements, sales distribution by business and geographical area has changed slightly during the year under review. The sales distribution by mold products and plastic products was 76.5% and 23.5% respectively. The sales distribution for Mainland China (excluding Hong Kong and Taiwan), Hong Kong, European countries, North America and others (including Taiwan) was 28.5%, 11.5%, 35.0%, 9.3% and 15.7% respectively.

Net profit/loss from ordinary activities attributable to equity holders

The Group made a loss from ordinary activities attributable to equity holders of HK$11,210,000 for the year ended 31 December 2006, whereas the loss for the year 2005 was HK$5,683,000.

Employee information

As at 31 December 2006, the Group employed 603 (2005: 661) full-time employees both in Hong Kong and the Mainland China.

Total staff and labour costs of the Group (excluding directors' remuneration but including amount capitalized as inventory) was HK$15,970,000 for the year ended 31 December 2006, a 3.7% decrease from HK$16,580,000 for 2005. The decrease was mainly attributable to reduction in headcount of two factories in Mainland China during the year.

Employees' remuneration packages were structured in commensurate with individual's responsibility, qualifications, experience and performance and remained competitive prevailing the markets rates. The Group provided other fringe benefits such as discretionary bonus, medical insurance, mandatory provident fund, share options and necessary training and development. The Group has provided management skills workshops, practical seminars for knowledge update and on-the-job training to its employees during the year. The Group has a share option scheme in force but no share option was granted during the year under review.

Liquidity and financial resources

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

As at 31 December 2006, the Group had total cash and bank balances of HK$29,155,000 (2005: HK$12,953,000) and had total outstanding borrowings of approximately HK$78,578,000 (2005: HK$25,339,000) as follows:

(i) secured bank borrowings of approximately HK$8,695,000 (2005: HK$8,111,000);

(ii) unsecured bank borrowings of approximately HK$7,515,000 (2005: HK$4,808,000);

(iii) finance lease payables of approximately HK$601,000 (2005: HK$2,368,000);

(iv) non-interest bearing loan from a related company, China (HK) Chemical and Plastics Company Limited ("China (HK) Chemical"), of approximately HK$2,000,000 (2005: Nil); and

(v) non-interest bearing loans from the Company's controlling shareholder, NUEL, of approximately HK$59,767,000 (2005: HK$10,052,000).

Out of the total outstanding borrowings as at 31 December 2006, approximately HK$21,064,000 (2005: HK$14,687,000) was repayable within one year.

Gearing ratio

As at 31 December 2006, the Group's gearing ratio was 80.7% (2005: 59.7%), representing total liabilities of HK$102,621,000 (2005: HK$54,464,000) divided by total assets of HK$127,108,000 (2005: HK$91,296,000).

Capital structure

On 8 December 2006, the Cayman Islands Court approved the Capital Re-organisation of the Company that became fully effective on 18 December 2006. Upon the Capital Re-organisation became effective, share capital of the Company were undergone changes as follows:

(i) Share consolidation

Immediately following the share consolidation became effective, the 1,489,600,000 shares of HK$0.05 each at par then in issue were consolidated into 148,960,000 shares of HK$0.50 each at par of the Company. The authorised share capital of the Company remained at HK$1,000,000,000 comprised 2,000,000,000 consolidated shares of HK$0.50 each.

(ii) Capital reduction and share premium cancellation

When the capital reduction became effective, it involved a reduction of the nominal value of the consolidated shares from HK$0.50 per consolidated share to HK$0.01 per adjusted share by reducing the paid up capital to the extent of HK$0.49 on each of the then issued consolidated shares that gave rise to a total credit of HK$72,990,400 based on the 148,960,000 consolidated shares then in issue.

The share premium cancellation involved the cancellation of the entire amount of approximately HK$27,847,000 standing to the credit of the share premium account of the Company as at 31 December 2005.

The credits of approximately HK$100,837,000 arising from the capital reduction and the share premium cancellation were credited as distributable reserve account of the Company. The distributable reserve account of the Company were increased to approximately HK$158,915,000 after the balance of the contributed surplus of the Company of approximately HK$58,078,000 as at 31 December 2005 was transferred to the distributable reserve account.

The whole balance of the distributable reserve account of the Company amounted to approximately HK$158,915,000 was set off against the accumulated losses of the Company as at 31 December 2005 of approximately HK$100,837,000 and might be applied in such manner as permitted by, and subject to, the laws of Cayman Islands and the articles of association of the Company.

(iii) Share subdivision

Each of the total of 1,851,040,000 then authorised but unissued consolidated shares were subdivided into 99,851,040,000 unissued adjusted shares.

Upon completion of the Capital Re-organisation of the Company on 18 December 2006, the authorised share capital of the Company was HK$1,000,000,000 divided into 100,000,000,000 adjusted shares of HK$0.01 each, and the issued share capital was HK$1,489,600 divided into 148,960,000 adjusted shares of HK$0.01 each.

Save as disclosed, there was no other material change in the capital structure of the Company for the year ended 31 December 2006.

Material acquisition and disposals of subsidiaries

On 18 July 2006, a Co-operative Agreement was entered into between the Company and the China parties (comprising The District Government of Jingkou, Zhenjiang and State Owned Gongqingtuan Farm of Jiangsu Province) in relation to the Docks Project in the Jingkou District, Zhenjiang City, Jiangsu Province, Mainland China that wholly foreign owned enterprises in Mainland China ("WFOEs") with total registered capital of USD25,000,000 (equivalent approximately to HK$194,000,000) were established. The Co-operative Agreement constituted a very substantial acquisition of the Company under the GEM Listing Rules. At an EGM of the Company held on 18 September 2006, the implementation of the Co-operative Agreement and the Docks Project was approved by the Company's shareholders. Pursuant to the Co-operative Agreement, two WFOEs were established in Mainland China, namely, New Universe International (Zhenjiang) Port Company Limited (新宇國際(鎮江)港務有限公司) and New Universe International (Zhenjiang) Warehouses Company Limited (新宇國際(鎮江)倉儲有限公司) with registered capital of USD15,000,000 and USD10,000,000 respectively.

Save as disclosed, 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 2006.

Charges on Group assets

As at 31 December 2006, the Group pledged its interest in leasehold land under operating lease in the Mainland China with a carrying value of HK$2,122,000 (2005: HK$2,158,000), and property, plant and equipment with carrying value of HK$8,092,000 (2005: HK$8,460,000) to a bank in Mainland China to secure bank borrowings to the extent of RMB9,000,000 or equivalent to HK$8,696,000 (2005: HK$8,654,000) granted to the Group.

Exposure to exchange rate fluctuations

During the year ended 31 December 2006, the Group experienced minimal fluctuation on exchange rates as the Group's business was conducted and most of its monetary assets and liabilities were denominated in Hong Kong Dollars, United States Dollars and Chinese Renminbi Yuan. Though Chinese Renminbi Yuan has been appreciated throughout the year 2006 relative to both Hong Kong Dollars and United States Dollars, the appreciation mainly captured slight decrease in translation reserves arising on equity investments in Mainland China and increase in loss on exchange arising on conversion of trade receipts in United States Dollars and Hong Kong Dollars to settle manufacturing costs denominated in Chinese Renminbi Yuan. The Group considered that as the exchange rate risk of the Group was considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Contingent liabilities

There were no significant contingent liabilities of the Group as at 31 December 2006 (2005: Nil).

DIRECTORS

Executive Directors

XI Yu (Age 49)

Chairman and Compliance Officer

Mr. XI was appointed executive director of the Company on 7 June 2002. Mr. XI is the chairman of the Company's board of directors and is responsible for corporate strategic planning and development of the Group, and he has also taken up the role of managing director of the Group since 1 February 2007. He graduated from the Chemistry Department of the University of Beijing in 1980. Mr. XI is the director and major shareholder of the Company's controlling shareholder, NUEL, and is also a director of China (HK) Chemical. He has over 20 years' experience in the plastics industry both in Hong Kong and the Mainland China.

CHEUNG Siu Ling, Candy (Age 45)

Group Director

Ms. CHEUNG was appointed executive director of the Company on 1 April 2005. Ms. CHEUNG is also director of all principal subsidiaries of the Group. She is responsible for business administration and human resources management of the Group. She holds a Master's degree of Business Administration from the University of South Australia. Ms. CHEUNG is the director and minority shareholder of the Company's controlling shareholder, NUEL, and is also a director of China (HK) Chemical. She has over 15 years' experience in business administration in the commercial fields of manufacturing and trading.

HON Wa Fai, Kenneth (Age 46)

Executive Director, Financial Controller, Qualified Accountant and Company Secretary

Mr. HON joined the Group in September 2004 as financial controller. Mr. HON was appointed company secretary and qualified accountant of the Company on 6 October 2004, and was appointed executive director of the Company on 28 September 2006. He is responsible for accounting, finance and company secretarial functions of the Group. He holds Master of Business Administration from the University of Strathclyde, Master of Professional Accounting from the Hong Kong Polytechnic University, and Master of Applied Finance 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 also an associate both of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 20 years' experience in accounting, auditing, taxation and finance.

KUNG May Lan, Camille (Age 54)

Managing Director

Ms. KUNG was appointed executive director of the Company on 1 April 2005. Ms. KUNG was appointed general manager of the Group and director of Dongguan Smartech Tooling and Plastics Limited in 2005. Ms. KUNG was seconded by the Group's controlling shareholder, NUEL, and was responsible for the sales and marketing, research and development and production functions of the Group. She holds a Bachelor's degree from the National Taiwan Normal University in Taiwan and a Diploma of Education in Teaching from the Chinese University of Hong Kong. Ms. KUNG has more than 13 years of teaching experience in Hong Kong; and she also has more than 15 years' experience in production planning and control, materials and inventory management in multinational electronics corporations in California, the United States of America. Ms. KUNG resigned from all positions of the Group with effect from 1 February 2007.

Non-executive Directors

SUEN Ki (Age 54)

Mr. SUEN Ki was appointed non-executive director of the Company on 28 September 2006. Mr. SUEN is the managing director of China (HK) Chemical and Plastics Limited and a director of Hong Kong Plastic Material Suppliers Association Limited. Mr. SUEN holds a Bachelor's degree of Arts from the National Taiwan University, Taiwan, in the Department of Foreign Languages and Literature. Mr. SUEN has over 25 years' experience in plastics industry in Hong Kong, Taiwan and the Mainland China.

Independent non-executive Directors

CHAN Yan Cheong (Age 53)

Prof. CHAN was appointed independent non-executive director of the Company on 17 November 1999. He holds a Ph.D. degree in Electrical Engineering from Imperial College of Science and Technology, University of London and a Master's degree in Business Administration from the University of Hong Kong. Prof. CHAN is the fellow of The Hong Kong Institution of Engineers (Electronics & Material Divisions), the Institution of Electrical Engineers (HK), and the Institute of Electrical and Electronics Engineers (USA). He is a chartered engineer. Prof. CHAN is currently a chair professor in the Department of Electronic Engineering of the City University of Hong Kong and a director of the Center for Electronic Packaging and Assemblies, Failure Analysis and Reliability Engineering (EPA Centre). He has provided consultancy in the areas of advanced electronics manufacturing, failure analysis and reliability engineering for over 15 years.

YUEN Kim Hung, Michael (Age 45)

Mr. YUEN was appointed independent non-executive director of the Company on 24 April 2002. He holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic University. He is a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of Certified General Accountants Association of Ontario, and is also a fellow member of Association of Chartered Certified Accountants. Mr. YUEN is practicing in Hong Kong in this own accounting firm. He has over 20 years' experience in accounting, taxation and auditing. Mr. YUEN is also an independent non-executive director of Prosperity International Holdings (H.K.) Limited, a GEM listed company in Hong Kong.

HO Yau Hong, Alfred (Age 49)

Mr. HO was appointed independent non-executive director of the Company on 30 September 2004. He holds an honor degree in Bachelor of Commerce. He is a practising fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, and a fellow of the Taxation Institute of Hong Kong. Mr. HO is also a Canadian chartered accountant. He was a part-time professor with Algonquin College, Ottawa, Canada in accounting and auditing. Mr. HO has over 20 years' experience in accounting, auditing and taxation. Mr. HO is practicing in Hong Kong in his own accounting firm. He is currently a facilitator of the Qualification Program in accounting, auditing and taxation, and is a taxation committee member of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

WONG Lai Wa, Iris (Age 35)

Deputy General Manager

Ms. WONG was appointed deputy general manager of the Group in June 2006. Ms. WONG has been working for NUEL since January 2001. Ms. WONG is responsible for purchasing, logistics and inventory control functions of the Group. She holds a Diploma in Business Management from the Chinese University of Hong Kong. Ms. WONG has over 10 years' experience in finance, accounting and business administration.

Ramiz Hani AMMARI (Age 34)

Sales and Marketing Manager

Mr. AMMARI joined the Group in March 2004. Mr. AMMARI is responsible for sales and marketing functions for the overseas markets of the Group. He holds a Bachelor's degree in Industrial Engineering/ Manufacturing and Production from Jordan University in Jordan. He has over 10 years' experience in sales and marketing in the molding and plastics industries.

The Directors submit herewith their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2006.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacturing and sale of high precision molds and plastic products, with details and other particulars set out in note 14 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the year are set out in note 3 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

China (HK) Chemical was one of the Group's five largest suppliers in current year. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors both of the Company and China (HK) Chemical, and they are also interested in the issue share capital of the Company's controlling shareholder, NUEL, with details disclosed hereinafter.

Save as disclosed, at no time during the year have the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest in the these major customers or suppliers.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2006 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 34 to 81.

TRANSFER TO RESERVES

Loss attributable to equity holders of the Company of HK$11,210,000 for the year ended 31 December 2006 (2005: HK$5,683,000) have been transferred to reserves. Other movements in the reserves of the Company and the Group are set out in note 25 to the financial statements.

The Board of directors of the Company does not recommend the payment of any dividend for the year ended 31 December 2006 (2005: Nil).

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 24 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and the Group during the year are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2006 are set out in note 14 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2006 are set out in notes 19, 21 to 23 to the financial statements.

POST BALANCE SHEET EVENT

Details of post balance sheet event subsequent to 31 December 2006 are set out in note 30 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for last five financial years is set out on page 82 of this annual report.

DIRECTORS

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

Executive Directors:

XI Yu *(Chairman)*
CHEUNG Siu Ling
HON Wa Fai (appointed on 28 September 2006)
KUNG May Lan (resigned on 1 February 2007)

Non-Executive Director:

SUEN Ki (appointed on 28 September 2006)

Independent Non-Executive Directors:

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

In accordance with articles 86(3) of the Company's articles of association, Mr. HON Wa Fai and Mr. SUEN Ki shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

CONFIRMATION OF INDEPENDENCE

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

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 12 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The tenure of office of each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is for a period of two years commencing 1 February 2005 and their respective tenure has been renewed for further two years commencing 1 February 2007. Each of Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is subject to retirement or rotation in accordance with the Company's articles of association.

Save as disclosed above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31 December 2006, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance ("SFO")) as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors under the GEM Listing Rules, were as follows:

(1) Long positions in issued shares of the Company

	Number of ordinary shares of HK$0.01 each				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total number of shares held**	**% of total shares in issue**
XI Yu ("Mr. XI")*	–	–	102,048,100	102,048,100	68.51

Note:

* Mr. XI is the shareholder of 16,732 shares of USD1.00 each in New Universe Enterprises Limited ("NUEL"), representing 83.66% of the issued share capital of NUEL, which, in turn holds 102,048,100 shares of the Company representing approximately 68.51% of the issued share capital of the Company.

(2) Long positions in issued shares of an associated company, NUEL

	Number of ordinary shares of USD1.00 each				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total number of shares held**	**% of total shares in issue**
Mr. XI	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 2006, none of the directors and chief executive of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors under the GEM Listing Rules.

SHARE OPTION SCHEME

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

Under the rules of the Share Option Scheme:

(1) the maximum numbers of the Company's shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes (excluding those options that have already been granted by the Company prior to the date of approval of the Share Option Scheme and those options that have lapsed in accordance with the terms of the Share Option Scheme) shall not, in aggregate, exceed the scheme mandate limit; and

(2) the maximum numbers of the Company's shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes shall not, in any event and in aggregate, exceed 30 per cent. of the Company's shares in issue from time to time.

For options to be granted under the Share Option Scheme, the exercise price of options is the highest of:

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

(2) the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited on the date of grant; and

(3) the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant.

The total number of securities available for issue under the Share Option Scheme as at 31 December 2006 was 14,896,000 shares 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 28 April 2006 having taken into effect of the share consolidation of the Company completed on 18 December 2006.

At 31 December 2006, no options have been granted under the Company's Share Option Scheme adopted on 10 December 2003.

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

As at 31 December 2006, persons or corporations who have interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in issued shares of the Company

	Number of ordinary shares of HK$0.01 each				
Substantial shareholder	**Personal interests**	**Family interests**	**Corporate interests**	**Total number of shares held**	**% of total shares in issue**
NUEL	102,048,100	–	–	102,048,100	68.51
Mr. XI	–	–	102,048,100*	102,048,100	68.51

Note:

* The interest disclosed by Mr. XI is the same as the 102,048,100 shares disclosed by NUEL.

Save as disclosed above, as at 31 December 2006, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFCIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to 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.

DIRECTORS' INTERESTS IN CONTRACTS

Mr. XI, Ms. CHEUNG Siu Ling and Mr. SUEN Ki, being directors of the Company, were interested in the following contracts or arrangements which were subsisting as at 31 December 2006 and significant to the business of the Group:

(a) The Group purchased raw materials from China (HK) Chemical, a company in which Mr. XI, Ms. CHEUNG Siu Ling and Mr. SUEN Ki being the common directors, in its ordinary course of business and on normal commercial terms no less favourable than those available from other independent third parties to the Group. For the year ended 31 December 2006, the purchase amounted to HK$1,409,000 (year ended 31 December 2005: HK$230,000).

(b) On 30 November 2004, a loan agreement was entered into between Bestwin (China) Limited ("Bestwin", the Group's 97% owned subsidiary) as the borrower and NUEL as the lender, pursuant to which NUEL granted an unsecured interest-free loan of USD450,000 (approximately HK$3,510,000) to Bestwin. The loan was repaid on 7 July 2006. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

(c) On 20 October 2005, a loan agreement was entered into between Bestwin as the borrower and NUEL as the lender, pursuant to which NUEL granted an unsecured interest-free loan of USD290,000 (approximately HK$2,262,000) to Bestwin. The loan was repaid on 3 January 2007. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

(d) On 30 December 2005, NUEL granted an unsecured interest-free revolving loan facility of HK$5,000,000 to the Company. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

(e) On 9 January 2006, a loan agreement was entered into between HK Smartech as borrower and China (HK) Chemical as lender for an interest-bearing loan of HK$2,000,000. The loan was repayable within 6 months from the date of the loan agreement in 5 equal monthly instalments of HK$400,000 each and bearing interest at prime lending rate (as quoted by HSBC in Hong Kong) minus 2% per annum. The loan was fully repaid on 10 July 2006. The financial assistance provided by China (HK) Chemical was an exempted connected transaction under the GEM Listing Rules.

(f) On 21 August 2006, NUEL granted an unsecured interest-free loan of EUR205,000 (equivalent to HK$1,927,000) to the Company, which was repayable on demand or before 22 August 2007. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

(g) On 30 August 2006, NUEL granted an unsecured interest-free loan of HK$1,000,000 to the Company, which was repayable on demand or before 31 August 2007. The loan was capitalised as subscription to the Rights Issue on 19 January 2007. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

(h) On 18 September 2006, NUEL granted an unsecured interest-free loan of USD3,000,000 (equivalent to HK$23,280,000) to the Company, which was repayable on demand or before 19 September 2007. The loan was used to finance the initial capital contributions to the WFOEs established in the Mainland China. The loan was capitalised as subscription to the Rights Issue on 19 January 2007. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

(i) On 10 October 2006, China (HK) Chemical granted an unsecured interest-free loan of HK$2,000,000 to the Company, which was repayable on demand and was being used for working capital purposes. The loan was repaid on 3 January 2007. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

(j) On 15 November 2006, NUEL granted an unsecured interest-free loan of USD1,400,000 (equivalent to HK$10,864,000) to the Company, which was repayable on demand or before 16 November 2007. The loan was used to finance the initial capital contribution to New Universe International (Zhenjiang) Warehouses Company Limited（新宇國際（鎮江）倉儲有限公司）established in the Mainland China. The loan was capitalised as subscription to the Rights Issue on 19 January 2007. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

(k) On 1 December 2006, NUEL granted an unsecured interest-free loan of USD215,000 (equivalent to HK$1,668,400) to the Company, which was repayable on demand or before 2 December 2007. The loan was used to finance additional capital contribution to Dongguan Smartech. The loan was capitalised as subscription to the Rights Issue on 19 January 2007. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

(l) On 6 December 2006, NUEL granted an unsecured interest-free loan of USD200,000 (equivalent to HK$1,552,000) to the Company, which was repayable on demand or before 7 December 2007. The loan was used to finance the additional capital contribution to Suzhou New Universe. The loan was capitalised as subscription to the Rights Issue on 19 January 2007. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

(m) On 18 December 2006, NUEL granted an unsecured interest-free loan of USD1,000,000 (equivalent to HK$7,760,000) to the Company, which was repayable on demand or before 19 December 2007. The loan was used to finance the initial capital contributions to New Universe International (Zhenjiang) Port Company Limited (新宇國際（鎮江）港務有限公司) established in the Mainland China. The loan was capitalised as subscription to the Rights Issue on 19 January 2007. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

(n) On 29 December 2006, NUEL granted an unsecured interest-free loan of HK$5,300,000 to the Company, which was repayable on demand or before 31 December 2007. The financial assistance provided by NUEL was an exempted connected transaction under the GEM Listing Rules.

Save as disclosed, as at 31 December 2006, none of the directors of the Company is materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at 31 December 2006, the Directors were not aware of any business or interest of the Directors or any management shareholder (as defined under the GEM Listing Rules) of the Company and their respective associates that had completed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

AUDITORS

Ernst & Young have acted as auditors of the Company for the years ended 31 December 2003. On 6 December 2004, Ernst & Young resigned as auditors of the Company. At an extraordinary general meeting of the Company held on 28 December 2004, an ordinary resolution was duly passed by the shareholders of the Company approving the appointment of CCIF CPA Limited as auditors of the Company to fill the casual vacancy.

CCIF CPA Limited retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

XI Yu
Chairman

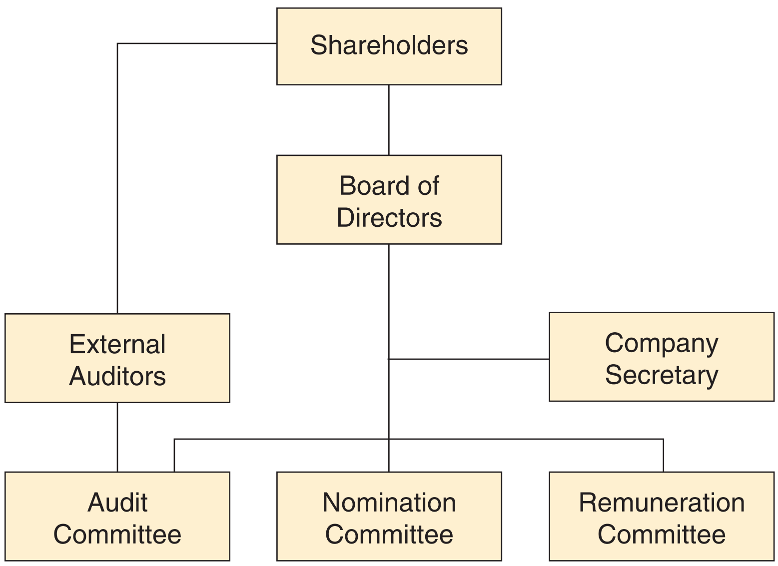
Hong Kong, 21 March 2007

CORPORATE GOVERNANCE PRACTICES

The Company is committed to upholding good standard of corporate governance to ensure transparency and quality of disclosure and effective risk control. Every effort will be undertaken by the board of directors to comply with the principles and practice in order to protect and enhance the benefits of Company's shareholders.

In the opinion of the directors, the Company has complied with the Code of Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2006.

Organisation structure in relation to corporate governance of the Company:



DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry of all directors, the Directors of the Company have complied with the required standard of dealings set out in the GEM Listing Rules throughout the year ended 31 December 2006.

BOARD OF DIRECTORS

(a) Board composition

As at 31 December 2006, the Board comprised eight members, four of them are executive directors (one of them has resigned thereafter on 1 February 2007), one of them is non-executive director, and three of them are independent non-executive directors, serving the role of guiding the management.

The Board members for the year ended 31 December 2006 were: -

Chairman
Mr. XI Yu

Executive directors
Ms. CHEUNG Siu Ling
Mr. HON Wa Fai
Ms. KUNG May Lan

Non-executive directors
Mr. SUEN Ki

Independent non-executive directors
Dr. CHAN Yan Cheong
Mr. YUEN Kim Hung, Michael
Mr. HO Yau Hong, Alfred

(b) Role and function

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The Directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as and when necessary, Directors will consent to the seeking of independent professional advice at the Group's expense, ensuring the board procedures, all applicable rules and regulations, are followed.

The Board gives clear directions as to the power delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management 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.

For the year ended 31 December 2006, the Board:-

(i) reviewed and approved the annual report for the year ended 31 December 2005;

(ii) reviewed the general mandates to issue and repurchase shares of the Company, proposed refreshing of the scheme mandate limit to grant options under the Share Option Scheme and proposed re-election of retiring directors;

(iii) reviewed and approved the quarterly report for the 3 months ended 31 March 2006;

(iv) reviewed and approved the interim results for 6 months ended 30 June 2006 as reviewed by independent accountants, CCIF CPA Limited;

(v) reviewed and approved conditionally the entering into a very substantial acquisition, proposed capital re-organisation, proposed rights issue, and proposed amendments to articles of association of the Company;

(vi) reviewed and approved the quarterly report for 9 months ended 30 September 2006;

(vii) reviewed effective internal control taken by the Group; and

(viii) reviewed and approved the appointment of new executive director, Mr. HON Wa Fai and new non-executive director, Mr. SUEN Ki.

Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors and shareholders of the Company's controlling shareholder, NUEL. They are also directors of China (HK) Chemical and Plastics Company Limited, with which the Group has conducted business in current year. Save as disclosed and to the best knowledge of the Company, there is no other financial, business and family relationship among members of the Board and between the chairman and the chief executive officer (or the managing director). All of them are free to exercise their independent judgment.

(c) Meeting records

There were 27 board meetings comprised general board meetings, working committee meetings and independent board committee meetings held for the year ended 31 December 2006.

The following was an attendance record of the board meetings held by the Board during the year:

	Number of meetings attended/held			
Board member	**Board meeting**	**Working committee meeting**	**Independent board committee meeting**	**Overall**
Mr. XI Yu	18/19	7/7	0/1	25/27
Ms. KUNG May Lan*	19/19	5/7	0/1	24/27
Ms. CHEUNG Siu Ling	19/19	7/7	0/1	26/27
Mr. HON Wa Fai**	8/19	2/7	0/1	10/27
Mr. SUEN Ki**	8/19	1/7	0/1	9/27
Dr. CHAN Yan Cheong	19/19	0/7	1/1	20/27
Mr. YUEN Kim Hung, Michael	19/19	0/7	1/1	20/27
Mr. HO Yau Hong, Alfred	19/19	0/7	1/1	20/27

* *Ms. KUNG May Lan resigned as the Company's Board member on 1 February 2007.*

** *Mr. HON Wa Fai and Mr. SUEN Ki were appointed as the Company's Board members on 28 September 2006.*

(d) Independent non-executive directors

All independent non-executive directors are financially independent from the Company and any of its subsidiaries.

The Company confirmed with all non-executive directors as to their independence with reference to the factors as set out in Rule 5.09 of the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and the managing director (acting as in the capacity of the Company's chief executive officer) were Mr. XI Yu and Ms. KUNG May Lan respectively for the year ended 31 December 2006.

The chairman's responsibility is to manage the Board and the managing director's responsibility (in the capacity of chief executive officer) is to manage the Company's business. The division of responsibilities between the chairman and managing director of the Company is clearly established.

NON-EXECUTIVE DIRECTORS

The tenure of office of each of the Company's independent non-executive directors, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is for a period of two years commencing 1 February 2005, and their respective tenure has been renewed for another two years commencing 1 February 2007. Each appointment of the Company's independent non-executive directors, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred is subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

Mr. SUEN Ki has not entered into any service contract with the Company. His office as non-executive director of the Company is not appointed for a specific term though he is subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:

- Audit Committee
- Nomination Committee
- Remuneration Committee

Each Board Committees makes decisions on matters within its term of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

(a) Audit Committee

In May 2000, the Company's audit committee had been established with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules.

Composition of audit committee

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

Role and function

The audit committee is mainly responsible for:

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

(ii) to review the draft financial statements, including but not limited to, draft annual report, interim report, and quarterly reports, before submission to, and providing advice and comments thereon on to, the Board of directors;

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

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

Meeting records

The audit committee had 4 meetings during the year ended 31 December 2006 mainly for the purposes as follows:

(i) reviewed the annual report for the year ended 31 December 2005,

(ii) reviewed the interim results for 6 months ended 30 June 2006 as reviewed by independent accountants, CCIF CPA Limited; and

(iii) reviewed the quarterly reports for 3 and 9 months respectively ended 31 March and 30 September 2006.

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

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

(b) Nomination Committee

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

Composition of nomination committee

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

Role and function

The nomination committee is mainly responsible for:

(i) review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

(ii) identification of individuals suitably qualified to become Board members and selection of, or making recommendations to the Board on the selection of, individuals nominated for directorships;

(iii) assessment of the independence of independent non-executive directors; and

(iv) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

Meeting records

The nomination committee had 1 meeting during the year ended 31 December 2006.

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

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

(c) Remuneration Committee

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

Composition of remuneration committee

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

Role and function

The remuneration committee is mainly responsible for:

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

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

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

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

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

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

Meeting records

The nomination committee had 1 meeting during the year ended 31 December 2006.

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

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

SHAREHOLDERS RIGHTS

It is the Company's responsibility to ensure shareholders' interest. To do so, the Company maintains on-going dialogue with shareholders - to communicate with them and encourage their participation - through annual general meetings or other general meetings.

Registered shareholders are notified by post for the shareholders' meetings. The notice of meeting contains the agenda, the proposed resolutions and a postal voting form.

Any registered shareholders are entitled to attend the annual and extraordinary general meetings, provided that their shares have been recorded in the register of shareholders of the Company.

Shareholders who are unable to attend a general meeting may complete and return to the Branch Share Registrar in Hong Kong the proxy form enclosed with the notice of meeting to give proxy to their representatives, another shareholder or chairman of the meetings.

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

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

EXTERNAL AUDITORS

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

Apart from the provision of annual audit services, the Group's external auditors also carried out interim review of the Group's results and taxation advisory service.

For the years ended 31 December 2005 and 2006, CCIF CPA Limited, the external auditors provided the following services to the Group:

	2006 **HK$'000**	2005 HK$'000
Annual audit services	438	395
Taxation advisory service	–	–

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

TO THE SHAREHOLDERS OF
NEW UNIVERSE INTERNATIONAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Universe International Group Limited (the "Company") set out on pages 34 to 81, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2006 and of the Group's loss 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

Hong Kong, 21 March 2007

Chan Wai Dune, Charles
Practising Certified Number P00712

Consolidated Income Statement

Year ended 31 December 2006

	Note	**2006 HK$'000**	2005 HK$'000
Turnover	4	**68,099**	60,442
Cost of sales		**(56,296)**	(50,129)
Gross profit		**11,803**	10,313
Other income	4	**1,882**	5,838
Selling and distribution costs		**(5,306)**	(5,499)
Administrative expenses		**(13,271)**	(12,292)
Other operating expenses	5	**(5,884)**	(4,180)
Loss from operations	5	**(10,776)**	(5,820)
Finance costs	6	**(1,046)**	(793)
Loss before income tax		**(11,822)**	(6,613)
Income tax	9	**–**	930
Loss for the year		**(11,822)**	(5,683)
Attributable to:			
Equity holders of the Company	10	**(11,210)**	(5,683)
Minority interests		**(612)**	–
		(11,822)	(5,683)
Dividends		**–**	–
Loss per share for loss attributable to the equity holders of the Company *(expressed in HK cents per share)*			
			(Restated)
Basic	11	**(6.21)**	(3.15)
Diluted	11	**N/A**	N/A

Consolidated Balance Sheet

31 December 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**42,450**	44,957
Land lease prepayments	13	**2,076**	2,112
Deposits paid for docks development		**19,324**	–
Docks development costs	15	**3,617**	–
		67,467	47,069
Current assets			
Inventories	16	**17,925**	22,558
Trade and bills receivables	17	**9,439**	7,162
Prepayments, deposits and other receivables		**3,076**	1,508
Land lease prepayments	13	**46**	46
Cash and cash equivalents	18	**29,155**	12,953
		59,641	44,227
Total assets		**127,108**	91,296
LIABILITIES			
Current liabilities			
Interest-bearing bank borrowings	19	**16,210**	12,919
Trade and bills payables	20	**5,796**	9,571
Deposits received		**13,754**	14,982
Accrued liabilities and other payables		**4,493**	4,572
Obligations under finance leases	21	**592**	1,768
Amount due to a related company	22	**2,000**	–
Shareholder's loans	23	**2,262**	–
		45,107	43,812
Net current assets		**14,534**	415
Total assets less current liabilities		**82,001**	47,484
Non-current liabilities			
Obligations under finance leases	21	**9**	600
Shareholder's loans	23	**57,505**	10,052
		57,514	10,652
Total liabilities		**102,621**	54,464
Net assets		**24,487**	36,832

Consolidated Balance Sheet

31 December 2006

	Note	2006 HK$'000	2005 HK$'000
CAPITAL AND RESERVES			
Share capital	24	**1,490**	74,480
Reserves/(Deficit)	25	**22,697**	(38,574)
Equity attributable to equity holders of the Company		**24,187**	35,906
Minority interests		**300**	926
Total equity		**24,487**	36,832

XI Yu
Chairman

CHEUNG Siu Ling
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
TOTAL EQUITY AT 1 JANUARY			
Attributable to equity holders of the Company		**35,906**	40,139
Minority interests		**926**	926
		36,832	41,065
Net income recognised directly in equity:			
Exchange differences on translation of			
– the financial statements of overseas subsidiaries		**(481)**	1,646
– related borrowings		**(42)**	(196)
	25	**(523)**	1,450
Loss for the year:			
Attributable to equity holders of the Company		**(11,210)**	(5,683)
Minority interests		**(612)**	–
		(11,822)	(5,683)
Movements in equity arising from capital transactions:			
Capital Re-organisation		–	–
Minority interests		–	–
		–	–
TOTAL EQUITY AT 31 DECEMBER		**24,487**	36,832

Consolidated Cash Flow Statement

Year ended 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES			
Loss before income tax		**(11,822)**	(6,613)
Adjustments for:			
Interest expenses	6	**1,046**	793
Interest income	4	**(64)**	(23)
Net (gain)/loss on disposal of property, plant and equipment	4, 5	**(59)**	157
Impairment loss of inventories	5	**2,759**	1,013
Provision for impairment loss of trade receivables		**954**	–
Depreciation and amortisation		**7,814**	7,812
Net gain on deregistration of subsidiaries	26	**–**	(2,220)
Gain on fair value of shareholder's loans		**(126)**	(720)
Operating profit before working capital changes		**502**	199
Decrease/(increase) in inventories		**1,874**	(2,194)
(Increase)/decrease in trade and bills receivables		**(3,231)**	2,555
(Increase)/decrease in prepayments, deposits and other receivables		**(1,568)**	150
Decrease in trade and bills payables		**(3,775)**	(4,606)
Decrease in accrued liabilities and other payables		**(79)**	(2,230)
(Decrease)/increase in deposits received		**(1,228)**	560
Decrease in amount due to a director		**–**	(503)
Cash used in operations		**(7,505)**	(6,069)
Tax refunded		**–**	1,599
Interest received		**64**	23
Interest paid		**(946)**	(665)
Interest element on finance lease rental paid		**(100)**	(128)
Net cash used in operating activities		**(8,487)**	(5,240)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	12	**(5,505)**	(2,396)
Proceeds from disposal of property, plant and equipment		**519**	–
Deposits paid for docks development		**(19,324)**	–
Payment for docks development costs		**(3,617)**	–
Net cash used in investing activities		**(27,927)**	(2,396)

Consolidated Cash Flow Statement

Year ended 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
FINANCING ACTIVITIES			
Loans from a shareholder		**49,841**	7,262
Loan from a related company		**2,000**	–
Capital element of finance lease rental paid		**(1,767)**	(1,286)
Proceeds from interest-bearing bank borrowings		**32,656**	18,630
Repayment of interest-bearing bank borrowings		**(29,407)**	(17,422)
Net cash generated from financing activities		**53,323**	7,184
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		**16,909**	(452)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**12,953**	12,884
Effect of foreign exchange rate changes, net		**(707)**	521
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**29,155**	12,953
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	**29,155**	12,953

Balance Sheet

31 December 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	14	**89,081**	63,306
		89,081	63,306
Current assets			
Prepayments		**1,348**	195
Cash and cash equivalents	18	**5,541**	5,193
		6,889	5,388
Total assets		**95,970**	68,694
LIABILITIES			
Current liabilities			
Interest-bearing bank borrowings	19	**7,515**	4,264
Accrued liabilities and other payables		**207**	141
Amount due to a related company	22	**2,000**	–
		9,722	4,405
Net current (liabilities)/assets		**(2,833)**	983
Total assets less current liabilities		**86,248**	64,289
Non-current liabilities			
Shareholder's loans	23	**57,505**	4,721
Total liabilities		**67,227**	9,126
Net assets		**28,743**	59,568
CAPITAL AND RESERVES			
Share capital	24	**1,490**	74,480
Reserves/(Deficit)	25	**27,253**	(14,912)
Total equity		**28,743**	59,568

XI Yu
Chairman

CHEUNG Siu Ling
Director

1 GENERAL INFORMATION

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

The Company acts as an investment holding company. Details of the principal activities of its principal subsidiaries are set out in note 14 to the financial statements.

These financial statements are presented in Hong Kong Dollars, unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements of the Group have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 GEM Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2006. The adoption of new/revised HKFRSs did not result in substantial changes to the Group's accounting policies.

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendment)	Financial guarantee contracts
HKFRS – Int 4	Determining whether an arrangement contains a lease

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments – disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	Interim financial reporting and impairment
HK(IFRIC) – Int 11	HKFRS2 – Group and treasury share transactions

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2006 comprise the financial statements of the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for the shareholder's loans which are carried at 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.

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.

Going concern basis

As at 31 December 2006, the Company had net current liabilities of HK$2,833,000. The Directors of the Company have prepared the financial statements on a going concern basis which assumes the continuous financial support from the ultimate holding company. The ultimate holding company has agreed to provide adequate funds to the Company to meet its debts as and when they fall due such that the Company will have sufficient working capital to carry on its business for the foreseeable future.

Should the Company be unable to continue in business as a going concern, adjustments would have to be made to restate the value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

Subsidiaries

A subsidiary, is an entity in which the Company, directly or indirectly, holds more than one half of its issued share capital or controls more than one half of its voting power or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries *(Continued)*

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

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in income statement. On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Property, plant and equipment

The following property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses:

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease; and

– other items of plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

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

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or the Group will obtain ownership of the asset, the life of the asset. Impairment losses are accounted for in accordance with the accounting policy as impairment of assets. Finance charges implicit in the lease payments are charged to income statement 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.

Operating lease charges

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

Impairment of assets

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

– property, plant and equipment (other than properties carried at revalued amounts); and

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

An impairment loss is recognised in income statement whenever 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 favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognised.

Inventories

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

The Group's financial assets mainly include trade and bills receivables. Financial assets are recognised on their trade date. When financial assets are recognised initially, they are measured at fair value.

Trade and bills receivables

Trade and bills receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Financial liabilities

The Group's financial liabilities mainly include interest-bearing bank borrowings, trade and bills payables, amount due to a related company, shareholder's loans and minority interests. Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'finance costs' in the income statement.

Interest-bearing bank borrowings

Interest-bearing bank borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing bank borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in income statement over the period of the borrowings using the effective interest method.

Trade and bills payables

Trade and bills payables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Cash and cash equivalents

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

Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Short term employee benefits

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

Retirement benefits scheme

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

Subsidiaries established in Mainland China maintain a defined contribution retirement plan for certain of its employees. It contributes to a state-sponsored retirement plan of approximately 17% of the basic salaries of its employees, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees. There were no forfeited contributions available to the Group to reduce its contributions in future years. The contributions are charged to the income statement as they become payable in accordance with the rules of the state-sponsored retirement plan.

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions. All share-based compensation is ultimately recognised as an expense in income statement, with a corresponding increase in share option reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases.

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.

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 balance sheet date. Deferred tax assets and liabilities are not discounted.

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

Additional income taxes that arise from the distribution of dividends are 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. Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Group and specific criteria have been met, and when the amount of revenue can be measured reliably. Revenue is recognised in the income statement as follows:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Interest income

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

Translation of foreign currencies

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

Foreign currency transactions during the year are translated into the functional currency of the individual entity 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 balance sheet date. Exchange gains and losses are recognised in income statement, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

The results of foreign operations are translated into Hong Kong Dollars at the average rates over the reporting period. Balance sheet items, including goodwill arising on consolidation of foreign operations are translated into Hong Kong Dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs are expensed in income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. The 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 ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before inter-group balances and inter-group transactions are eliminated as part of the consolidation process, except to the extent that such inter-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. SEGMENT REPORTING

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

During the current and prior years, there were no intersegment transactions.

(a) Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the mold products segment engages in the manufacture and sale of high precision molds; and

(b) the plastic products segment engages in the manufacture and sale of plastic products.

3. SEGMENT REPORTING *(Continued)*

(a) Business segments *(Continued)*

The following tables present revenue and profit/(loss) information for the Group's business segments.

Group

	Mold products		Plastic products		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Segment revenue:						
Sales to external customers	**52,084**	47,108	**16,015**	13,334	**68,099**	60,442
Other income	**706**	1,787	**840**	251	**1,546**	2,038
Total	**52,790**	48,895	**16,855**	13,585	**69,645**	62,480
Segment results	**(3,742)**	238	**(389)**	(3,180)	**(4,131)**	(2,942)
Unallocated other income					**336**	3,800
Unallocated expenses					**(6,981)**	(6,678)
Loss from operations					**(10,776)**	(5,820)
Finance costs					**(1,046)**	(793)
Loss before income tax					**(11,822)**	(6,613)
Income tax					**–**	930
Loss for the year					**(11,822)**	(5,683)

3. SEGMENT REPORTING *(Continued)*

(a) Business segments *(Continued)*

The following tables present certain asset, liability and expenditure information for the Group's business segments.

Group

	Mold products		Plastic products		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Segment assets	**73,533**	68,675	**23,293**	16,033	**96,826**	84,708
Unallocated assets					**30,282**	6,588
Total assets					**127,108**	91,296
Segment liabilities	**30,728**	35,934	**1,592**	2,798	**32,320**	38,732
Unallocated liabilities					**70,301**	15,732
Total liabilities					**102,621**	54,464
Other segment information:						
Depreciation and amortisation	**3,916**	5,571	**3,898**	2,241	**7,814**	7,812
Provision for impairment loss of trade receivables	**900**	–	**54**	–	**954**	–
Capital expenditure	**4,604**	4,532	**901**	114	**5,505**	4,646

3. SEGMENT REPORTING *(Continued)*

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		North America		Europe		Others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**7,833**	18,293	**19,415**	20,683	**6,336**	2,883	**23,853**	13,241	**10,662**	5,342	**68,099**	60,442
Other income	**359**	1,559	**1,523**	1,153	**–**	–	**–**	–	**–**	3,126	**1,882**	5,838
	8,192	19,852	**20,938**	21,836	**6,336**	2,883	**23,853**	13,241	**10,662**	8,468	**69,981**	66,280

	Hong Kong		Mainland China		Others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:								
Segment assets	**13,226**	13,194	**113,882**	78,102	**–**	–	**127,108**	91,296
Capital expenditure	**47**	38	**5,458**	4,608	**–**	–	**5,505**	4,646

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

4. TURNOVER AND OTHER INCOME

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

	Group	
	2006	2005
	HK$'000	HK$'000
Turnover – sale of goods	**68,099**	60,442
Other income		
Interest income	**64**	23
Gain on fair value of shareholder's loans	**126**	720
Waiver of a director's remuneration	**–**	503
Net gain on deregistration of subsidiaries*	**–**	2,220
Scrap sales	**1,093**	768
Net gain on disposal of property, plant and equipment	**59**	–
Bad debts recovery**	**–**	1,006
Sundry income	**540**	598
	1,882	5,838
Total	**69,981**	66,280

* During the year ended 31 December 2005, the following wholly-owned subsidiaries were deregistered or deemed to be deregistered in their place of incorporation that resulted in net gain on their deregistration:

(i) Bring Close Limited
(ii) Famous Twinkle Limited
(iii) Money Linkage Limited
(iv) I-System Technology Limited
(iv) SSSHot.com Limited

** Being included in bad debts recovery, distributions of CAD143,000 (equivalent approximately to HK$956,000) were received during the year ended 31 December 2005 upon the completion of voluntary liquidation of two wholly-owned subsidiaries in Canada, Smartech Manufacturing Limited and Smartech Limited, which had been resolved to liquidation since 23 September 2002.

5. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charging:

	2006 HK$'000	2005 HK$'000
Staff costs		
(exclusive of directors' remuneration disclosed in note 7):		
Retirement costs		
Contributions to retirement benefits schemes	**84**	98
Less: Forfeited contributions	**–**	–
Net retirement benefits scheme contributions	**84**	98
Salaries, wages and other benefits	**16,331**	16,479
	16,415	16,577
Other items		
Amortisation of land lease prepayments	**46**	46
Depreciation		
– owned assets	**7,507**	7,517
– assets held under finance leases	**261**	249
Net loss on disposal of property, plant and equipment	**–**	157
Net foreign exchange loss	**432**	187
Impairment loss of inventories	**2,759**	1,013
Provision for impairment loss of trade receivables	**954**	–
Auditors' remuneration	**438**	395
Operating lease charges: minimum lease payments		
– hire of properties	**288**	357
– hire of an industrial plant	**3,362**	3,346
Cost of inventories consumed	**53,537**	49,116

6. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest expense on:		
Bank loans wholly repayable within five years	**549**	487
Bank import loans wholly repayable within five years	**397**	166
Finance charges on obligations under finance leases	**100**	128
Others	**–**	12
	1,046	793

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Director's fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Retirement scheme contribution HK$'000	2006 Total HK$'000
Executive directors						
XI Yu	-	-	-	-	-	-
KUNG May Lan	-	-	-	-	-	-
CHEUNG Siu Ling	-	-	-	-	-	-
HON Wa Fai*	-	525	-	-	12	537
Non-executive director						
SUEN Ki*	-	-	-	-	-	-
Independent non-executive directors						
CHAN Yan Cheong	120	-	-	-	-	120
YUEN Kim Hung, Michael	120	-	-	-	-	120
HO Yau Hong, Alfred	120	-	-	-	-	120
	360	525	-	-	12	897

* Mr. HON Wa Fai and Mr. SUEN Ki were appointed on 28 September 2006.

7. DIRECTORS' REMUNERATION *(Continued)*

	Director's fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Retirement scheme contribution HK$'000	2005 Total HK$'000
Executive directors						
XI Yu	–	–	–	–	–	–
KUNG May Lan	–	–	–	–	–	–
CHEUNG Siu Ling	–	–	–	–	–	–
TANG Kwok Yuen**	–	240	–	–	4	244
Independent non-executive directors						
CHAN Yan Cheong	120	–	–	–	–	120
YUEN Kim Hung, Michael	120	–	–	–	–	120
HO Yau Hong, Alfred	120	–	–	–	–	120
	360	240	–	–	4	604

** Mr. TANG Kwok Yuen resigned on 30 April 2005.

	Group 2006 HK$'000	Group 2005 HK$'000
Fees	**360**	360
Other emoluments:		
Basic salaries and allowances	**525**	240
Retirement benefits scheme contributions	**12**	4
	897	604

Mr. TANG Kwok Yuen waived a total remuneration of HK$503,000 accrued in prior years upon his resignation in 2005. Apart from the above, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals of the Group with highest emoluments, one (2005: one) director whose emoluments were disclosed in note 7 to the financial statements. The details of the emoluments in respect of the other four (2005: four) individuals are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Basic salaries and allowances	**1,040**	1,110
Retirement benefits scheme contributions	**42**	40
	1,082	1,150

The emoluments of the 4 (2005: 4) individuals with the highest emoluments are within the following band:

	2006 Number of individuals	2005 Number of individuals
Nil – HK$1,000,000	**4**	4

9. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	Group	
	2006 **HK$'000**	2005 HK$'000
Currrent tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Under/(over)-provision in respect of prior years	**–**	–
	–	–
Current tax – Overseas		
Provision for the year	**–**	–
Under/(over)-provision in respect of prior years	**–**	–
	–	–
Deferred taxation credit		
Origination and reversal of temporary differences	**–**	930
	–	930

The provision for Hong Kong profits tax for 2006 is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year. No provision for Hong Kong profits tax has been made as the Group had accumulated tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The PRC enterprise income tax rate applicable to Dongguan Smartech, a wholly-owned subsidiary established in Mainland China, is 15%.

Pursuant to the income tax rules and regulations in the PRC, Suzhou New Universe, New Universe International (Zhenjiang) Port Company Limited and New Universe International (Zhenjiang) Warehouses Company Limited are eligible for a 100% relief from PRC enterprise income tax for the first two years from their first profit-making year of operation and thereafter, they will be entitled to a 50% relief from PRC enterprise income tax for the following three years.

The Group's provision for deferred tax represents timing differences arising from accelerated depreciation allowances.

Deferred tax assets not recognised:
At 31 December 2006, the Group has unused tax losses of HK$18,051,000 (2005: HK$14,435,000) available for offsetting against future taxable profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Deferred tax liabilities not recognised:
At 31 December 2006, there is no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the subsidiaries as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

9. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

Reconciliation between tax expense and accounting profit at statutory/applicable tax rates:

Group – 2006

	Hong Kong		Mainland China		Total	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Loss before income tax	**(3,212)**		**(8,610)**		**(11,822)**	
Tax at the statutory/applicable tax rates	**(562)**	**17.5**	**(1,292)**	**15.0***	**(1,854)**	**15.7***
Income not subject to tax	**(353)**		**–**		**(353)**	
Expenses not deductible for tax	**1,536**		**1,292**		**2,828**	
Tax losses not recognised as deferred tax asset	**(621)**		**–**		**(621)**	
Tax credit at the Group's effective rate	**–**	**–**	**–**	**–**	**–**	**–**

Group – 2005

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before income tax	(1,410)		(5,203)		(6,613)	
Tax at the statutory/applicable tax rates	(247)	17.5	(780)	15.0*	(1,027)	15.5*
Income not subject to tax	(315)		–		(315)	
Expenses not deductible for tax	50		780		830	
Tax losses not recognised as deferred tax asset	(418)		–		(418)	
Tax credit at the Group's effective rate	(930)	66.0*	–	–	(930)	14.1*

* representing effective tax rate

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of HK$30,825,000 (2005: HK$308,000) which has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of basic loss (2005: loss) per share is based on the loss from ordinary activities attributable to equity holders for the year ended 31 December 2006 of HK$11,210,000 (2005: loss of HK$5,683,000), and the weighted average of 180,557,576 (2005: 180,557,576 as restated due to a share consolidation of every ten shares of the Company into one share which was completed on 18 December 2006, and adjusted to reflect the Rights Issue in January 2007) ordinary shares in issue during the year, as adjusted to reflect the Rights Issue in January 2007.

Diluted loss per share for the years ended 31 December 2006 and 2005 have not been presented as the effect of any dilution is anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings and factory improvements 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 2005	13,259	62,866	1,279	324	2,389	80,117
Additions	240	4,109	282	15	–	4,646
Disposals/write-off	(165)	–	(157)	(165)	–	(487)
Exchange adjustments	280	1,471	18	3	18	1,790
At 31 December 2005 and at 1 January 2006	13,614	68,446	1,422	177	2,407	86,066
Additions	10	5,082	195	6	212	5,505
Disposals/write-off	–	(1,401)	–	–	(1,033)	(2,434)
Exchange adjustments	61	333	5	1	3	403
At 31 December 2006	**13,685**	**72,460**	**1,622**	**184**	**1,589**	**89,540**
Representing:						
At 31 December 2006						
At cost	748	10,878	603	20	458	12,707
At valuation – 2006	12,937	61,582	1,019	164	1,131	76,833
At 31 December 2005						
At cost	734	5,768	407	14	245	7,168
At valuation – 2005	12,880	62,678	1,015	163	2,162	78,898
Accumulated depreciation and impairment:						
At 1 January 2005	1,913	29,040	386	126	1,493	32,958
Charge for the year	989	6,173	251	44	309	7,766
Disposals/write-off	(96)	–	(138)	(96)	–	(330)
Exchange adjustments	18	689	4	–	4	715
At 31 December 2005 and at 1 January 2006	2,824	35,902	503	74	1,806	41,109
Charge for the year	987	6,404	274	32	71	7,768
Disposals/write-off	–	(1,152)	–	–	(822)	(1,974)
Exchange adjustments	8	176	2	-	1	187
At 31 December 2006	**3,819**	**41,330**	**779**	**106**	**1,056**	**47,090**
Net book value:						
At 31 December 2006	**9,866**	**31,130**	**843**	**78**	**533**	**42,450**
At 31 December 2005	10,790	32,544	919	103	601	44,957

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The net book value of the plant and machinery of the Group held under finance leases as at 31 December 2006 amounted to HK$2,532,000 (2005: HK$4,584,000).

The Group has pledged building, plant and machinery having a carrying amount of approximately HK$8,092,000 (2005: HK$8,460,000) to secure banking facilities granted to the Group.

Property, plant and equipment with net book value of HK$42,450,000 at 31 December 2006 (2005: HK$44,957,000) was considered by the Directors of the Company to be at fair market value. There was no revaluation surplus or deficit being charged to the consolidated income statement for the year ended 31 December 2006 (2005: Nil).

13. LAND LEASE PREPAYMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Cost		
At beginning of year	**2,645**	2,585
Exchange adjustment	**13**	60
	2,658	2,645
Amortisation		
At beginning of year	**487**	431
Charge for the year	**46**	46
Exchange adjustment	**3**	10
	536	487
Net book value		
At end of the year	**2,122**	2,158
Classified as non-current assets	**2,076**	2,112
Classified as current assets	**46**	46
	2,122	2,158

The Group's land lease prepayments represents prepayments for land use rights in Suzhou, the Mainland China under medium term lease of 50 years.

As at 31 December 2006, the Group's land lease prepayments for leasehold land with carrying value of HK$2,122,000 (2005: HK$2,158,000) were pledged to a bank to secure the banking facilities granted to the Group (note 19).

14. INVESTMENTS IN SUBSIDIARIES

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted shares, at cost	**58,078**	58,078
Due from subsidiaries	**161,693**	105,228
	219,771	163,306
Provision for impairment loss	**(130,690)**	(100,000)
	89,081	63,306

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms.

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company 2006	2005	Principal activity
Smartech International Group Limited	British Virgin Island/ Hong Kong, limited liability company	USD1,000,000	100	100	Investment holding
Smartech Manufacturing Limited	Hong Kong, limited liability company	HK$5,000,000	100	100	Sale of molds and plastic products
Dongguan Smartech Tooling & Plastics Limited	People's Republic of China, wholly foreign owned enterprise	USD7,415,000	100	100	Manufacture and sale of molds and plastic products
Smartech Plastic Moulding Limited	Hong Kong, limited liability company	HK$100	100	100	Sale of plastic products
Smartech Services Limited	Hong Kong, limited liability company	HK$2	100	100	Provision of management services
Smartech Solutions Limited	Hong Kong, limited liability company	HK$2	100	100	Dormant
Bestwin (China) Limited	Hong Kong, limited liability company	HK$15,000,000	97	97	Investment holding

14. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company 2006	2005	Principal activity
Suzhou New Universe Smartech Tooling and Plastics Limited (Formerly known as Suzhou New Universe Tooling and Plastic Limited)	People's Republic of China, wholly foreign owned enterprise	USD4,300,000	97	97	Manufacture and sale of molds and plastic products
New Universe International (Guangdong) Limited	Hong Kong, limited liability company	HK$10,000,000	100	100	Dormant
New Universe International (Zhenjiang) Port Company Limited	People's Republic of China, wholly foreign owned enterprise	USD15,000,000	100	–	Docks development
New Universe International (Zhenjiang) Warehouses Company Limited	People's Republic of China, wholly foreign owned enterprise	USD10,000,000	100	–	Docks development

Except for Smartech International Group Limited, all the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

15. DOCKS DEVELOPMENT COSTS

Docks development costs represent preliminary expenses incurred relating to the development of the Docks Project in Zhenjiang Xinmingzhou, the People's Republic of China. Details of the Docks Project are set out in the Company's circular dated 25 August 2006.

16. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**2,433**	2,028
Work in progress	**13,593**	18,570
Finished goods	**1,724**	1,189
Consumable tools	**175**	771
	17,925	22,558

At 31 December 2006, included in the inventories, raw materials, work in progress and finished goods of HK$2,433,000 (2005: Nil), HK$13,593,000 (2005: HK$13,593,000) and HK$1,724,000 (2005: HK$456,000) were carried at net realisable value respectively.

17. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. For the mold products segment, the credit period is generally granted to customers for a period of one month. For the plastic products segment, the credit period is generally for a period of one month, extending up to three months for major customers.

An ageing analysis of the trade and bills receivables net of provision for impairment as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within 1 month	**3,630**	2,663
1 to 2 months	**2,728**	2,114
2 to 3 months	**1,673**	335
Over 3 months	**1,408**	2,050
	9,439	7,162

Included in trade and bills receivables net of provision for impairment are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2006	2005
	'000	'000
United States Dollars	**547**	338
Chinese Renminbi Yuan	**3,993**	3,295
Euros	**5**	–

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**29,155**	12,953	**5,541**	5,193

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
United States Dollars	**1,243**	111	**1**	–
Chinese Renminbi Yuan	**14,122**	4,327	**–**	–
Euros	**14**	–	**–**	–

19. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans – secured	**8,695**	7,784	**–**	3,937
Bank loans – unsecured	**7,515**	4,808	**7,515**	–
Trust receipt loans – unsecured	**–**	327	**–**	327
Amounts due within one year classified as current liabilities	**16,210**	12,919	**7,515**	4,264

Included in the interest-bearing bank borrowings are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
United States Dollars	**379**	123	**379**	123
Chinese Renminbi Yuan	**9,000**	9,000	**–**	–

At the balance sheet date, all the above bank loans and trust receipt loans were payable on demand or not exceeding one year. The Company's and Group's banking facilities were secured by (i) a corporate guarantee from a related company China (HK) Chemical of which Mr. XI Yu and Ms. CHEUNG Siu Ling, executive directors of the Company, and Mr. SUEN Ki, non-executive director of the Company, are directors; (ii) personal guarantee from Mr. XI; and (iii) land use rights of a subsidiary (note 13).

20. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within 1 month	**1,606**	2,323
1 to 2 months	**1,316**	1,215
2 to 3 months	**681**	1,965
Over 3 months	**2,193**	4,068
	5,796	9,571

Included in trade and bills payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2006	2005
	'000	'000
United States Dollars	**17**	24
Chinese Renminbi Yuan	**4,738**	9,231

21. OBLIGATIONS UNDER FINANCE LEASES

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

At 31 December 2006, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Amounts payable:				
Within one year	**604**	1,865	**592**	1,768
In the second year	**6**	603	**5**	591
In the third to fifth years, inclusive	**5**	11	**4**	9
Total minimum finance lease payments	**615**	2,479	**601**	2,368
Future finance charges	**(14)**	(111)		
Total net finance lease payables	**601**	2,368		
Portion classified as current liabilities	**(592)**	(1,768)		
Long term portion	**9**	600		

22. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company, China (HK) Chemical is unsecured, interest-free and repayable on demand. The amount has been repaid after the balance sheet date. The Company's directors, Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are also directors of China (HK) Chemical.

23. SHAREHOLDER'S LOANS

These shareholder's loans from NUEL are unsecured, interest-free and repayable ranging from less than one year to two years. These loans constitute as the connected party transactions and, in the opinion of the Directors, were exempted transactions under the GEM Listing Rules.

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount due within one year classified as current liabilities	**2,262**	–	**–**	–
Amounts due after one year classified as non-current liabilities	**57,505**	10,052	**57,505**	4,721
	59,767	10,052	**57,505**	4,721

Included in shareholder's loans are the following par value amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
United States Dollars	**6,105**	740	**5,815**	–
Euros	**205**	–	**205**	–

24. SHARE CAPITAL

	Note	Company Number of Ordinary shares	Nominal Value HK$'000
Authorised:			
As at 31 December 2005 and 1 January 2006, ordinary shares of HK$0.05 each		20,000,000,000	1,000,000
Share consolidation	24(i)	(18,000,000,000)	–
Share subdivision	24(iii)	98,000,000,000	–
As at 31 December 2006, ordinary shares of HK$0.01 each		100,000,000,000	1,000,000

	Note	Number of Ordinary shares	Nominal Value HK$'000
Issued and fully paid:			
As at 31 December 2005 and 1 January 2006, ordinary shares of HK$0.05 each		1,489,600,000	74,480
Share consolidation	24(i)	(1,340,640,000)	–
Capital reduction	24(ii)	–	(72,990)
As at 31 December 2006, ordinary shares of HK$0.01 each		148,960,000	1,490

24. SHARE CAPITAL *(Continued)*

During the year, the proposed Capital Re-organisation was approved by the shareholders of the Company on 18 September 2006 and, thereafter, the following changes in share capital of the Company took place after the Capital Re-organisation became fully effective on 18 December 2006:

(i) a share consolidation under which every ten of the authorised shares (both issued and unissued) of HK$0.05 each was consolidated into one share of HK$0.50 each;

(ii) a reduction of HK$72,990,400 on the Company's issued share capital was effected by reducing the nominal value of the 148,960,000 consolidated shares of HK$0.50 each to HK$0.01 each;

(iii) a share subdivision under which each of the total 1,851,040,000 authorised but unissued consolidated shares of HK$0.50 each was subdivided to make up total 99,851,040,000 shares of HK$0.01 each;

(iv) the amount of capital reduction mentioned in item (ii) totalling HK$72,990,400 was transferred to distributable reserve account;

(v) the share premium account of the Company carried forwarded as of 31 December 2005 of approximately HK$27,847,000 was cancelled and transferred to distributable reserve account;

(vi) the contributed surplus of the Company carried forwarded as of 31 December 2005 of approximately HK$58,078,000 was cancelled and transferred to distributable reserve account; and

(vii) the accumulated losses of the Company as of 31 December 2005 of approximately HK$100,837,000 was set off against part of the distributable reserve account with credit effected by the transfers as mentioned in items (iv), (v) and (vi) above.

25. RESERVES/(DEFICIT)

Group

	Note	Share premium HK$'000	Exchange fluctuation reserve HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Minority Interests HK$'000	Total HK$'000
At 1 January 2005		27,847	416	31,929	–	(94,533)	(34,341)	926	(33,415)
Translation differences arising on consolidation of overseas subsidiaries		–	1,450	–	–	–	1,450	–	1,450
Net loss for the year		–	–	–	–	(5,683)	(5,683)	–	(5,683)
At 31 December 2005 and 1 January 2006		27,847	1,866	31,929	–	(100,216)	(38,574)	926	(37,648)
Capital reduction	24(ii), (iv)	–	–	–	72,990	–	72,990	–	72,990
Cancellation of share premium and contributed surplus	24(v), (vi)	(27,847)	–	(31,929)	59,776	–	–	–	–
Transfers	24(vii)	–	–	–	(100,837)	100,837	–	–	–
Translation differences arising on consolidation of overseas subsidiaries		–	(509)	–	–	–	(509)	(14)	(523)
Net loss for the year		–	–	–	–	(11,210)	(11,210)	(612)	(11,822)
At 31 December 2006		–	1,357	–	31,929	(10,589)	22,697	300	22,997

Company

	Note	Share premium HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005		27,847	58,078	–	(100,529)	(14,604)
Net loss for the year		–	–	–	(308)	(308)
At 31 December 2005 and 1 January 2006		27,847	58,078	–	(100,837)	(14,912)
Capital reduction	24(ii), (iv)	–	–	72,990	–	72,990
Cancellation of share premium and contributed surplus	24(v), (vi)	(27,847)	(58,078)	85,925	–	–
Transfers	24(vii)	–	–	(100,837)	100,837	–
Net loss for the year		–	–	–	(30,825)	(30,825)
At 31 December 2006		–	–	58,078	(30,825)	27,253

25. RESERVES/(DEFICIT) *(Continued)*

Nature and purpose of reserves

(a) *Share premium*

The application of the share premium is governed by the article 146(1) of the articles and association of the Company and Section 48B of the Hong Kong Companies Ordinance.

(b) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies of translation of foreign currencies.

(c) *Contributed surplus*

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group re-organisation prior to the listing of the Company's shares, over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company represents the difference between the then combined net asset values of the subsidiaries acquired pursuant to the same re-organisation, over the nominal value of the share capital of the Company issued in exchange therefor.

(d) *Distributable reserve*

The distributable reserve comprises transfers to its credit from capital reduction, cancellation of share premium as of 31 December 2005, balance of contributed surplus as of 31 December 2005 immediately after the Capital Re-organisation of the Company becoming effective on 18 December 2006. The distributable reserve shall be applied to set off against the accumulated losses of the Company as of 31 December 2005 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.

(e) *Distributability of reserves*

At 31 December 2006, the Company has reserves available for distribution to its equity holders amounted to HK$27,253,000 (2005: Nil) had the balance of the distributable reserve were being applied to set off against net loss for the year.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The net liabilities of subsidiaries deregistered or deemed to be deregistered at the date of deregistration and at 31 December 2006 were as follows:-

	Group	
	2006	2005
	HK$'000	HK$'000
Net assets/(liabilities) of subsidiaries deregistered:		
Trade receivables	**–**	4
Accrued liabilities and other payables	**–**	(2,168)
Deposits received	**–**	(56)
		(2,220)
Net gain on deregistration	**–**	2,220
Consideration	**–**	–

27. COMMITMENTS

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

(a) Capital commitments

At 31 December 2006, the Group had capital commitments not provided for in the financial statements as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Authorised but not contract for		
– Docks project	**60,372**	–
– Plant and machinery	**13**	–
Contracted but not provided for		
– Docks project	**173,437**	–
– Furniture and equipment	**36**	–
	233,858	–

27. COMMITMENTS *(Continued)*

(b) Operating leases commitments

At 31 December 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**3,602**	3,634
In the second to fifth years, inclusive	**6,525**	10,080
After five years	**–**	–
	10,127	13,714

The Group leases its office premises in Hong Kong and an industrial plant in Mainland China under operating lease arrangements. Leases for the office premises are negotiated for terms ranging from one to three years. Leases for the industrial plant in Mainland China are negotiated for a term of 5 years commencing 1 December 2004.

28. PLEDGE OF ASSETS

At 31 December 2006, the Group pledged the land use rights with a carrying value of HK$2,122,000 (2005: HK$2,158,000) and property, plant and equipment with a carrying value of HK$8,092,000 (2005: HK$8,460,000) to a bank to secure banking facilities to the extent of HK$8,696,000 (2005: HK$8,653,000) granted to the Group.

29. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions, of which the Board of directors considered those transactions were transacted at arm's length basis and on normal commercial terms no more favourable to the connected persons than those available to independent third parties or no less favourable to the Company than those available from independent third parties (as the case may be):

(a) Purchase of raw materials

During the year, the Group purchased raw materials amounted to HK$1,409,000 (2005: HK$230,000) from China (HK) Chemical, a related company of which the Company's directors, Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors.

29. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Financial assistance

(i) On 30 November 2004, a loan agreement was entered into between Bestwin as the borrower and NUEL as the lender, pursuant to which NUEL granted an unsecured interest-free loan of USD450,000 (approximately HK$3,510,000) to Bestwin. The loan was repaid on 7 July 2006.

(ii) On 20 October 2005, a loan agreement was entered into between Bestwin as the borrower and NUEL as the lender, pursuant to which NUEL granted an unsecured interest-free loan of USD290,000 (approximately HK$2,262,000) to Bestwin. The loan was repayable on 31 December 2007, but was repaid on 3 January 2007.

(iii) On 30 December 2005, NUEL granted an unsecured interest-free revolving loan facility of HK$5,000,000 to the Company. The loan was repayable on 31 March 2007, but was extended to 31 March 2008.

(iv) On 9 January 2006, a loan agreement was entered into between HK Smartech as borrower and China (HK) Chemical as lender for an interest-bearing loan of HK$2,000,000. The loan was repayable within 6 months from the date of the agreement in 5 equal monthly instalments of HK$400,000 each and bearing interest at prime lending rate (as quoted by HSBC in Hong Kong) minus 2% per annum. The loan was fully repaid on 10 July 2006.

(v) On 21 August 2006, NUEL granted an unsecured interest-free loan of EUR205,000 (equivalent to HK$1,927,000) to the Company, which was repayable on demand or before 22 August 2007, but was extended to 31 March 2008.

(vi) On 30 August 2006, NUEL granted an unsecured interest-free loan of HK$1,000,000 to the Company, which was repayable on demand or before 31 August 2007, but was capitalised as share capital of the Company upon completion of a rights issue on 19 January 2007.

(vii) On 18 September 2006, NUEL granted an unsecured interest-free loan of USD3,000,000 (equivalent to HK$23,280,000) to the Company for initial capital contributions of USD2,900,000 and USD100,000 respectively to its wholly-owned subsidiaries, New Universe International (Zhenjiang) Port Company Limited (新宇國際（鎮江）港務有限公司) and New Universe International (Zhenjiang) Warehouses Company Limited (新宇國際（鎮江）倉儲有限公司), established in the Mainland China. The loan was repayable on demand or before 19 September 2007, but was capitalised as share capital of the Company upon completion of the rights issue on 19 January 2007.

(viii) On 10 October 2006, China (HK) Chemical granted an unsecured interest-free loan of HK$2,000,000 to the Company for working capital purposes. The loan was repaid on 3 January 2007.

29. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Financial assistance *(Continued)*

(ix) On 15 November 2006, NUEL granted an unsecured interest-free loan of USD1,400,000 (equivalent to HK$10,864,000) to the Company for additional capital contributions to New Universe International (Zhenjiang) Warehouses Company Limited (新宇國際(鎮江)倉儲有限公司) established in the Mainland China. The loan was repayable on demand or before 16 November 2007, but was capitalised as share capital of the Company upon completion of the rights issue on 19 January 2007.

(x) On 1 December 2006, NUEL granted an unsecured interest-free loan of USD215,000 (equivalent to HK$1,668,400) to the Company for the purpose of additional capital contribution to Dongguan Smartech. The loan was repayable on demand or before 2 December 2007, but was capitalised as share capital of the Company upon completion of the rights issue on 19 January 2007.

(xi) On 6 December 2006, NUEL granted an unsecured interest-free loan of USD200,000 (equivalent to HK$1,552,000) to the Company for the purpose of additional capital contribution to Suzhou New Universe. The loan was repayable on demand or before 7 December 2007, but was capitalised as share capital of the Company upon completion of the rights issue on 19 January 2007.

(xii) On 18 December 2006, NUEL granted an unsecured interest-free loan of USD1,000,000 (equivalent to HK$7,760,000) to the Company for additional capital contributions to New Universe International (Zhenjiang) Port Company Limited (新宇國際(鎮江)港務有限公司) established in the Mainland China. The loan was repayable on demand or before 19 December 2007, but was capitalised as share capital of the Company upon completion of the rights issue on 19 January 2007.

(xiii) On 29 December 2006, NUEL granted an unsecured interest-free loan of HK$5,300,000 to the Company, which was repayable on demand or before 31 December 2007, but was extended to 31 March 2008.

Details of the shareholder's loans from NUEL outstanding as at 31 December 2006 are disclosed in note 23 to the financial statements.

30. NON-ADJUSTING POST BALANCE SHEET EVENT

Subsequent to the balance sheet date on 19 January 2007, the Company completed a fund raising exercise by rights issue of 1,042,720,000 rights shares at a subscription price of HK$0.10 each on the basis of seven rights shares for every share held on 28 December 2006 ("Rights Issue"). The net proceeds of the Rights Issue (after deduction of expenses) were approximately HK$103,000,000, but the amount of cash received by the Company from the Rights Issue was approximately HK$56,880,000; as the amount of HK$46,124,000 payable by the Company's controlling shareholder, NUEL, was being capitalised and set-off on dollar-to-dollar basis against interest free shareholder's loans (together the aforementioned Shareholder's Project Loans) granted to the Company.

31. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the balance sheet date.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling and distribution costs. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

32. FINANCIAL RISKS

Exposure to credit, liquidity, interest rate and foreign exchange risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

The Group's credit risk is primarily attributable to trade and bills receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade and bills receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 30 days to 90 days from the date of billing. Customers with balances that are more than 90 days overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain concentration of credit risk as 2.4% (2005: 0.14%) and 26.6% (2005: 10.76%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively within the business segment of both mold and plastic products.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the holding company's Board. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from bankers to meet its liquidity requirements in the short and longer term.

32. FINANCIAL RISKS *(Continued)*

(c) Interest rate risk

In respect of interest-bearing financial liabilities of the Group, their effective interest rate at the balance sheet date or the maturity dates, if earlier is 5.75% (2005: 5.75%).

(d) Foreign exchange risk

(i) Forecast transactions

The Group is exposed to foreign exchange risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars, Chinese Renminbi Yuan and Euros.

As the estimated foreign exchange risk exposure in respect of committed future sales and purchases and estimated foreign exchange risk exposure in respect of highly probable forecast sales and purchases is not significant, no hedging on foreign exchange risk has been carried out during the year under review.

(ii) Recognised assets and liabilities

In respect of trade and bills receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level. Except for the loan taken out by a subsidiary in Mainland China, the Group's borrowings are denominated in either Hong Kong Dollars, United States Dollars or Euros. Given this, management does not expect that there will be any significant foreign exchange risk associated with the Group's borrowings.

(e) Sensitivity analysis

In managing interest rate and foreign exchange risks the Group keeps monitoring and aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings. At 31 December 2006, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before tax by approximately HK$168,000 (2005: HK$153,000).

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of the changes in accounting policies.

34. ULTIMATE HOLDING COMPANY

At 31 December 2006, the directors of the Company consider the parent and ultimate controlling party of the Group to be New Universe Enterprises Limited, which is incorporated in the British Virgin Islands.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 21 March 2007.

RESULTS

	Year ended 31 December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER					
– continuing operations	**68,099**	60,442	85,741	70,106	50,390
PROFIT/(LOSS) BEFORE INCOME TAX					
Continuing operations	**(11,822)**	(6,613)	(32,898)	723	(31,198)
Discontinued operation	**–**	–	–	11,060	–
	(11,822)	(6,613)	(32,898)	11,783	(31,198)
INCOME TAX – continuing operations	**–**	930	50	(80)	–
PROFIT/(LOSS) FOR THE YEAR	**(11,822)**	(5,683)	(32,848)	11,703	(31,198)
ATTRIBUTABLE TO:					
Equity holders of the Company	**(11,210)**	(5,683)	(32,814)	11,703	(31,191)
Minority interests	**(612)**	–	(34)	–	(7)
	(11,822)	(5,683)	(32,848)	11,703	(31,198)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**127,108**	91,296	96,552	95,864	82,857
TOTAL LIABILITIES	**(102,621)**	(54,464)	(55,487)	(43,187)	(69,876)
TOTAL EQUITY	**24,487**	36,832	41,065	52,677	12,981
ATTRIBUTABLE TO:					
Equity holders of the Company	**24,187**	35,906	40,139	52,677	12,981
Minority interests	**300**	926	926	–	–
	24,487	36,832	41,065	52,677	12,981

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