NEW UNIVERSE

New Universe International Group Limited

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

Annual Report 2010

CORPORATE INFORMATION

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

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

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

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

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

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

AUTHORISED REPRESENTATIVES
XI Yu
HON Wa Fai

COMPLIANCE OFFICER
XI Yu

COMPANY SECRETARY
HON Wa Fai

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

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

LEGAL ADVISORS
As to Hong Kong Laws
Troutman Sanders

As to PRC Laws
Beijing Sinobridge Lawyers

AUDITOR
CCIF CPA Limited

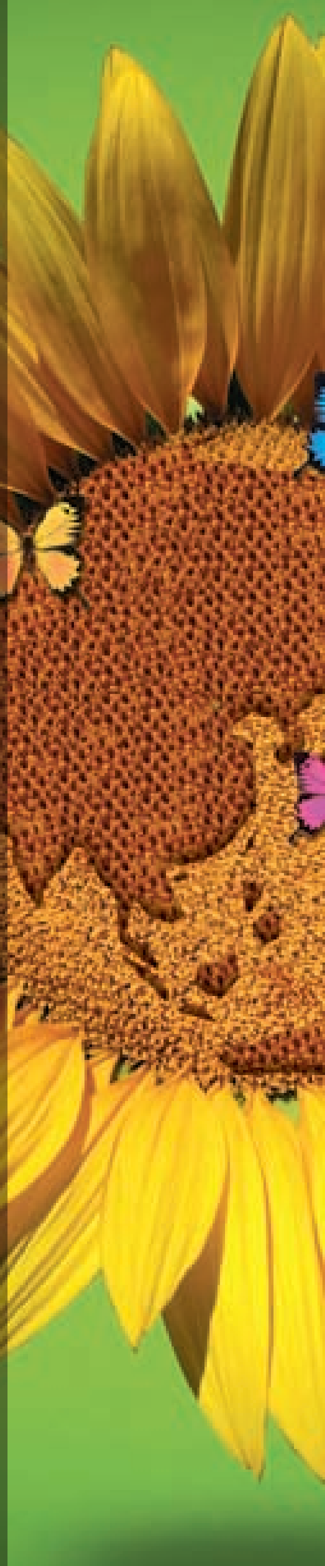
SHARE REGISTRAR AND TRANSFER OFFICES
Principal
Bank of Bermuda (Cayman) Limited
36C Bermuda House, 3rd Floor
P.O. Box 513 G.T.
Dr. Roy's Drive
Grand Cayman
Cayman Islands

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

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

STOCK CODE
8068

WEBSITE
www.nuigl.com



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

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This report, for which the directors (the "Directors") of NEW UNIVERSE INTERNATIONAL GROUP LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CEO STATEMENT

Dear shareholders

I hereby present the annual report of New Universe International Group Limited (the "Company") together with its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2010.

Financial Highlights

In 2010, core business of our Group continues to grow steadily as compared to 2009. The financial highlights of the Group are as follows:

- Total turnover increased by 55.5% to HK$134,940,000 in 2010 from HK$86,793,000 in 2009.

- Profit attributable to the Company's owners for continuing operations increased by 303.8% to HK$12,005,000 from HK$2,973,000 in 2009.

- Total profit attributable to the Company's owners was HK$12,005,000 in 2010 compared to HK$18,355,000 (which comprised the net gain of HK$15,382,000 relating to the disposal of subsidiaries engaged in the development of docks in Jingkou District, Jiangsu) recorded in 2009.

- Total revenue from the environmental waste disposal operations increased by 42.7% to HK$55,787,000 in 2010 from HK$39,094,000 in 2009.

- Total sales from the manufacturing operations that comprising sales of injection mold products, plastic products, plastic materials increased by 65.9% to HK$79,153,000 in 2010 from HK$47,699,000 in 2009.

- Total net dividends received from available-for-sales equity investments which principally engaged in plastic materials dyeing operation increased by 24.5% to HK$2,269,000 in 2010 from HK$1,822,000 in 2009.

- Total earnings per share attributable to the Company's owners were HK cents 0.62 in 2010 compared to HK cents 1.01 in 2009.
- Equity attributable to the Company's owners was HK$354,319,000 at 31 December 2010 versus HK$288,953,000 at 31 December 2009.
- Cash and cash equivalents amounted to HK$76,907,000 at 31 December 2010 compared to HK$42,823,000 at 31 December 2009.
- The Board resolved not to declare dividend for the year ended 31 December 2010.

Corporate commitment to enhance environmental operations

In 2010, the Group has entered into various co-operative agreements to extend its investments on the environmental operations in Mainland China, which comprised setting up various recycling projects in Jiangsu Province. The Group considers those projects as strategic investments and has been carrying out due diligence studies on those projects before going ahead for further investments into the co-operative projects.

On 13 December 2010, the Company entered into a sale and purchase agreement with the then existing shareholders of New Sinotech Investments Limited ("New Sinotech") to acquire an aggregate of additional 60% equity interests in New Sinotech at a total consideration of HK$53,000,000 ("Acquisition"). The Acquisition, being a connected and major transaction of the Company, has been completed on 17 February 2011 after the independent shareholders of the Company approved the Acquisition at the extraordinary general meeting held on 16 February 2011. At the end of current reporting period, the Group held 38% equity interest in New Sinotech as an associate. Upon the completion of the Acquisition, New Sinotech together with its subsidiaries would become 98% owned subsidiaries of the Company. New Sinotech holds 100% equity interest in Fair Time International Limited ("Fair Time"). The major asset of Fair Time is the entire equity interest in Zhenjiang Sinotech Eco-electroplating Development Limited ("Zhenjiang Sinotech"), which is principally engaged in the development and operation of an eco-plating specialised zone in Zhenjiang, a major city of Jiangsu Province in China, which covers a total site area of 273 mu (approximately 183,521 square metres) and is equipped with a centralised environmental treatment plant to handle electroplating sewage and sludge for industrial occupants of the zone ("Eco-plating Specialised Zone"). Once the Eco-plating Specialised Zone is fully developed, it could provide industrial floor space of more than 125,000 square metres.

Corporate finance from fund raising exercise

On 18 June 2010, the Company completed a top-up placement of 150,000,000 new shares to independent strategic investors and raised capital proceeds of HK$30,688,000 net of attributable transaction costs. The share placement widened the shareholders' base and share capital base of the Company, and provided the Group with additional working capital and funding for the development of environmental operations.

Follow-up actions on disposal of discontinued business

In 2010, the Group has been monitoring the status of final settlement of the balance consideration in relation to the disposal of the Group's entire equity interests in two wholly owned subsidiaries that engaged in the construction of dock infrastructure and the development of warehouses and depot facilities in Xinminzhou, Zhenjiang completed in 2009. Up to the date of this report, out of a total consideration of RMB85,849,100 (approximately HK$97,696,000), RMB42,549,100 (approximately HK$46,818,000) has been received. The balance of consideration is jointly guaranteed by two China parties comprising鎮江新民州港口產業園區管委會(Zhenjiang Xinminzhou Harbour Estate District Administrative Committee) and江蘇省國營共青團農場(Stated Owned Gongqingtuan Farm of Jiangsu Province) ("Guarantors") to undertake settlement in case of any default. On 15 March 2011, the purchaser together with its two subsidiaries has provided a written letter of undertaking to the Group that they agreed to use the deposits of RMB48,800,000 paid for acquisition of the land use rights for the settlement of the outstanding balance of the consideration in case of any default by the purchaser by 31 December 2011. The Company's chairman, chief executive officer and delegated senior staff of the Group are to follow up and negotiate with the purchaser and the Guarantors and to pursue for full settlement of the consideration balance. The Company will update on the status in forthcoming financial statements to be published by the Company until the balance of consideration is fully settled.

Business outlook

Environmental operations have become the core business and key performance driver of the Group since 2007, and the Company will continue its efforts to enhance the existing facilities and introduce new technologies to the operations. The Company expects increase in investments on environmental business within Jiangsu Province as well as other major cities in the Yangtze River Delta will add value to the Group's overall operations in the foreseeable future.

Entering 2011, the Company commits its efforts on further improving the Group's corporate governance and operating efficiency both of the environmental and manufacturing operations. With the continuous support from customers and business partners, the Company will endeavor to maximise value for its shareholders.

Appreciation

On behalf of the Board, we express our gratitude to all honourable customers, business partners, financiers and shareholders for their continued support, and to all our employees for their dedication to the Group's mission throughout the year of 2010. We are committed to the sustainable growth and better performance of the Group, and look forward to sharing our progress with you in the new challenging year.

CHAN Chun Hing
Chief Executive Officer

Hong Kong, 21 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Environmental operations

The Group's environmental subsidiaries are principally engaged in environmental treatment of general and hazardous industrial wastes disposed of by major industrial enterprises and regulated medical waste disposed of by major hospitals and clinics in three major cities of Jiangsu Province, Mainland China. They are equipped with pyrolyzing incinerators, and Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe") is also equipped with specialised filtration facilities to handle industrial liquid waste and operates landfill to handle general industrial solid waste. In 2010, they continue to be the key performance drivers of the Group's environmental operations by handling an aggregate of 18,021 metric tons (2009: 12,405 metric tons) of hazardous industrial waste, 7,331 metric tons (2009: 7,852 metric tons) of general industrial waste, and 2,281 metric tons (2009: 1,383 metric tons) of regulated medical waste.

In early 2010, the group invests in Zhenjiang New Universe Recyclables Company Limited (鎮江新宇資源再生利用有限公司) as a new wholly owned subsidiary with paid up registered capital of US$1,000,000 (approximately HK$7,780,000) to engage in the development of various environmental recycling operations to be established in Jiangsu Province, Mainland China, and expects the newly formed subsidiary will contribute to the Group in the foreseeable future.

Commencing the second half of 2010, the Group has entered into different co-operative agreements with anticipation to extend its investments on the environmental business in Mainland China as part of the medium term strategy, of which those investments are to explore for various environmental recycling projects, such as, rubber waste recycling, electronic product waste recycling, and other general industrial solid waste disposal projects in Jiangsu Province. Those projects are still at planning stage. The Group currently holds non-controlling interests in those new projects, and will wait for positive results on viability studies thereon before further commitment is to be decided.

Eco-plating Specialised Zone

Since 8 August 2008, the Group owned 38% equity interest in New Sinotech, which in turn holds 100% direct equity interest in Fair Time and 100% indirect equity interest in Zhenjiang Sinotech (collectively referred to as the "New Sinotech Group"). The key operation of New Sinotech Group is to undertake the development, management and operation of Eco-plating Specialised Zone with total land area of over 180,000 square metres and is able to accommodate industrial buildings with a total rentable gross floor area of more than 125,000 square metres. Since 8 August 2008, the equity interests of New Sinotech Group are beneficially owned as to 53% by the Company's controlling shareholder, New Universe Enterprises Limited ("NUEL"), 38% by the Company, and 9% by Mr. CHAN Son Neng ("Mr. S.N. CHAN").

As part of the medium plan to enhance environmental operations of the Group, on 13 December 2010, the Company entered into a sale and purchase agreement with NUEL and Mr. S.N. CHAN to acquire from them an aggregate of additional 60% equity interests in New Sinotech at a total consideration of HK$53,000,000 (therein referred to as the "Acquisition") which constituted a major and connected transaction of the Company subject to the approval of the Company's independent shareholders. The Acquisition was approved by independent shareholders of the Company at the extraordinary general meeting held on 16 February 2011, and was completed on 17 February 2011.

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

The development and construction of the Eco-plating Specialised Zone of Zhenjiang Sinotech is carried out at full speed. Upon the completion of the Acquisition, approximately 43,700 square metres industrial buildings have been completed, approximately 24,910 square metres were under construction, and approximately 34,700 square metres have been leased out with 32,000 square metres occupied.

As at 31 December 2010, the Group accounted for the 38% equity interest then held in New Sinotech Group as associates, and shared net loss of HK$988,000 for the year then ended (31 December 2009: net profit of HK$229,000) on equity accounting basis.

After completion of the Acquisition took place on 17 February 2011, the New Sinotech Group became 98% indirectly owned subsidiaries of the Company and with the remaining 2% of its equity interest kept held by Mr. S.N. CHAN. Both NUEL and Mr. S.N. CHAN undertook with the Company to providing continuous financial support to the New Sinotech Group by accepting revised terms to their respective shareholders' loans previously granted to New Sinotech Group and ensuring New Sinotech Group is financially viable in the foreseeable future. Thereafter completion of the Acquisition, New Sinotech Group will be accounted for as 98% owned subsidiaries of the Group.

Manufacturing operations

Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe") is the production and outlet base of the Group's injection molds, plastic products and plastic materials in the Mainland China. During the year 2010, Suzhou New Universe has recorded growth on sales of injection molds, plastic products and plastic materials, while emphasised on quality control of the production.

The Group owns equity interests of 18.62%, 24.5% and 28.67% respectively in Suzhou New Huamei Plastics Company Limited ("Suzhou New Huamei"), Danyang New Huamei Plastics Company Limited ("Danyang New Huamei") and Qingdao Zhongxin Huamei Plastics Company Limited ("Qingdao Huamei"). Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei are principally engaged in plastic materials dyeing in the Mainland China.

Disposal of Zhenjiang Dock Project

The disposal of the Group's 100% equity interests in New Universe International (Zhenjiang) Port Company Limited and New Universe International (Zhenjiang) Warehouses Company Limited (collectively referred to as the "Zhenjiang Dock Project") was completed in 2009. Up to the date of this report, out of a total consideration of RMB85,849,100 (approximately HK$97,696,000) due from the buyer(江蘇金海岸投資建設發展有限公司), RMB42,549,100 (approximately to HK$48,200,000) was received and RMB43,300,000 (approximately HK$50,878,000) is outstanding. The balance of consideration is jointly guaranteed by two China parties comprising 鎮江新民州港口產業園區管委會 (Zhenjiang Xinminzhou Harbour Estate District Administrative Committee) and 江蘇省國營共青團農場 (Stated Owned Gongqingtuan Farm of Jiangsu Province) (therein referred to as the "Guarantors") to undertake settlement in case of any default by the purchaser.

On 15 March 2011, the purchaser together with its two subsidiaries has provided to the Group a written letter of undertaking that they agreed to use the deposits paid of RMB48,800,000 for acquisition of the land use rights for the settlement of the outstanding balance of the consideration in case of any default by the purchaser by 31 December 2011.

The chairman of the board, chief executive officer, and delegated senior staff of the Group are to follow up and negotiate with the purchaser and the Guarantors and to pursue for settlement of the consideration balance. The Company will make necessary disclosure on latest status in forthcoming financial statements to be published until the balance of consideration is fully settled.

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

FINANCIAL REVIEW

Turnover

Total turnover of the Group for the year ended 31 December 2010 was HK$134,940,000 representing an increase of 55.5% from HK$86,793,000 for the year ended 31 December 2009.

Total revenue from environmental operations was HK$55,787,000 for the year ended 31 December 2010 representing an increase of 42.7% from HK$39,094,000 in 2009.

Total revenue from sales of mold products was HK$21,863,000 for the year ended 31 December 2010 representing an increase of 32.0% from HK$16,568,000 in 2009.

Total revenue from sales of plastic products was HK$18,198,000 for the year ended 31 December 2010 representing an increase of 47.3% from HK$12,355,000 in 2009.

Total revenue from sales of plastic materials was HK$39,092,000 for the year ended 31 December 2010 representing an increase of 108.2% from HK$18,776,000 in 2009.

Gross profit

Gross profit of the Group for the year ended 31 December 2010 was HK$43,945,000 representing an increase of 61.9% from HK$27,150,000 for the year ended 31 December 2009. Overall gross profit margin of the Group was 32.6% for the year ended 31 December 2010 compared to 31.3% for the year ended 31 December 2009.

The average gross profit margin of environmental operations was 65.7% for the year ended 31 December 2010 (2009: 61.6%).

The average profit margin of sales of mold products was 14.5% for the year ended 31 December 2010 (2009: 5.0%).

The average profit margin of sales of plastic products was 13.1% for the year ended 31 December 2010 (2009: 7.7%).

The average profit margin of sales of plastic materials was 4.4% for the year ended 31 December 2010 (2009: 6.8%).

Other revenue

Other revenue of the Group increased by 56.4% to HK$5,272,000 for the year ended 31 December 2010 (2009: HK$3,370,000). The net increase was mainly attributable to increase in interest income.

Other net income

Other net income of the Group increased by 240.1% to HK$1,663,000 for the year ended 31 December 2010 (2009: HK$489,000). The net increase was mainly attributable to exchange gain arisen on operating activities.

Distribution and selling expenses

Distribution and selling expenses of the Group increased by 12.0% to HK$5,711,000 for the year ended 31 December 2010 (2009: HK$5,098,000). The net increase was mainly attributable to increase in incentive payments to motivate increase in sales and costs saving in various operations of the Group in the year.

Administrative expenses

Administrative expenses of the Group increased by 50.8% to HK$21,597,000 for the year ended 31 December 2010 (2009: HK$14,323,000). The net increase was mainly attributable to additional staff costs to strengthen the senior management and for the environmental operations of the Group.

Other expenses

Other expenses of the Group increased by 6.3% to HK$3,320,000 for the year ended 31 December 2010 (2009: HK$3,123,000). The net increase was mainly attributable to increase in research and development costs.

Finance costs

Finance costs of the Group decreased by 49.6% to HK$1,411,000 for the year ended 31 December 2010 (2009: HK$2,798,000). The net decrease was mainly attributable to the early redemption of the promissory notes completed on 18 May 2010.

Share of profit of associates

Share of net profit of associates amounted to HK$726,000 for the year ended 31 December 2010 (2009: HK$1,303,000). The net profits shared by the Group for the year ended 31 December 2010 comprised (i) net loss shared from New Sinotech Group amounted to HK$988,000 (2009: net profit shared of HK$229,000), and (ii) net profit shared from Qingdao Huamei amounted to HK$1,714,000 (2009: HK$1,074,000).

Income tax

The Group recorded an income tax expense of HK$2,858,000 for the year ended 31 December 2010 (2009: HK$1,210,000). Income tax expenses arisen mainly from environmental operations amounted to HK$2,966,000, which was offset by deferred tax credit of HK$108,000 for the year ended 31 December 2010.

Profit attributable to owners of the Company

Total profit of the Group amounted to HK$15,393,000 for the year ended 31 December 2010 (2009: HK$20,454,000), and profit attributable to owners of the Company amounted to HK$12,005,000 for the year ended 31 December 2010 (2009: HK$18,355,000). The profit for the year ended 31 December 2010 was mainly attributable to core operations of the Group as comparing to the profit recorded for the year ended 31 December 2009 that, amongst the results of core operations, comprised the net gain on disposal of the Group's discontinued operation in relation to the Zhenjiang Dock Project amounted to HK$15,382,000.

Segment results

The revenue distribution was 42.3% for environmental services segment, 15.5% for molds segment, 13.0% for plastics product segment, 27.6% for plastic materials trading segment, and 1.6% for plastic materials dyeing segment respectively for the year ended 31 December 2010 compared to 44.3%, 18.9%, 14.0%, 20.8% and 2.0% respectively in 2009.

Liquidity and financial resources

For the year ended 31 December 2010, the Group financed its operating activities with internally generated cash flows, banking facilities, and fund raising exercise. The Group remained in a satisfactory financial position with total equity attributable owners of the Company amounted to HK$371,594,000 as at 31 December 2010 (2009: HK$299,371,000) with total assets amounted to HK$428,993,000 as at 31 December 2010 (2009: HK$367,564,000).

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

	31 December 2010 HK$'000	31 December 2009 HK$'000
Cash and bank balances		
– Continuing operations	**76,907**	42,823
	76,907	42,823

(ii) The Group had available unused standby general banking facilities as guaranteed by a related company as follows:

	31 December 2010 HK$'000	31 December 2009 HK$'000
Trust receipts financing facilities	**10,000**	10,000

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

	31 December 2010 HK$'000	31 December 2009 HK$'000
Bank borrowings – secured	**10,575**	5,121
Loan from China (HK) Chemical – unsecured	**–**	3,042
	10,575	8,163

(iv) The Group had promissory notes with total nominal value of HK$26,920,000 registered in the name of Mr. S.N. CHAN which had been fully redeemed by the Company on 18 May 2010 by cash payment of US$2,584,000 (approximately HK$20,052,000) and issue of 36,000,000 new shares of the Company at an agreed price of HK$0.19 each in favour of Mr. S.N. CHAN:

	31 December 2010 HK$'000	31 December 2009 HK$'000
Promissory notes – unsecured	**–**	22,185

Capital structure

On 18 May 2010, upon the completion of the redemption deed dated 31 March 2010 entered into between the Company and the registered holder of the promissory notes with total par value of HK$26,920,000, the Company issued 36,000,000 new shares at an agreed price of HK$0.19 each (under the share issue mandate given to the Directors at the annual general meeting of the Company held on 30 April 2009) to redeem portion of the promissory notes from the registered holder. The fair value of the 36,000,000 shares issued (which are subject to one year's lock-up period) was determined to be HK$4,380,000 in accordance with the valuation report dated 30 July 2010 prepared by an independent professional valuer, RHL Appraisal Limited.

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

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

Material acquisitions and disposals of subsidiaries and affiliated companies

On 24 May 2010, the Company acquired 9% indirect equity interest in New Proficient Limited ("New Proficient"). On 29 June 2010, the Company acquired 9% indirect equity interest in Fair Waste Disposal Limited ("FWDL") and 4% indirect equity interest in Fair Industry Waste Recyclables Limited ("FIWRL"). On 30 September 2010, the Company acquired 4% indirect equity interest in Ever Champ (China) Limited ("ECCL"). The aggregate cost of the Group's equity investments in New Proficient, FWDL, FIWRL and ECCL amounted approximately to HK$370,000 as at 31 December 2010. Those companies are investment holding companies incorporated to explore for new environmental business in Mainland China.

On 1 March 2011, the Company has terminated its commitment to a co-operative project and disposed of all its interest in New Proficient to an independent third party at a consideration which was equivalent to the carrying amount of the Company's investment therein at HK$7,000.

Save as disclosed therein, there were no other significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the year ended 31 December 2010.

Investments held and their performance

According to the report dated 21 March 2011 issued by an independent professional valuer, BMI Appraisals Limited ("BMI"), after their review, the market value attributable to the Group's interests in the available-for-sale equity investments in Suzhou New Huamei and Danyang New Huamei were HK$46,200,000 and HK$22,100,000 respectively as at 31 December 2010 (2009: HK$37,300,000 and HK$16,600,000 respectively). Net increase in fair value of the available-for-sale equity investments totally amounted to HK$12,960,000 was accounted for as other comprehensive income of the Group for the year ended 31 December 2010. Dividends distributed by Suzhou New Huamei and Danyang New Huamei to the Group were HK$1,707,000 and HK$562,000 respectively for the year ended 31 December 2010 (2009: HK$1,262,000 and HK$560,000 respectively).

The Group holds 28.67% equity interest in Qingdao Huamei as an associate. According to the valuation report dated 21 March 2011 prepared by BMI, the market value attributable to the Group's interest in Qingdao Huamei was HK$21,200,000 as at 31 December 2010 (2009: HK$15,200,000). For the year ended 31 December 2010, the Group shared net profit of Qingdao Huamei amounted to HK$1,714,000 (2009: shared net profit of HK$1,074,000). Dividend distributed by Qingdao Huamei to the Group for the year ended 31 December 2010 was HK$996,000 (2009: HK$972,000).

For the year ended 31 December 2010, the profit margins of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei were 3.2%, 1.8% and 3.5% respectively (2009: 3.6%, 3.6% and 4.0% respectively).

The Group held 38% equity interests in New Sinotech Group as associates as at 31 December 2010. For the year ended 31 December 2010, the Group shared net loss of New Sinotech Group amounted to HK$988,000 (2009: shared net profit of HK$229,000). No dividend has been declared by New Sinotech Group for the year ended 31 December 2010 (2009: Nil).

On 24 May 2010, the Group acquired 9% equity interest in New Proficient. On 29 June 2010, the Group acquired 9% and 4% equity interests in FWDL and FIWRL respectively. On 30 September 2010, the Group acquired 4% equity interest in ECCL. The Group's financial commitments for business development in environmental operations of New Proficient, FWDL, FIWRL and ECCL were in aggregate approximately to HK$11,687,000 as at 31 December 2010.

Goodwill

Goodwill of the Group arisen in 2007 from the acquisitions of 100% interest in New Universe Environmental Protection Investment Limited which in turn holds 82% direct equity interests in New Universe Environmental Technologies (Jiang Su) Limited, and 82% indirect equity interests in each of Zhenjiang New Universe, Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe") and Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe") with a carrying amount of HK$33,000,000 as at 31 December 2010 (2009: HK$33,000,000), which based on the valuation report prepared by an independent professional valuer, BMI, after carrying out assessment on the recoverable amount of the goodwill that no impairment was required for the carrying amount as at 31 December 2010 (2009: impairment of HK$688,000).

Charges on the Group's assets

As at 31 December 2010, the Group pledged the land use rights together with its property, plant and equipment owned by Suzhou New Universe with a carrying amount of HK$2,355,000 (2009: HK$2,335,000) and HK$9,089,000 (2009: HK$9,228,000) respectively to a bank in China to secure bank loans of HK$10,575,000 or equivalent to RMB9,000,000 (2009: HK$5,121,000 or equivalent to RMB4,500,000) granted to the Suzhou New Universe.

Capital expenditure

For the year ended 31 December 2010, the Group incurred capital expenditure to increase property, plant and equipment for the environmental operations amounted to HK$22,290,000 (2009: HK$2,494,000), and for the manufacturing operations amounted to HK$2,793,000 (2009: HK$1,251,000).

Commitments

As at 31 December 2010, the Group had the following commitments:

(i) Capital commitments

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

	31 December 2010 HK$'000	31 December 2009 HK$'000
Continuing operations		
Contracted for		
– Acquisition of property, plant and equipment	**22,056**	23
Authorised but not contracted for		
– Acquisition of property, plant and equipment	**–**	7,760
– Investment in available-for-sale equity investments	**11,687**	–
– Investment in associates (38% equity interest in New Sinotech Group)	**23,651**	35,386
– Acquisition of additional 60% equity interest in New Sinotech Group	**53,000**	–

Regarding the further contribution to the unpaid registered capital of Zhenjiang Sinotech by the Group, NUEL has undertaken to the Company on 8 August 2008 that NUEL will grant shareholder's loan(s), which will be unsecured, to the Company to enable the Group to fulfil its obligation to make payment of the unpaid registered capital of Zhenjiang Sinotech to ensure Fair Time has sufficient working capital to do so.

(ii) Operating lease commitments

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

	31 December 2010 HK$'000	31 December 2009 HK$'000
Within one year	**332**	187
In the second to fifth years, inclusive	**461**	366
After five years	**–**	80
	793	633

Gearing ratio

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

	31 December 2010 HK$'000	31 December 2009 HK$'000
Continuing operations		
Current liabilities	**50,920**	37,819
Non-current liabilities (excluding deferred taxes)	**–**	25,227
Total debts	**50,920**	63,046
Less: cash and cash equivalents	**76,907**	42,823
(Net cash)/Net debts	**(25,987)**	20,223
Total equity	**371,594**	299,371
Gearing ratio	**N/A**	6.8%

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

Exposure to exchange rate fluctuations

As most of the Group's monetary assets and liabilities were dominated in Renminbi, Hong Kong dollars, and US dollars, the exchange risks of the Group were considered to be minimal. For the year ended 31 December 2010, no related hedging has been arranged by the Group.

Contingent liabilities

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

Employee information

As at 31 December 2010, the Group had 391 (2009: 302) full-time employees of which 18 (2009: 13) were based in Hong Kong, and 373 (2009: 289) in Mainland China. Staff costs, including directors' remuneration and amount capitalised as inventories was HK$14,527,000 for the year ended 31 December 2010 (2009: HK$19,153,000). Employees and directors were paid in commensurate with the prevailing market standards, with other fringe benefits such as bonus, medical insurance, mandatory provident fund, share options and necessary training.

DIRECTORS

XI Yu (aged 53)

Chairman, Executive Director, Compliance Officer and Authorised Representative

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

CHAN Chun Hing (aged 46)

Chief Executive Officer and Executive Director

Mr. CHAN was appointed as chief executive officer and executive director of the Company on 3 May 2010. He is responsible for corporate development and sustainable growth of the Group, exploring new investment opportunities and enhancing the Group's standard of corporate governance. Mr. CHAN has over 20 years of professional experience in the fields of finance, investment and real estate development. He previously worked in senior management positions of various listed companies in Hong Kong and overseas. He holds a Bachelor of Science degree from Thames Polytechnic in the U.K. and a MBA degree from Murdoch University in the Australia. He is a fellow member of the Institute of Financial Accountants (U.K.) and a member of the National Institute of Accountants (Australia), Hong Kong Institute of Surveyors (H.K.) and Chartered Institute of Arbitrators (U.K.).

HON Wa Fai (aged 50)

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

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

CHEUNG Siu Ling (aged 49)

Executive Director

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

SONG Yuqing (aged 62)

Vice-chairman and Non-executive Director

Mr. SONG was appointed as vice-chairman of the Board and non-executive director of the Company on 15 June 2010. He is responsible for providing valuable advices on strategic planning and driving the Group toward further expansion. Mr. SONG previously worked in senior executive positions of various listed companies in China and Hong Kong. He has distinguished experience in the industries of resources, chemicals and real estate, and has substantial experience in strategic and corporate planning functions.

SUEN Ki (aged 57)

Non-executive Director

Mr. SUEN was appointed as non-executive director of the Company on 28 September 2006. Mr. SUEN is a director and shareholder of the Company's controlling shareholder, New Universe Enterprises Limited. He is currently the managing director of China (HK) Chemical & Plastics Limited and a director of Hong Kong Plastic Material Suppliers Association Limited. Mr. SUEN has extensive experience in plastics industry in Hong Kong, Taiwan and the Mainland China. Mr. SUEN holds a Bachelor's degree of Arts from the Department of Foreign Languages and Literature of the National Taiwan University in Taiwan.

CHAN Yan Cheong (aged 57)

Independent non-executive Director

Dr. CHAN was appointed as independent non-executive director of the Company on 17 November 1999. Dr. CHAN is currently a chair professor, director of the EPA Centre, and assistant head for applied research and industry relations in the Department of Electronic Engineering of City University of Hong Kong. Dr. CHAN holds B.Sc. degree in Electrical Engineering, M.Sc. degree in Materials Science, and a Ph.D. degree in Electrical Engineering, from Imperial College of Science and Technology, University of London. He also awarded a MBA degree majoring in Finance from the University of Hong Kong Business School. Dr. CHAN is a fellow member of the Institute of Electrical and Electronic Engineers (USA), the Hong Kong Institution of Engineers and the Institution of Electrical Engineers (UK). His current research interests include RoHS & WEEE research, green electronics manufacturing, failure analysis, and reliability engineering. He is world renowned in electronic product reliability, lead free soldering, and green electronics manufacturing.

YUEN Kim Hung, Michael (aged 49)

Independent non-executive Director

Mr. YUEN was appointed as independent non-executive director of the Company on 24 April 2002. Mr. YUEN is currently practising in Hong Kong with his own accounting firm. Mr. YUEN is also an independent non-executive director of another Hong Kong listed company in the Main Board. Mr. YUEN holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic University. He is a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of Certified General Accountants Association of Ontario, and a fellow member of Association of Chartered Certified Accountants. He has substantial experience in accounting, taxation and auditing.

HO Yau Hong, Alfred (aged 53)

Independent non-executive Director

Mr. HO was appointed as independent non-executive director of the Company on 30 September 2004. Mr. HO is currently practising in Hong Kong with his own accounting firm. He is currently a facilitator in the Qualification Program of the Hong Kong Institute of Certified Public Accountants in accounting, auditing and taxation. He was formerly a part-time professor in accounting and auditing at Algonquin College, Ottawa, Canada, and was a part-time tutor in taxation at the Open University of Hong Kong. Mr. HO holds Bachelor of Commerce (Honours) degree from University of Windsor, Windsor, Canada. Mr. HO is a Canadian chartered accountant, a practising fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Taxation Institute of Hong Kong. Mr. HO has substantial experience in accounting, auditing and taxation.

LEE Kwan Hung (aged 45)

Independent non-executive Director

Mr. LEE was appointed as independent non-executive director of the Company on 15 June 2010. Mr. LEE is a practising lawyer in Hong Kong who has handled over 20 initial public offerings. He retired from the partnership of a leading law firm in Hong Kong on 23 February 2011. He is currently an independent non-executive director of listed companies in Hong Kong namely, Asia Cassava Resources Holdings Limited, Embry Holdings Limited, Futong Technology Development Holdings Limited, GZI REIT Asset Management Limited, Net Dragon Websoft Inc. and Walker Group Holdings Limited. He holds a LL.B (Honours) degree and a Postgraduate Certificate in Laws from the University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997. He has over 20 years' experience in advising on corporate and commercial laws, listing matters and corporate governance.

SENIOR MANAGEMENT

WONG Lai Wa (aged 40)

Deputy General Manager

Ms. WONG was appointed as deputy general manager of the Company in June 2007. Ms. WONG has been working for the Company's controlling shareholder, New Universe Enterprises Limited since January 2001. Ms. WONG is currently responsible for the supervision of various subsidiaries' operations of the Group in China. She has also been nominated as the project manager in May 2010 to monitor the project management of various investments of the Group on solid waste disposal and eco-plating industrial park development in China. Ms. WONG holds a Diploma in Business Management from the Chinese University of Hong Kong. Ms. WONG has substantial experience in finance, accounting and business administration.

LIU Na (aged 34)

Assistant General Manager

Ms. LIU was appointed as assistant general manager of the Company in April 2010. She is currently responsible for business development of the Group. She has been nominated in May 2010 to take charge of the corporate planning and internal auditing functions of the Group, and also as the project manager to monitor the project management of various investments of the Group on waste recycling in China. Ms. LIU has more than 10 years' professional experience in business appraisals, internal control and auditing. She previously worked as the financial controller of a Beijing based entity of a French listed company, and the auditor senior of a renowned international accounting firm in China. She holds Bachelor's degree in Economics from the Capital University of Economics and Business in Beijing, China, and a MBA degree from the City University of Hong Kong.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2010.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

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

The activities of its principal subsidiaries are summarised as follows:

(i) industrial and medical wastes environmental disposal services;

(ii) manufacture and sale of molds;

(iii) manufacture and sale of plastic products;

(iv) sale of plastic materials; and

(v) investment in plastic materials dyeing business.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 47 of this annual report.

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2010 (2009: Nil).

GROUP FINANCIAL SUMMARY

Summary of the results and of the assets and liabilities of the Group for each of five years ended 31 December 2010 is set out on pages 128 to 130 of this annual report.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the note 34 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2010, the Company's reserves available for distribution to its owners amounted to HK$257,257,000 (2009: HK$226,754,000). According to the articles and association of the Company, dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law (revised) of the Cayman Islands and every modification thereof.

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Group's transactions with its major customers and suppliers during the year are set out as follows:

	Percentage of the Group's total			
	Sales		**Purchases**	
	2010	2009	**2010**	2009
The largest customer	**8.3%**	13.6%		
Five largest customers in aggregate	**27.5%**	35.2%		
The largest supplier			**25.6%**	27.8%
Five largest suppliers in aggregate			**37.3%**	41.5%

At 31 December 2010, Mr. XI Yu, Ms. CHEUNG Siu Ling, and Mr. SUEN Ki, being directors of the Company, had deemed beneficial interests in the largest supplier and also one of the five largest suppliers of the Group in the current year. All transactions between the Group and the supplier concerned were carried out on normal commercial terms.

Save as disclosed herein, at no time during the year did any director, associate of any director or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers or customers.

SHARE CAPITAL

On 18 May 2010, in order to finance the early redemption of promissory notes, the Company issued 36,000,000 ordinary shares of HK$0.01 each for a consideration of HK$0.19 per share.

On 18 June 2010, in order to finance additional general working capital of the Company and further development of environmental business, the Company issued 150,000,000 ordinary shares of HK$0.01 each for a consideration of HK$0.212 per share.

Details of movements in the share capital of the Company during the year are set out in note 33 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2010 are set out in note 21 to the financial statements.

ASSOCIATES

Particulars of the Company's associates as at 31 December 2010 are set out in note 22 to the financial statements.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company and the Group as at 31 December 2010 are set out in notes 28, 35 and 42(ii) to the financial statements.

INTEREST CAPITALISED

The Group has not capitalised any interest during the year (2009: Nil).

DIRECTORS

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

Executive Directors:

XI Yu *(Chairman)*	
CHAN Chun Hing *(Chief Executive Officer)*	(appointed on 3 May 2010)
CHEUNG Siu Ling	
HON Wa Fai	

Non-Executive Director:

SONG Yuqing *(Vice-chairman)*	(appointed on 15 June 2010)
SUEN Ki	

Independent Non-Executive Directors:

CHAN Yan Cheong	
YUEN Kim Hung, Michael	
HO Yau Hong, Alfred	
LEE Kwan Hung	(appointed on 15 June 2010)

In accordance with article 86(3) of the Company's articles of association, Mr. CHAN Chun Hing, Mr. LEE Kwan Hung and Mr. SONG Yuqing shall hold office only until the next following annual general meeting of the Company, and being eligible offer themselves for re-election at the forthcoming annual general meeting.

In accordance with article 87 of the Company's articles of association, Mr. HO Yau Hong, Alfred and Mr. SUEN Ki shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

EMOLUMENTS OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 17 to 20 of this annual report.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. Dr. CHAN Yan Cheong has been serving as the Company's independent non-executive director for more than 9 years, further appointment of him as independent non-executive director of the Company will be subject to a separate resolution at the forthcoming annual general meeting. The Company considers each of the independent non-executive directors of the Company is independent.

DIRECTORS' SERVICE CONTRACTS

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

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

SHARE OPTION SCHEME

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

Under the rules of the Share Option Scheme:

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

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

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

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

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

(iii) the average closing price of the Company's shares on the Stock Exchange for the five business days immediately preceding the date of grant.

The total number of securities available for issue under the Share Option Scheme as at 31 December 2010 was 182,589,168 shares of the Company which represented the current scheme mandate limit given to the directors to issue in aggregate not exceeding 182,589,168 ordinary shares of the Company having been approved by the Company's shareholders on 28 April 2008 and approved by the Stock Exchange on 23 May 2008.

As at 31 December 2010 and during the year then ended, no option has been granted or outstanding under the Company's Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or the chief executive, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests and short positions of the directors and chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors, were as follows:

The Company

Long positions in ordinary shares

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

Note:

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

Associated corporation

Long positions in ordinary shares in NUEL

	Number of issued ordinary shares of US$1.00 each				
Name of director	**Personal/ beneficiary**	**Interest of children or spouse**	**Interest of controlled corporation**	**Number of shares held**	**% of total shares in issue**
Mr. XI Yu	16,732	–	–	16,732	83.66
Ms. CHEUNG Siu Ling	1,214	1,214	–	2,428	12.14
Mr. SUEN Ki	840	–	–	840	4.20

Save as disclosed above, as at 31 December 2010, none of the directors and chief executives had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any director or chief executive of the Company, as at 31 December 2010, persons or corporations who have interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

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

Notes:

* The interest in 1,249,649,115 shares of the Company disclosed by Mr. XI Yu is the same as those disclosed as held by NUEL. Mr. XI Yu together with Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors of NUEL.

Save as disclosed above, as at 31 December 2010, none of the directors were aware of any other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or as recorded in the register required to be maintained by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

(i) A renewable rental agreement dated 28 August 2009 was entered into between Smartech Services Limited ("Smartech Services", an indirectly wholly owned subsidiary of the Company) as tenant and Sun Ngai International Investment Limited ("Sun Ngai", a wholly owned subsidiary of New Universe Holdings Limited ("NUHL")) as landlord, pursuant to which Smartech Services rented an office unit located at Room 2109, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong from Sun Ngai at a monthly rental of HK$10,000 from 1 August 2009 to 30 September 2009, and at a monthly rental of HK$18,000 for the period from 1 October 2009 to 31 July 2010. A renewed rental agreement was signed on 26 July 2010 at a monthly rental of HK$20,000 for a rental period from 1 August 2010 to 31 July 2011. Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of the Company, Smartech Services, NUHL and Sun Ngai.

(ii) A framework supply agreement dated 26 February 2009 (referred therein to as "Supply Contract") was entered into between Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe", an indirectly 97% owned subsidiary of the Company) and China (HK) Chemical & Plastics Company Limited ("China (HK) Chemical", a 97% owned subsidiary of NUHL) in relation to the supply of plastic materials to Suzhou New Universe by China (HK) Chemical. The term of the Supply Contract commenced from the date of the Supply Contract and up to 31 December 2011 which term may be renewed for three years by agreement of the parties to the Supply Contract. China (HK) Chemical offers Suzhou New Universe payment term with credit period of 90 days from shipment date of the plastic materials purchased without requirement of providing any collateral. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors of the Company and China (HK) Chemical. Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of NUHL and Suzhou New Universe.

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

Save as disclosed therein, no contract of significance to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or any time during that period.

CONNECTED TRANSACTIONS

(i) Continuing Connected transactions

On 26 February 2009, the Supply Contract was entered into between Suzhou New Universe and China (HK) Chemical in relation to the supply of plastic materials to Suzhou New Universe by China (HK) Chemical. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors of the Company and China (HK) Chemical. Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of Suzhou New Universe and China (HK) Chemical's holding company, NUHL. By virtue of the common directors who represent all members of the board of directors of China (HK) Chemical and, through their directorship in NUHL, control the board of directors of China (HK) Chemical, China (HK) Chemical is considered a connected person (as defined in the GEM Listing Rules) of the Company.

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

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

Pursuant to the Supply Contract, for the year ended 31 December 2010, Suzhou New Universe ordered plastic materials of 1,128 metric tons for an aggregate amount of HK$22,461,000 from China (HK) Chemical; and China (HK) Chemical delivered 1,183.5 metric tons of plastic materials for an aggregate amount of HK$23,484,000 to Suzhou New Universe ("Continuing Connected Transactions").

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

Particulars of the Continuing Connected Transactions are also disclosed in note 42(i) to the financial statements in accordance with HKAS 24 Related Party Disclosures.

(ii) Connected transaction

On 13 December 2010, the Company entered into the Agreement with NUEL and Mr. S.N. CHAN (collectively referred to as the "Vendors"), pursuant to which the Company agreed to acquire and the Vendors agreed to sell the 3,000,000 issued shares of US$1 each in the share capital of New Sinotech, representing 60% of the issued share capital of New Sinotech for an aggregate cash consideration of HK$53,000,000 (the "Acquisition"). The Acquisition constitutes a major transaction for the Company under Rule 19.06 of the GEM Listing Rules. NUEL, being one of the Vendors, is the controlling shareholder interested in approximately 62.11% of the issued share capital of the Company. Accordingly, NUEL is a connected person of the Company and the Acquisition also constitutes a connected transaction for the Company under Rule 20.13 of the GEM Listing Rules, which is subject to the requirements of announcement and circular and approval of the Company's independent shareholders under the GEM Listing Rules.

On 16 February 2011, an extraordinary general meeting of the Company was held with both (i) NUEL and (ii) Mr. S.N. CHAN who was then interested in 58,150,519 issued shares of the Company together with their respective associates, abstained from voting on the resolution to approve the Acquisition and the transactions contemplated. The resolution to confirm and approve the Acquisition was duly passed by the independent shareholders of the Company at the extraordinary general meeting held on 16 February 2011.

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

Particulars of the Acquisition are also disclosed in note 41 to the financial statements in accordance with HKAS 10 Events after the Reporting Period.

COMPETING INTERESTS

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

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 40 to the financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2010.

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

Neither the Company, nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the year ended 31 December 2010.

CORPORATE GOVERNANCE

The Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the GEM Listing Rules and is satisfied that the Company has complied throughout the year ended 31 December 2010 with the CG Code except for the following deviations:

(i) Code Provision A.2.1 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, and that the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Until the appointment of the Company's chief executive officer, Mr. CHAN Chun Hing was effected on 3 May 2010, the Company's chairman, Mr. XI Yu has shared the responsibilities of the vacant office of the Group's chief executive officer since 1 February 2007. The Directors considered the deviation did not significantly affect the Group's operations. During the period when Mr. XI Yu took the roles of both chairman and chief executive officer, he was able to lead the Board to act in the best interests of the Company and make decision efficiently on business and strategic matters. Through the supervision of the full Board and the Board committees, balance of power and authority could be ensured.

(ii) Code Provision E.1.2 of the CG Code requires that, amongst the others, the chairman of the Board should attend annual general meeting of the Company. The Company's chairman, Mr. XI Yu did not attend the Company's annual general meeting held on 30 April 2010 owing to his trip out of Hong Kong for business of the Group. Failing his presence, Mr. XI Yu delegated the non-executive director of the Company, Mr. SUEN Ki to chair the meeting and to arrange other directors, including the chairman of the audit committee, be available to answer any questions at the annual general meeting.

In addition, Code Provision A.1.8 requires that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting. On 13 December 2010, the Company's board of directors (with Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki, all of whom were interested directors, abstained from voting) has approved the entering into of a conditional agreement in relation to the proposed acquisition of 60% equity interest in New Sinotech Investments Limited ("Acquisition"), which constituted a major and connected transaction of the Company, by way of written resolutions. The Directors considered the deviation did not significantly affect the Company's decision to enter into the transaction. This is because all the independent non-executive directors of the Company and those non-interested Directors have been provided with all relevant information for consideration prior to the date of the written resolutions. The written resolutions were signed after all the independent non-executive directors and the non-interested directors signified that they have no further queries on the terms of the Acquisition. Details of the Acquisition are set out in the announcements of the Company dated 13 December 2010, 4 January 2011, 27 January 2011 and 16 February 2011, and the circular of the Company dated 27 January 2011.

A report on the principal corporate practices adopted by the Company is set out in the Corporate Governance Report on pages 32 to 44 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 41 to the financial statements.

AUDITORS

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

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

On behalf of the Board

CHAN Chun Hing
Chief Executive Officer
Hong Kong, 21 March 2011

CORPORATE GOVERNANCE REPORT

New Universe International Group Limited ("Company", together with its subsidiaries collectively referred to as the "Group") is committed to ensuring good standard of corporate governance in the interests of the Company's shareholders ("Shareholders").

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

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2010, the Company has complied with all code provisions of the Code on Corporate Governance Practices (the "CG Code") as set in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM Listing Rules") except for the following deviations:

(i) Code Provision A.2.1 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, and that the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Until the appointment of the Company's chief executive officer, Mr. CHAN Chun Hing was effected on 3 May 2010, the Company's chairman, Mr. XI Yu has shared the responsibilities of the vacant office of the Group's chief executive officer since 1 February 2007. The Directors considered the deviation did not significantly affect the Group's operations. During the period when Mr. XI Yu took up the responsibilities of both chairman and chief executive officer, he was able to lead the Board to act in the best interests of the Company and make decision efficiently on business and strategic matters. Through the supervision of the full Board and the Board committees, balance of power and authority could be ensured.

(ii) Code Provision E.1.2 of the CG Code requires that, amongst the others, the chairman of the Board should attend annual general meeting of the Company. The Company's chairman, Mr. XI Yu did not attend the Company's annual general meeting held on 30 April 2010 owing to his trip out of Hong Kong for business of the Group. Failing his presence, Mr. XI Yu delegated the non-executive director of the Company, Mr. SUEN Ki to chair the meeting and to arrange other directors, including the chairman of the audit committee, be available to answer any questions at the annual general meeting.

In addition, Code Provision A.1.8 requires that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting. On 13 December 2010, the Company's board of directors (with Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki, all of whom were interested directors, abstained from voting) has approved the entering into of a conditional agreement in relation to the proposed acquisition of 60% equity interest in New Sinotech Investments Limited ("Acquisition"), which constituted a major and connected transaction of the Company, by way of written resolutions. The Directors considered the deviation did not significantly affect the Company's decision to enter into the transaction. This is because all the independent non-executive directors of the Company and those non-interested Directors have been provided with all relevant information for consideration prior to the date of the written resolutions. The written resolutions were signed after all the independent non-executive directors and the non-interested directors signified that they have no further queries on the terms of the Acquisition. Details of the Acquisition are set out in the announcements of the Company dated 13 December 2010, 4 January 2011, 27 January 2011 and 16 February 2011, and the circular of the Company dated 27 January 2011.

SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 31 December 2010, the Company has applied the principals of the required standard of dealings set out in Rules 5.48 to 5.67 if the GEM Listing Rules ("Required Standard of Dealings").

Having made specific enquiry of all directors of the Company, the Directors confirmed that they have complied with or they were not aware of any non-compliance with the Required Standard of Dealings during the year ended 31 December 2010.

BOARD OF DIRECTORS

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

As at 31 December 2010, the Board of the Company comprises:

Executive directors

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

Non-executive directors

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

Independent non-executive directors

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

The GEM Listing Rules require every listed issuer to have at least three independent non-executive directors, and at least one of whom must have the appropriate professional qualifications, or accounting or related financial management expertise. As at 31 December 2010, two of the independent non-executive directors of the Company have the appropriate professional qualifications, accounting and related financial management expertise.

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

BOARD MEETINGS AND BOARD PRACTICES

The following table shows the attendance record of Board meetings held during the year ended 31 December 2010:

	Number of meetings attended/held				
Board member	**Regular board meeting**	**Ad hoc board meeting**	**Working committee meeting**	**Independent board committee meeting**	**Overall**
Executive director					
Mr. XI Yu	4/4	13/13	1/1	–	18/18
Mr. CHAN Chun Hing	3/3	9/9	1/1	–	13/13
Mr. HON Wa Fai	4/4	13/13	1/1	–	18/18
Ms. CHEUNG Siu Ling	4/4	13/13	1/1	–	18/18
Non-executive director					
Mr. SONG Yuqing	2/2	6/6	–	–	8/8
Mr. SUEN Ki	4/4	13/13	–	–	17/17
Independent non-executive director					
Dr. CHAN Yan Cheong	2/4	13/13	–	–	15/17
Mr. YUEN Kim Hung, Michael	4/4	13/13	–	–	17/17
Mr. HO Yau Hong, Alfred	4/4	13/13	–	–	17/17
Mr. LEE Kwan Hung	2/2	6/6	–	–	8/8

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

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

The Company's chief executive officer works actively to enhance good corporate governance practices and procedures of the Group, who is responsible for strategic planning and implementation, sourcing and meeting with potential business partners, looking for business opportunities for the Group, client development, recruiting of senior management, staff development, collaboration across the affiliated company network, looking for opportunities to enhance best practices, and timely reporting to the Board regarding the Group's overall progress.

The chairman of the Board has delegated the responsibility of preparing the agenda for each Board meeting to the company secretary. Each Director may request to include any matters in the agenda. At least 14 days notice is given by the Company for the regular board meetings. All substantive agenda items have comprehensive briefing papers, which are circulated at least 3 days before each board meeting (or such other period as agreed).

The company secretary is responsible for distributing detailed documents to Directors prior to the meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings so that they may receive accurate, timely and clear information.

All Directors may access to the advice and services of the company secretary who regularly updates the Board and consults on governance and regulatory matters, and if necessary, seeking independent professional advices. The company secretary is also responsible for ensuring the procedures of the board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the board meetings.

Any Director may request the Company to provide independent professional advice at the expense of the Company to discharge his duties to the Company.

If a substantial shareholder or a Director has a conflict of interests in a matter to be considered by the Board, the Company will not deal with the matter by way of circulation or will avoid dealing with the matter by way of written resolutions without going through interactive consultation with all board members or by a Board committee (except if that Board committee was specifically established for such purpose and the director with a conflict of interests abstained from voting on the matter concerned). The independent non-executive director of the Company with no material interest in the matter will attend the meeting to deal with the matter if it is considered appropriate. Other than the exception allowed under the GEM Listing Rules, any Director who or whose associates have any material interest in any proposed Board resolutions shall not be counted as a quorum in the relevant Board meeting or shall be abstained from voting for the Board resolutions. All the Board committees adopted the same principles and procedures used in the Board meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Before the appointment of Mr. CHAN Chun Hing as the chief executive officer of the Company, Mr. XI Yu has to share the responsibility and duties of the Group's chief executive officer. Under the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and the division of responsibilities between those two positions should be clearly established as set out in writing. Before the appointment of Mr. CHAN Chun Hing as the chief executive officer of the Company, Mr. XI Yu assumed the roles of chairman and chief executive officer. The Board considered that the invaluable experience and business connection of Mr. XI Yu in both plastic and environmental industries is a great benefit to the Group, and through supervision of the full Board and the Board committees, balance of power and authority could be ensured during the period when he took up both roles of the chairman and chief executive officer.

APPOINTMENTS, RE-ELECTION AND REMOVAL

In accordance with the Company's articles of association, all Directors (including executive directors, non-executive director and independent non-executive directors) are subject to retirement by rotation at least once every three years, and newly appointed Director(s) shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election of the shareholders of the Company.

Each of the non-executive director and the independent non-executive directors of the Company has signed letter of appointment with the Company for a term of not more than two years and to be renewed from time to time, which is subject to termination by either party giving not less than three months' prior written notice. The renewed letters of appointment signed by Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael, Mr. HO Yau Hong, Alfred and Mr. SUEN Ki commencing from 1 February 2011 for a tenure of two years. The letters of appointment signed by Mr. SONG Yuqing and Mr. LEE Kwan Hung commencing from 15 June 2010 for a tenure of one year.

The Company has received written confirmation from each of the four independent non-executive directors of the Company in respect of the factors set out in Rule 5.09 of GEM Listing Rules, and considers the independent non-executive directors, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael, Mr. HO Yau Hong, Alfred, and Mr. LEE Kwan Hung are independent to the Company.

Dr. CHAN Yan Cheong has served as an independent non-executive director of the Company for more than 9 years since 17 November 1999, whose further re-election and proposed appointment as the Company's independent non-executive director shall be subject to a separate resolution to be approved by the Shareholders in the forthcoming annual general meeting of the Company. The Board, based on the annual written confirmation of independence and the undertaking of continuing to be independent given by Dr. CHAN Yan Cheong, believes that Dr. CHAN Yan Cheong as a chair professor in the Department of Electronic Engineering of City University of Hong Kong will bring in strong expertise, contributing a more impartial view and making independent judgement on all issues to be discussed at the Board meetings.

RESPONSIBILITIES OF DIRECTORS

The Directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as and when necessary, Directors will consent to the seeking of independent professional advice at the Group's expense, ensuring the board procedures, all applicable rules and regulations, are followed.

The Board has overall responsibility for the stewardship of the Group and gives clear directions as to the power delegated to the management of the Company and its subsidiaries for the management and administration functions of the Group, in particular, with respect to the circumstances where management of the Company and its subsidiaries should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

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

All executive directors, non-executive director and independent non-executive directors of the Company bring a variety of experience and expertise to the Company with their respective functions set out as follows:

Executive directors

Name	**Position**	**Current Function/Experience**
XI Yu	Chairman, executive director, and compliance officer	– development of vision and strategies for the whole group
CHAN Chun Hing	Chief executive officer and executive director	– development of corporate goals and targets – strategic planning – formulation of merger and acquisition exercises – overseeing operations of all Group members
HON Wa Fai	Executive director, financial controller, and company secretary	– overseeing financial control, accounting, taxation, treasury, corporate finance, compliance and investors relations
CHEUNG Siu Ling	Executive director	– group organisational administration – group human resources management

Non-executive directors

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

Independent non-executive directors

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

Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are directors and shareholders of the Company's controlling shareholder, New Universe Enterprises Limited ("NUEL"). As at 31 December 2010, NUEL and the Company owned 53% and 38% beneficial equity interests respectively in New Sinotech Investments Limited, Fair Time International Limited and Zhenjiang Sinotech Eco-electroplating Development Company Limited (collectively referred to "New Sinotech Group"). With the approval of the Company's independent shareholders by poll voting on 16 February 2011, the Company acquired the 53% equity interest in New Sinotech Group from NUEL on 17 February 2011.

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

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

SUPPLY OF AND ACCESS TO INFORMATION

The management of the Group and all its subsidiaries and associates are required to provide the Board of the Company with appropriate and sufficient information through financial reports, business and operational reports and budget statements in a timely manner to keep the Board members informed of the latest development of the Group. The Board members have the right to access to the Group's information and other matters either from the chairman and the company secretary of the Company.

CONTINUING PROFESSIONAL DEVELOPMENT

The Company has budgeted for training and professional development to each of the Company's Directors to enhance their skills and to keep up with the updated applicable legal and regulatory developments.

BOARD COMMITTEES

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

	Committee membership		
	Audit Committee	**Nomination Committee**	**Remuneration Committee**
CHAN Yan Cheong	✓	✓	✓
YUEN Kim Hung, Michael	✓	✓	✓
HO Yau Hong, Alfred	✓	✓	✓

AUDIT COMMITTEE

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

Composition of audit committee

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

Role and function

The audit committee is mainly responsible for:

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

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

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

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

Meeting records

The audit committee had 4 meetings during the year ended 31 December 2010 mainly for the purposes as follows:

(i) reviewed the annual report for the year ended 31 December 2009 (with Mr. HO Yau Hong, Alfred elected as chairman of that audit committee meeting);

(ii) reviewed the interim results for 6 months ended 30 June 2010 as reviewed by independent accountants, CCIF CPA Limited;

(iii) reviewed the quarterly reports for 3 months and 9 months respectively ended 31 March and 30 September 2010; and

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

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

Audit committee member	Number of meetings attended/held
Dr. CHAN Yan Cheong	3/4
Mr. YUEN Kim Hung, Michael	4/4
Mr. HO Yau Hong, Alfred	4/4

NOMINATION COMMITTEE

In May 2006, the Company's nomination committee had been established with written terms of reference to ensure fair and transparent procedures for the appointment of directors to the Board. The nomination committee comprises at least three members, the majority of whom shall be independent non-executive directors of the Company.

Composition of nomination committee

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

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

REMUNERATION COMMITTEE

In May 2006, the Company's remuneration committee had been established with written terms of reference to determine policy for the remuneration of directors and senior management of the Company, assessing their performance and approving the terms of their service contracts. The remuneration committee comprises at least three members the majority of whom shall be independent non-executive directors of the Company.

Composition of remuneration committee

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

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

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Acknowledgement

The Audit Committee and the Board have reviewed the Company's financial statements for the year ended 31 December 2010. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment for the Company's performance, position and prospects. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CCIF CPA Limited acknowledge their reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31 December 2010.

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

Auditor's Remuneration

For the years ended 31 December 2009 and 2010, the remuneration paid/payable to the auditors, CCIF CPA Limited in respect of their audit and non-audit services was as follows:

	2010	2009
	HK$'000	HK$'000
Audit services	**700**	550
Non-audit services	**10**	122

INTERNAL CONTROL

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

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

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

In 2010, the Company has engaged independent professional advisor, CCIF Corporate Consultancy Limited ("CCCL") to conduct review of the effectiveness of the internal control systems of the Group, covering all material controls, including financial, operation, compliance controls. For the year ended 31 December 2010, CCCL has made suggestions for continuous improvement to the Group's internal control systems though no material deficiencies of Group's internal control systems has been identified by CCCL which has to be brought to the attention of the Board or the Shareholders in their assessment reports. To further strengthen the internal control of the Group, ad hoc control team of the Company headed by the assistant general manager (2009: deputy general manager) of the Company is established to provide day-to-day management of the compliance and control of the Group in order to eliminate risks of failure of operational systems and the achievement of the Company's objectives.

The independent review of CCCL on the Group's internal control systems will be carried out continuously in 2011. The Audit Committee required that the internal control systems of the Company have to be improved continuously until any suggested improvement could be death with properly by the respective members of the Group. The ad hoc control team will conduct meeting regularly and work closely with CCCL to monitor the internal control system within the Group. In addition, they will carry out assessment in relation to the establishment of new company or entity and new product of the Company.

To enhance the knowledge of relevant staffs of the Group, training will be provided to them in the matter of relevant rules and applicable laws as when appropriate. The Board is satisfied that the Group has complied with the code provision on internal control as set out in the GEM Listing Rules.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining clear, timely and effective communication with shareholders of the Company and investors. The Board also recognises that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining high degree of transparency to ensure the investors and the shareholders are receiving accurate, clear, comprehensive and timely information of the Group via the publication of annual reports, interim reports, quarterly reports, public announcements and releases, and update and key information of the Group are available on the Company's website at www.nuigl.com.

The Company engaged with PRChina Limited as consultant to enhance media and investor relations of the Group and to improve the Group's relations with shareholders and potential investors. The Board continues to maintain regular dialogue with institutional investors and analysts to keep them informed of the Group's strategy, operations, management and plans.

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

Consultant:	PRChina Limited (for the attention of Ms. Jane LIU)
Telephone number:	(852) 2522 1838
Facsimile number:	(852) 2521 9955
E-mail:	jliu@prchina.com.hk

The Directors and the Board committees' members are available to answer questions through the annual general meeting. Independent auditor is also available at the annual general meeting to address shareholders' queries. Separate resolutions are proposed at general meeting on each substantially separate issue.

SHAREHOLDERS RIGHTS

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

Registered shareholders are notified by post for the shareholders' meetings. The notice of meeting contains in a circular with the agenda, the proposed resolutions and a proxy form.

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

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

The poll voting procedures are included in the Company's circular convening a general meeting. The chairman of the general meeting explains the procedures for demanding and conducting a poll and reveals how many proxies for and against have been filed in respect of each resolution. The results of the voting by poll are declared at the meeting and published on the websites of the Stock Exchange and the Company respectively thereafter the meeting.

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

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

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

To the shareholders of
New Universe International Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Universe International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 127, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material statement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
LEUNG Chun Wa
Practising Certificate Number: P04963

Hong Kong, 21 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations			
Turnover	5	**134,940**	86,793
Cost of sales		**(90,995)**	(59,643)
Gross profit		**43,945**	27,150
Other revenue	7	**5,272**	3,370
Other net income	8	**1,663**	489
Loss on early redemption of promissory notes	35	**(1,316)**	–
Impairment of goodwill	20	**–**	(688)
Distribution and selling expenses		**(5,711)**	(5,098)
Administrative expenses		**(21,597)**	(14,323)
Other operating expenses		**(3,320)**	(3,123)
Finance costs	9	**(1,411)**	(2,798)
Share of profit of associates	22	**726**	1,303
Profit before taxation		**18,251**	6,282
Income tax	10	**(2,858)**	(1,210)
Profit for the year from continuing operations		**15,393**	5,072
Discontinued operation			
Profit for the year from discontinued operation	11	**–**	15,382
Profit for the year	12	**15,393**	20,454
Profit for the year attributable to:			
Owners of the Company		**12,005**	18,355
Non-controlling interests		**3,388**	2,099
		15,393	20,454
Earnings per share	16		
(expressed in HK cents)			
From continuing and discontinued operations			
Basic and diluted		**0.62**	1.01
From continuing operations			
Basic and diluted		**0.62**	0.17
From discontinued operation			
Basic and diluted		**–**	0.84

The notes on pages 55 to 127 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Profit for the year	12	**15,393**	20,454
Other comprehensive income			
Exchange differences			
– on translation of financial statements of foreign subsidiaries		**3,553**	583
– reclassification adjustments relating to disposal of foreign subsidiaries	11	**–**	(10,257)
Fair value changes on available-for-sale equity investments, net of deferred tax of HK$1,440,000 (2009: HK$363,000)		**12,960**	4,637
Share of other comprehensive income of associates	22		
– Exchange differences arising from translation of financial statements of foreign associates		**2,301**	275
		18,814	(4,762)
Total comprehensive income for the year		**34,207**	15,692
Attributable to:			
Owners of the Company		**30,385**	13,520
Non-controlling interests		**3,822**	2,172
		34,207	15,692

The notes on pages 55 to 127 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	18	**79,520**	60,348
Prepaid lease payments	19	**21,453**	21,819
Goodwill	20	**33,000**	33,000
Interests in associates	22	**60,911**	37,411
Available-for-sale equity investments	23	**68,670**	53,900
		263,554	206,478
Current assets			
Inventories	24	**14,689**	12,343
Trade and bills receivables	25	**19,428**	17,071
Prepayments, deposits and other receivables	26	**53,903**	88,341
Prepaid lease payments	19	**512**	508
Cash and cash equivalents	27	**76,907**	42,823
		165,439	161,086
Current liabilities			
Interest-bearing bank borrowings	28	**10,575**	5,121
Trade payables	29	**13,103**	10,614
Accrued liabilities and other payables	30	**16,721**	13,746
Deposits received	31	**8,606**	6,135
Income tax payable	32(a)	**1,915**	2,184
Amount due to a related company	42(ii)	**–**	19
		50,920	37,819
Net current assets		**114,519**	123,267
Total assets less current liabilities		**378,073**	329,745

The notes on pages 55 to 127 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Capital and reserves			
Share capital	33	**20,119**	18,259
Reserves	34	**334,200**	270,694
Equity attributable to owners of the Company		**354,319**	288,953
Non-controlling interests		**17,275**	10,418
Total equity		**371,594**	299,371
Non-current liabilities			
Promissory notes	35	**–**	22,185
Deferred tax liabilities	32(b)	**6,479**	5,147
Loan from a related company	42(ii)	**–**	3,042
		6,479	30,374
		378,073	329,745

The notes on pages 55 to 127 form an integral part of these financial statements.

XI Yu
Chairman

CHAN Chun Hing
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000 *(note 34(i))*	**Translation reserve** HK$'000 *(note 34(ii))*	**Investment revaluation reserve** HK$'000 *(note 34(iii))*	**General reserve** HK$'000 *(note 34(iv))*	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2009	18,259	206,488	19,092	–	31,929	(335)	275,433	8,246	283,679
Profit for the year	–	–	–	–	–	18,355	18,355	2,099	20,454
Other comprehensive income									
Exchange differences									
– on translation of financial statements of overseas subsidiaries	–	–	510	–	–	–	510	73	583
– release on disposal of subsidiaries *(note 11)*	–	–	(10,257)	–	–	–	(10,257)	–	(10,257)
Fair value changes on available-for-sale equity investments, net of deferred tax	–	–	–	4,637	–	–	4,637	–	4,637
Share of other comprehensive income of associates	–	–	275	–	–	–	275	–	275
Total comprehensive income for the year	–	–	(9,472)	4,637	–	18,355	13,520	2,172	15,692
At 31 December 2009 and 1 January 2010	18,259	206,488	9,620	4,637	31,929	18,020	288,953	10,418	299,371
Profit for the year	–	–	–	–	–	12,005	12,005	3,388	15,393
Other comprehensive income									
Exchange differences									
– on translation of financial statements of overseas subsidiaries	–	–	3,119	–	–	–	3,119	434	3,553
Fair value changes on available-for-sale equity investments, net of deferred tax	–	–	–	12,960	–	–	12,960	–	12,960
Share of other comprehensive income of associates	–	–	2,301	–	–	–	2,301	–	2,301
Total comprehensive income for the year	–	–	5,420	12,960	–	12,005	30,385	3,822	34,207
Shares issued upon redemption of promissory notes *(note 33 (i))*	360	3,933	–	–	–	–	4,293	–	4,293
Shares issued upon top-up placing, net of share issuance costs of HK$1,112,000 *(note 33 (ii))*	1,500	29,188	–	–	–	–	30,688	–	30,688
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	3,035	3,035
At 31 December 2010	20,119	239,609	15,040	17,597	31,929	30,025	354,319	17,275	371,594

The notes on pages 55 to 127 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**18,251**	6,282
Profit for the year from discontinued operation	11	**–**	15,382
		18,251	21,664
Adjustments for:			
Finance costs		**1,411**	2,798
Interest income		**(1,914)**	(184)
Dividends from available-for-sale equity investments		**(2,269)**	(1,822)
Share of profit of associates		**(726)**	(1,303)
Depreciation and amortisation		**8,084**	7,422
Gain on disposal of property, plant and equipment		**(107)**	–
Impairment of trade receivables		**29**	–
Loss on early redemption of promissory notes		**1,316**	–
Gain on disposal of subsidiaries	11	**–**	(15,382)
Impairment of goodwill		**–**	688
Operating cash flows before movements in working capital		**24,075**	13,881
Increase in inventories		**(2,346)**	(2,291)
Increase in trade and bills receivables		**(2,386)**	(3,260)
(Increase)/decrease in prepayments, deposits and other receivables		**(2,073)**	2,651
Increase in trade payables		**2,489**	6,177
Increase in accrued liabilities and other payables		**2,975**	119
Increase/(decrease) in deposits received		**2,471**	(2,042)
Decrease in amount due to a related company		**(19)**	–
Cash generated from operations		**25,186**	15,235
PRC income tax paid		**(3,302)**	(1,177)
Interest received		**1,914**	184
Interest paid		**(480)**	(517)
Interest element on finance lease rental paid		**–**	(1)
Net cash from operating activities		**23,318**	13,724

The notes on pages 55 to 127 form an integral part of these financial statements.

	Notes	2010 HK$'000	2009 HK$'000
INVESTING ACTIVITIES			
Dividends and distribution received from associates		**996**	1,129
Dividends received from available-for-sale equity investments		**2,269**	1,822
Cash outflow from disposal of subsidiaries, net	11	**–**	(13,549)
Receipt of consideration receivable on disposal of subsidiaries	26(a)	**38,113**	–
Proceeds from disposal of property, plant and equipment		**651**	–
Purchases of property, plant and equipment		**(25,083)**	(2,378)
Capital contribution to an associate	22	**(21,469)**	–
Acquisition of available-for-sale equity investments	23	**(370)**	–
Net cash used in investing activities		**(4,893)**	(12,976)
FINANCING ACTIVITIES			
Bank loan raised		**5,454**	–
Repayment of interest-bearing bank borrowings		**–**	(5,121)
Repayment of obligation under a finance lease		**–**	(4)
Loan from a related company		**–**	3,042
Repayment of loan from a shareholder		**–**	(2,416)
Repayment of loan from a related company		**(3,042)**	–
Redemption of promissory notes	35	**(20,052)**	–
Expenses paid on redemption of promissory notes		**(87)**	–
Issuance of shares		**31,800**	–
Expenses paid in connection with issue of shares		**(1,112)**	–
Capital contribution by non-controlling shareholders		**3,035**	–
Net cash from/(used in) financing activities		**15,996**	(4,499)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**34,421**	(3,751)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	27	**42,823**	46,386
Effect of foreign exchange rate changes		**(337)**	188
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	27	**76,907**	42,823

The notes on pages 55 to 127 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Interests in subsidiaries	21	**273,336**	273,258
Current assets			
Prepayments		**248**	257
Cash and cash equivalents	27	**20,447**	12,183
		20,695	12,440
Current liabilities			
Amount due to subsidiaries	21	**16,332**	17,998
Accrued liabilities and other payables	30	**323**	502
		16,655	18,500
Net current assets/(liabilities)		**4,040**	(6,060)
Total assets less current liabilities		**277,376**	267,198
Capital and reserves			
Share capital	33	**20,119**	18,259
Reserves	34	**257,257**	226,754
Total equity		**277,376**	245,013
Non-current liabilities			
Promissory notes	35	**–**	22,185
		–	22,185
		277,376	267,198

The notes on pages 55 to 127 form an integral part of these financial statements.

XI Yu
Chairman

CHAN Chun Hing
Chief Executive Officer

1. GENERAL INFORMATION

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

The immediate and ultimate holding company of the Company is New Universe Enterprises Limited ("NUEL"), a limited liability company incorporated in British Virgin Islands ("BVI").

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

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

(i) provision of environmental services;

(ii) manufacture and sale of molds;

(iii) manufacture and sale of plastic products;

(iv) trading of plastic materials; and

(v) investment in plastic dyeing.

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

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

The amendment to HKAS 39 and the issuance of HK – Int 5 have had no material impact on the Group's financial statements as the amendment and the interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

– The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC)-Int 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

– The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

As a result of adopting of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

– Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

– If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

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

– If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

– In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquisition at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure then non-controlling interests at fair values.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying amounts of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

– If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

– If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair values as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in the subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

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

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

In order to be consistent with the above amendments in HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28 Investments in associates, and HKAS 31 Interests in joint ventures, the following policies will be applied from 1 January 2010:

– If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transactional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

As a result of the amendment to HKAS 17 Leases, arising from the "Improvements to HKFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate. This change in accounting policy has no material impact on the current or previous periods as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

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

The Group has not early applied any of the following new and revised Standards, Amendments and Interpretations which have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures- Transfer of Financial Assets[3]
HKFRS 9	Financial Instruments[5]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (Revised in 2009)	Related Party Disclosures[7]
HKAS 32 (Amendments)	Classification of Rights Issues[6]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, respectively

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

3 Effective for annual periods beginning on or after 1 July 2011

4 Effective for annual periods beginning on or after 1 January 2012

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

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

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

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

The financial statements have been prepared under the historical cost convention except for certain available-for-sale equity investments which are measured 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 estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Subsidiaries and non-controlling interests

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(j)(ii)).

(d) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate and any impairment loss relating to the investment (see note 3(j)(ii)). The Group's share of the post-acquisition, post-tax results of the associate and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

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

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

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 3(j)(ii)).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 3(j)(ii)).

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.

(f) Other investments in debt and equity securities

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

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

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not included any dividends or interest earned on these investments.

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortised cost less impairment losses.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments in debt and equity securities (continued)

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

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

(g) Property, plant and equipment

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

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 (see note 3(u)).

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

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

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

(h) Construction in progress

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

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

(i) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

(iii) Operating lease charges

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

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(j) Impairment of assets

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

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

– significant financial difficulty of the debtor;

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

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

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

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

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

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

(ii) Impairment of other assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a 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 profit or loss in the year in which the reversals are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

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

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

(k) Inventories

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

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

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

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

(l) Trade and other receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Cash and cash equivalents

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

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Interest-bearing borrowings

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

(p) Promissory notes

Promissory notes are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

(q) Employee benefits

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

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

(ii) Defined contribution pension plan obligations

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

(iii) Share-based payments

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

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

(iv) Termination benefits

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

(r) Income tax

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

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

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

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

– the same taxable entity; or

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

(s) Provisions and contingent liabilities

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

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

(t) Revenue recognition

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

(i) Sale of goods

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue recognition (continued)

(ii) Service income

Service income from rendering of environmental waste disposal services is recognised when the services are provided.

(iii) Dividend income

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

(iv) Interest income

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

(u) Borrowing costs

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

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

(v) Translation of foreign currencies

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

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

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Business combination

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

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (2008) are recognised at their fair values, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with HKFRS 2 Share-based Payment; and

– assets (or disposal Groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Business combination (continued)

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

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

(x) Discontinued operations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Related parties

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

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or its parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of any individual referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

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

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

Impairment of trade and other receivables

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

As at 31 December 2010, the carrying amounts of trade receivables, and consideration receivable from the disposal of discontinued operation are HK$18,121,000 and HK$50,878,000 respectively, which approximate the present value of their respective estimated future cash flows. In respect of the outstanding consideration receivable arising from the disposal of discontinued operation of HK$50,878,000 at 31 December 2010, the directors of the Company believes that the remaining balance of the consideration receivable will be fully settled by the purchaser.

Fair value of available-for-sale equity investments

The Company has engaged an independent professional valuer to assess the fair market value of those available-for-sale equity investments as disclosed in note 23(a). The directors of the Company made a review on the judgement of the independent professional valuer in selecting an appropriate valuation technique for the financial instruments not quoted in an active market. Valuation techniques applied by the independent professional valuer are commonly used by other market practitioners. The estimation of fair value of the available-for-sale equity investments which are unlisted equity instruments includes the adoption of a market approach with some assumptions supported by observable market data or parameters deemed compatible to the operations of those investments.

As disclosed in note 23(b), certain investments were carried at cost of HK$370,000, and in the opinion of the directors of the Company, the range of reasonable fair value estimate is so significant and their fair values cannot be measured reliably.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of goodwill

As at 31 December 2010, the carrying amount of goodwill was HK$33,000,000 (2009: HK$33,000,000). The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3(j)(ii). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates. When the actual future cash flows are less than expected, a material impairment loss may arise.

Useful lives of property, plant and equipment

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

Net realisable value of inventories

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

Income taxes and deferred taxation

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

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

Functional currency of the Company

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

5. TURNOVER

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

	2010 HK$'000	2009 HK$'000
Environmental services income	**55,787**	39,094
Sale of mold products	**21,863**	16,568
Sale of plastic products	**18,198**	12,355
Trading of plastic materials	**39,092**	18,776
	134,940	86,793

6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the board of directors of the Company (i.e. the chief operating decision-maker ("CODM")) for the purposes of resource allocation and performance assessment.

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

Continuing operations

(i) Environmental services
(ii) Manufacture and sale of mold products
(iii) Manufacture and sale of plastic products
(iv) Trading of plastic materials
(v) Investment in plastic dyeing

(a) Segment results, assets and liabilities

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

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

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and all liabilities are allocated to reportable segments other than deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

6. SEGMENT INFORMATION (continued)

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

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

Information regarding the Group's reportable segments as provided to the Group's CODM is set out below:

Continuing operations

For the year ended 31 December 2010

	Operating segments					
	Environmental services	**Mold products**	**Plastic products**	**Plastic materials trading**	**Plastic dyeing investment**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover from external customers	55,787	21,863	18,198	39,092	–	134,940
Other revenue	2,547	385	71	–	2,269	5,272
Reportable segment revenues	58,334	22,248	18,269	39,092	2,269	140,212
Reportable segment results	22,735	(795)	605	718	4,001	27,264
Other net income	1,762	(243)	126	–	18	1,663
Interest income	1,899	15	–	–	–	1,914
Interest expenses	931	480	–	–	–	1,411
Depreciation and amortisation for the year	4,449	2,506	1,104	25	–	8,084
Impairment of trade receivables	5	24	–	–	–	29
Reportable segment assets	211,698	34,694	23,018	10,363	75,416	355,189
Additions to non-current segment assets during the year	22,290	186	2,607	–	–	25,083
Reportable segment liabilities	18,597	27,683	1,739	4,933	1,803	54,755

6. SEGMENT INFORMATION (continued)

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

Continuing operations

For the year ended 31 December 2009

	Operating segments					
	Environmental services HK$'000	Mold products HK$'000	Plastic products HK$'000	Plastic materials trading HK$'000	Plastic dyeing investment HK$'000	Total HK$'000
Turnover from external customers	39,094	16,568	12,355	18,776	–	86,793
Other revenue	1,103	312	133	–	1,822	3,370
Reportable segment revenues	40,197	16,880	12,488	18,776	1,822	90,163
Reportable segment results	9,891	(1,774)	(1,135)	1,139	2,896	11,017
Other net income	15	237	237	–	–	489
Interest income	176	8	–	–	–	184
Interest expenses	2,229	553	–	–	–	2,782
Depreciation and amortisation for the year	3,829	2,469	1,112	12	–	7,422
Reportable segment assets	149,653	30,628	17,785	7,689	59,757	265,512
Additions to non-current segment assets during the year	2,494	730	386	135	–	3,745
Reportable segment liabilities	38,525	14,406	1,374	7,169	363	61,837

6. SEGMENT INFORMATION (continued)

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

	2010 HK$'000	2009 HK$'000
Revenue		
Consolidated turnover	**134,940**	86,793
Elimination of inter-segment revenue	**–**	–
Other revenue	**5,272**	3,370
Reportable segment revenue	**140,212**	90,163
Profit		
Reportable segment profit	**27,264**	11,017
Finance costs	**–**	(16)
Unallocated head office and corporate expenses	**(9,013)**	(4,719)
Consolidated profit before taxation	**18,251**	6,282
Assets		
Reportable segment assets	**355,189**	265,512
Unallocated head office and corporate assets	**73,804**	102,052
Consolidated total assets	**428,993**	367,564
Liabilities		
Reportable segment liabilities	**54,755**	61,837
Unallocated head office and corporate liabilities	**2,644**	6,356
Consolidated total liabilities	**57,399**	68,193

6. SEGMENT INFORMATION (continued)

(c) Geographical information

In presenting information on the basis of geographical segments, reportable segment revenue based on the geographical location of customers is analysed as follows:

	2010 HK$'000	2009 HK$'000
Hong Kong	**317**	461
Mainland China	**139,895**	89,702
	140,212	90,163

Analysis of the Group's carrying amount of segment non-current assets has not been presented as over 90% of the non-current assets are located in the PRC.

(d) Information about major customers

During the year ended 31 December 2010, there was no customer with whom transactions made have exceeded 10% of the Group's turnover (2009: one customer).

7. OTHER REVENUE

	2010 HK$'000	2009 HK$'000
Continuing operations		
Bank interest income	**1,914**	184
Dividends from available-for-sale equity investments	**2,269**	1,822
Scrap sales	**1,089**	1,364
	5,272	3,370

8. OTHER NET INCOME

	2010 HK$'000	2009 HK$'000
Continuing operations		
Net foreign exchange gain	**1,556**	489
Gain on disposal of property, plant and equipment	**107**	–
	1,663	489

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Continuing operations		
Interest on:		
Bank loans wholly repayable within five years	**436**	503
Other borrowings	**44**	65
Finance lease	**–**	1
Imputed interest on promissory notes	**931**	2,229
Total borrowing costs	**1,411**	2,798

10. INCOME TAX

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

	2010 HK$'000	2009 HK$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**2,966**	1,491
	2,966	1,491
Deferred tax (note 32(b))	**(108)**	(281)
	2,858	1,210

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

No provision for Hong Kong profits tax has been made, as the Group did not have any assessable profits arising in Hong Kong for both years.

The subsidiaries of the Company in the PRC are subject to PRC corporate income tax rate of 25% (2009: 25%), except for certain subsidiaries of the Company in the PRC which still enjoy preferential tax rates approved by local authorities before 1 January 2008.

10. INCOME TAX (continued)

Zhenjiang New Universe Solid Waste Disposal Company Limited ("Zhenjiang New Universe"), Taizhou New Universe Solid Waste Disposal Company Limited ("Taizhou New Universe"), and Yancheng New Universe Solid Waste Disposal Company Limited ("Yancheng New Universe") are entitled to the exemptions from PRC Foreign Enterprise Income Tax ("EIT") for two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. Yancheng New Universe and Taizhou New Universe would be subject to EIT of 12.5% for the years from 2009 to 2011. The first profit-making year of Zhenjiang New Universe was 2008, which was not subject to EIT in 2008 and 2009, but would be subject to EIT of 12.5% for the years from 2010 to 2012. Suzhou New Universe, Zhenjiang New Universe Recyclables Company Limited and 鎮江新宇橡塑有限公司 had no assessable profit subject to PRC corporate income tax for the years of 2009 and 2010.

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

	2010	2009
	HK$'000	HK$'000
Continuing operations		
Profit before taxation	**18,251**	6,282
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdiction concerned	**4,130**	2,026
Tax effect of expenses not deductible for tax purpose	**380**	1,145
Tax effect of income not taxable for tax purpose	**(283)**	(579)
Tax effect of tax losses not recognised	**734**	1,764
Tax effect of tax losses utilised	**(233)**	(281)
Effect of tax exemptions granted to PRC subsidiaries	**(1,870)**	(2,865)
Actual tax expense	**2,858**	1,210

11. DISCONTINUED OPERATION – 2009

On 28 October 2009, the Company completed the disposal of the entire equity interests in New Universe International (Zhenjiang) Port Company Limited and New Universe International (Zhenjiang) Warehouses Company Limited (collectively referred to as the "Zhenjiang Dock Project") to an independent party at a consideration of RMB85,849,100 (approximately HK$97,696,000), based on an agreement dated 3 November 2008 as modified by two supplemental agreements dated 27 April 2009 and 10 September 2009 (collectively referred to as the "Dock Disposal Agreements"). The Zhenjiang Dock Project, which had been classified as disposal group held for sale in 2008, did not have any material operating results and cashflows for the period from 1 January 2009 to 28 October 2009. A net gain of HK$15,382,000 on disposal of the discontinued operation was recognised in the consolidated income statement for the year ended 31 December 2009.

Net assets at the date of disposal on 28 October 2009 were as follows:

	HK$'000
Deposits paid to the local government for the docks development	55,144
Docks development costs	7,197
Prepayment and other receivables	4,559
Cash and bank balances	23,202
Net assets disposed of	90,102
Direct costs relating to the disposal	469
Attributable PRC income tax	2,000
Release of translation reserve	(10,257)
Gain on disposal	15,382
Total consideration	97,696
Net cash outflow arising on disposal:	
Cash received in 2009	10,307
PRC income tax paid	(130)
Cash paid for direct costs	(524)
Cash and bank balances disposed of	(23,202)
	(13,549)

12. PROFIT FOR THE YEAR

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

	2010 HK$'000	2009 HK$'000
Continuing operations		
Depreciation for property, plant and equipment		
– owned assets	**7,573**	6,908
– assets held under finance leases	**–**	6
Amortisation of land lease prepayments	**511**	508
	8,084	7,422
Auditor's remuneration		
– audit service	**700**	550
– non-audit services	**10**	15
Net foreign exchange gain	**(1,556)**	(489)
Impairment of trade receivables	**29**	–
Gain on disposal of property, plant and equipment	**(107)**	–
Operating lease payments		
– relating to land and buildings in Hong Kong	**274**	192
– relating to landfill in PRC	**81**	79
Cost of sales *(note hereinbelow)*		
– Cost of goods sold	**71,880**	44,630
– Cost of services rendered	**19,115**	15,013
	90,995	59,643
Staff costs:		
Directors' emoluments *(note 13)*	**2,593**	1,088
Salaries, wages and other benefits of other staff	**22,707**	16,306
Contributions to retirement benefits schemes	**2,009**	1,759
Total staff costs	**27,309**	19,153

Note: Included in cost of sales are inventories consumed of HK$74,436,000 (2009: HK$46,699,000), comprising raw materials consumed of HK$52,489,000 (2009: HK$30,718,000), staff costs of HK$8,412,000 (2009: HK$7,720,000) and depreciation of HK$6,482,000 (2009: HK$5,941,000) which have been included in the respective total amounts disclosed above for each of staff costs and depreciation.

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the ten (2009: seven) directors of the Company were as follows:

	Fees	Salaries and other benefits	Discretionary bonuses	Share-based payments	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2010						
Executive directors						
XI Yu	28	–	–	–	–	28
CHAN Chun Hing (appointed on 3 May 2010)	–	868	–	–	9	877
HON Wa Fai	–	764	–	–	12	776
CHEUNG Siu Ling	7	–	–	–	–	7
Non-executive directors						
SONG Yuqing (appointed on 15 June 2010)	373	100	–	–	7	480
SUEN Ki	–	–	–	–	–	–
Independent non-executive directors						
CHAN Yan Cheong	120	–	–	–	–	120
YUEN Kim Hung, Michael	120	–	–	–	–	120
HO Yau Hong, Alfred	120	–	–	–	–	120
LEE Kwan Hung (appointed on 15 June 2010)	65	–	–	–	–	65
	833	1,732	–	–	28	2,593
Year ended 31 December 2009						
Executive directors						
XI Yu	–	–	–	–	–	–
HON Wa Fai	–	716	–	–	12	728
CHEUNG Siu Ling	–	–	–	–	–	–
Non-executive director						
SUEN Ki	–	–	–	–	–	–
Independent non-executive directors						
CHAN Yan Cheong	120	–	–	–	–	120
YUEN Kim Hung, Michael	120	–	–	–	–	120
HO Yau Hong, Alfred	120	–	–	–	–	120
	360	716	–	–	12	1,088

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 31 December 2010 and 2009.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with highest emoluments, two (2009: one) are directors whose emoluments are disclosed in note 13. The aggregate of the emoluments in respect of the other three (2009: four) individuals areas follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other benefits	**1,254**	722
Discretionary bonuses	**2,079**	1,750
Retirement benefits scheme contributions	**–**	–
	3,333	2,472

The emoluments of the three (2009: four) individual with the highest emoluments are within the following band:

	2010	2009
	Number of individuals	Number of individuals
HK$1 to HK$1,000,000	**1**	4
HK$1,000,001 to HK$2,000,000	**2**	–
	3	4

During the year, no emoluments were paid by the Group to the five highest individuals with highest emoluments as an inducement to join, or upon joining the Group, or as compensation for loss of office.

15. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2010 (2009: Nil), nor has any dividend been proposed since the end of the reporting period.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the profit attributable to owners of the Company of HK$12,005,000 (2009: HK$18,355,000) and the weighted average number of 1,929,338,256 (2009: 1,825,891,681) ordinary share of the Company in issue during the year.

Number of shares

	2010	2009
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,929,338,256**	1,825,891,681

Earnings

	2010 **HK$'000**	2009 HK$'000
For continuing and discontinued operations		
Earnings for the purpose of basic earnings per share	**12,005**	18,355
For continuing operations		
Earnings for the purpose of basic earnings per share from continuing operations	**12,005**	2,973
For discontinued operation		
Earnings for the purpose of basic earnings per share from discontinued operation	**–**	15,382

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

17. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company includes a loss of HK$2,618,000 for the year ended 31 December 2010 (2009: loss of HK$3,567,000) which has been dealt with in the financial statements of the Company.

18. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Buildings	Construction in progress	Plant and machinery	Computers and equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At 1 January 2009	26,486	2,786	44,024	3,106	182	2,612	79,196
Exchange adjustments	201	29	345	21	1	20	617
Additions	80	2,567	400	244	–	454	3,745
Disposals	–	–	–	(52)	–	–	(52)
Reclassification	309	(5,039)	4,747	(17)	–	–	–
At 31 December 2009 and at 1 January 2010	27,076	343	49,516	3,302	183	3,086	83,506
Exchange adjustments	961	286	1,787	103	10	116	3,263
Additions	229	19,821	3,036	446	28	1,523	25,083
Disposals	(24)	–	(607)	(54)	–	(561)	(1,246)
Reclassification	1,126	(1,076)	(226)	(95)	265	6	–
At 31 December 2010	**29,368**	**19,374**	**53,506**	**3,702**	**486**	**4,170**	**110,606**
Depreciation and impairment							
At 1 January 2009	3,272	–	10,097	1,549	149	1,046	16,113
Exchange adjustments	41	–	120	12	1	9	183
Charge for the year	1,378	–	4,758	472	12	294	6,914
Eliminated on disposals	–	–	–	(52)	–	–	(52)
At 31 December 2009 and at 1 January 2010	4,691	–	14,975	1,981	162	1,349	23,158
Exchange adjustments	240	–	698	66	9	44	1,057
Charge for the year	1,474	–	5,271	327	6	495	7,573
Eliminated on disposals	(2)	–	(247)	(33)	–	(420)	(702)
Reclassification	308	–	(458)	(79)	238	(9)	–
At 31 December 2010	**6,711**	**–**	**20,239**	**2,262**	**415**	**1,459**	**31,086**
Carrying amount							
At 31 December 2010	**22,657**	**19,374**	**33,267**	**1,440**	**71**	**2,711**	**79,520**
At 31 December 2009	22,385	343	34,541	1,321	21	1,737	60,348

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

The Group has pledged certain property, plant and equipment with an aggregate carrying amount of approximately HK$9,089,000 (2009: HK$9,228,000) to secure the banking facilities granted to the Group (note 39).

19. PREPAID LEASE PAYMENTS

	Group HK$'000
Cost	
At 1 January 2009	24,124
Exchange adjustments	40
At 31 December 2009 and at 1 January 2010	24,164
Exchange adjustments	186
At 31 December 2010	**24,350**
Amortisation and impairment	
At 1 January 2009	1,321
Exchange adjustments	8
Charge for the year	508
At 31 December 2009 and at 1 January 2010	1,837
Exchange adjustments	37
Charge for the year	511
At 31 December 2010	**2,385**
Carrying amount	
At 31 December 2010	**21,965**
At 31 December 2009	22,327

Analysed for reporting purposes as

	Group	
	2010 HK$'000	2009 HK$'000
Current asset	**512**	508
Non-current asset	**21,453**	21,819
	21,965	22,327

19. PREPAID LEASE PAYMENTS (continued)

Prepaid lease payments are payments for land use rights held by the Group in Jiangsu Province, the PRC which are under medium term leases ranging 42 to 43 years as at 31 December 2010.

As at 31 December 2010, certain land use rights with an aggregate carrying amount of HK$2,355,000 (2009: HK$2,335,000) have been pledged to a bank to secure the banking facilities granted to the Group (note 39).

20. GOODWILL

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**33,000**	33,688
Impairment loss recognised in consolidated income statement	**–**	(688)
Carrying amount at 31 December	**33,000**	33,000

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

Impairment Tests for Goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU"), which is principally engaged in environmental services. The assessment on the recoverable amount of this CGU was determined by BMI Appraisals Limited ("BMI"), an independent firm of professional valuers, who has qualification and experience in the asset being valued, on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 13.94%. Cash flows for the five-year period use growth rates decreasing from 21% to 3% and beyond the five-year period have been extrapolated using a steady 2% per annum growth rate. This growth rate does not exceed the average growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimated cash inflows/outflows which include budgeted sales and gross margin, such estimation is based the CGU's past performance and management's expectations for the market development. Since the recoverable amount of the CGU exceeded its carrying amount, no additional impairment loss on the goodwill was considered necessary for the year ended 31 December 2010 (2009: impairment of HK$688,000).

21. SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted securities, at cost	**58,156**	58,078
Amounts due from subsidiaries	**215,180**	215,180
Interests in subsidiaries	**273,336**	273,258
Amounts due to subsidiaries	**16,332**	17,998

Amounts due from subsidiaries are unsecured and interest free, except for (i) the amount of HK$25,000,000 as at 31 December 2010 (2009: HK$7,427,000) due from Bestwin (China) Limited, which bears interest at 5% (2009: 5.25%) per annum, and (ii) the amount of HK$7,800,000 as at 31 December 2010 (2009: Nil) due from New Universe Recyclables Limited, which bears interest at 3% per annum. The directors of the Company consider that the balances are equity in nature as capital contributions to the subsidiaries as they will not be demanded for repayment.

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

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

21. SUBSIDIARIES (continued)

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

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Issued and paid-up capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Smartech International Group Limited ("SIGL")	BVI/ Hong Kong	Limited liability company	US$1,000,000 (2009: US$1,000,000)	100	100	–	Investment holding
New Universe International Holdings Limited	BVI/ Hong Kong	Limited liability company	US$10,000 (2009: Nil)	100	100	–	Investment holding
Smartech Manufacturing Limited ("HK Smartech")	Hong Kong	Limited liability company	HK$5,000,000 (2009: HK$5,000,000)	100	–	100	Sale of molds and plastic products
Smartech Plastic Moulding Limited	Hong Kong	Limited liability company	HK$100 (2009: HK$100)	100	–	100	Sale of plastic products
Smartech Services Limited ("Smartech Services")	Hong Kong	Limited liability company	HK$2 (2009: HK$2)	100	–	100	Provision of management services
New Universe (China) Investment Limited ("NUCIL")	BVI/ Hong Kong	Limited liability company	US$1,800,000 (2009: US$1,800,000)	100	–	100	Investment holding
New Universe (China) Limited ("NUCL")	Hong Kong	Limited liability company	HK$1,000,000 (2009: HK$1,000,000)	100	–	100	Investment holding
Bestwin (China) Limited ("Bestwin")	Hong Kong	Limited liability company	HK$15,000,000 (2009: HK$15,000,000)	97	–	97	Investment holding

21. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Issued and paid-up capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Suzhou New Universe Smartech Tooling and Plastics Limited ("Suzhou New Universe")	PRC	WFOE*	US$4,600,000 (2009: US$4,600,000)	97	–	97	Manufacture and sale of molds and plastic products, trading of plastic materials
New Universe Environmental Protection Investment Limited ("NUEPIL")	BVI/ Hong Kong	Limited liability company	US$4,000,000 (2009: US$4,000,000)	100	–	100	Investment holding
New Universe Environmental Technologies (Jiang Su) Limited ("NUET(JS)")	Hong Kong	Limited liability company	HK$21,640,000 (2009: HK$10,000,000)	82	–	82	Investment holding
Zhenjiang New Universe Solid Waste Disposal Company Limited	PRC	WFOE*	US$4,350,000 (2009: US$2,850,000)	82	–	82	Environmental waste disposal services
Yancheng New Universe Solid Waste Disposal Company Limited	PRC	WFOE*	US$700,000 (2009: US$700,000)	82	–	82	Environmental waste disposal services

21. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operations	Form of legal entity	Issued and paid-up capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Taizhou New Universe Solid Waste Disposal Company Limited	PRC	WFOE*	US$700,000 (2009: US$700,000)	82	–	82	Environmental waste disposal services
New Universe Recyclable Investments Limited	BVI/ Hong Kong	Limited liability company	US$10,000 (2009: Nil)	100	–	100	Investment holding
New Universe Recyclables Limited	Hong Kong	Limited liability company	HK$10,000 (2009: HK$10,000)	100	–	100	Investment holding
New Universe International Ecology Limited	BVI/ Hong Kong	Limited liability company	US$10,000 (2009: Nil)	100	–	100	Investment holding
Zhenjiang New Universe Recyclables Company Limited	PRC	WFOE*	US$1,000,000 (2009: Nil)	100	–	100	Environmental waste recycling services
鎮江新宇橡塑有限公司	PRC	JEE**	RMB1,820,000 (2009: Nil)	51	–	51	Environmental waste recycling services

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

** *Joint equity enterprise ("JEE")*

22. INTERESTS IN ASSOCIATES

	Group 2010 HK$'000	Group 2009 HK$'000
Share of net assets		
At 1 January	**37,411**	36,962
Capital contribution to an associate	**21,469**	–
Share of profits	**726**	1,303
Share of other comprehensive income	**2,301**	275
Dividends received	**(996)**	(1,129)
At 31 December	**60,911**	37,411

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

As at 31 December 2010, the Group had interests in the following associates:

Name of associate	Form of legal entity	Place of incorporation and operations	Issued and paid up capital	Proportion of ownership interest: Group's effective interest %	Proportion of ownership interest: Held by the Company %	Proportion of ownership interest: Held by a subsidiary %	Principal activities
Qingdao Zhongxin Huamei Plastics Co., Limited ("Qingdao Huamei")	Incorporated SFJE#	PRC	US$1,650,000 (2009: US$1,650,000)	28.67	–	28.67	Plastic materials dyeing
New Sinotech Investments Limited ("New Sinotech")	Limited liability company	BVI/Hong Kong	US$5,000,000 (2009: US$5,000,000)	38	–	38	Investment holding
Fair Time International Limited ("Fair Time")	Limited liability company	Hong Kong	HK$99,327,000 (2009: HK$45,200,000)	38	–	38	Investment holding
Zhenjiang Sinotech Eco-electroplating Development Limited ("Zhenjiang Sinotech")	Incorporated WFOE*	PRC	US$23,000,000 (2009: US$19,000,000)	38	–	38	Provision of sewage treatment and recycling services in a specialised zone

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

Sino-foreign joint equity enterprise ("SFJE")

22. INTERESTS IN ASSOCIATES (continued)

As disclosed in note 41, the equity interests of the Group in each of New Sinotech, Fair Time and Zhenjiang Sinotech have been increased to 98%, subsequent to the end of the reporting period, on 17 February 2011.

Summary financial information on associates:

Qingdao Huamei

	2010	2009
	HK$'000	HK$'000
Total assets	**35,886**	34,952
Total liabilities	**(12,339)**	(14,524)
Net assets	**23,547**	20,428
Revenue	**172,449**	93,733
Profit after tax for the year	**5,978**	3,744
Other comprehensive income	**615**	130

	Group	
	2010	2009
	HK$'000	HK$'000
Group's share of net assets of associate	**6,751**	5,857
Group's share of post-tax profits and other comprehensive income of associate for the year	**1,890**	1,111

22. INTERESTS IN ASSOCIATES (continued)

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

	2010 HK$'000	2009 HK$'000
Total assets	**259,367**	218,089
Total liabilities	**(116,841)**	(135,052)
Net assets	**142,526**	83,037
Revenue	**8,998**	3,597
(Loss)/profit after tax for the year	**(2,599)**	604
Other comprehensive income	**5,591**	625

	Group	
	2010 HK$'000	2009 HK$'000
Group's share of net assets of the associates	**54,160**	31,554
Group's share of post-tax profits and other comprehensive income of associates for the year	**1,137**	467

23. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

		Group	
	Notes	**2010 HK$'000**	2009 HK$'000
Unlisted equity investments at fair value	(a)	**68,300**	53,900
Unlisted equity investments at cost less impairment	(b)	**370**	–
		68,670	53,900

(a) The unlisted available-for-sale equity investments carried at fair value represent investments in Suzhou New Huamei and Danyang New Huamei, which are principally engaged in plastic materials dyeing manufacturing business in Mainland China. The fair value of those unlisted equity investments at the end of each reporting date are determined by reference to the valuation carried out by BMI, an independent firm of professional valuers, using a market approach model based on the observable market data of the multiple of enterprise value to earnings before interest and tax ("EV/EBIT") of comparable listed companies in the same industry, after having taken into account of the discount on marketability of these unlisted investments.

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

(b) The unlisted available-for-sale equity investments measured at cost represent investments in private entities which are at the early stage of development in environmental waste recycling services business. They are measured at cost less impairment at the end of each reporting period and, because the range of reasonable fair value estimates is so significant, in the opinion of the directors of the Company, their fair values cannot be measured reliably at the end of the current reporting period. At 31 December 2010, the directors of the Company considered that there is no impairment on these investments.

As at 31 December 2010, the Group has interests in the following available-for-sale equity investments:

Name of company	Form of legal entity	Place of incorporation and operations	Issued and paid up capital	Proportion of of ownership interest		Principal activities
				Group's effective interest %	Held by a subsidiary %	
Suzhou New Huamei Plastics Co., Limited ("Suzhou New Huamei")	SFJE#	PRC	US$5,000,000	18.62	18.62	Plastic materials dyeing
Danyang New Huamei Plastics Co., Limited ("Danyang New Huamei")	SFJE#	PRC	US$1,600,000	24.50	24.50	Plastic materials dyeing
New Proficient Limited ("New Proficient")	Limited liability company	BVI/Hong Kong	US$10,000	9	9	Environmental waste disposal services
Fair Waste Disposal Limited ("FWDL")	Limited liability company	BVI/Hong Kong	US$10,000	9	9	Environmental waste recycling services
Fair Industry Waste Disposal Limited ("FIWDL")	Limited liability company	BVI/Hong Kong	US$10,000	4	4	Environmental waste recycling services
Ever Champ (China) Limited ("ECCL")	Limited liability company	BVI/Hong Kong	US$10,000	4	4	Environmental waste disposal services

Sino-foreign joint equity enterprise ("SFJE")

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

Danyang New Huamei is not regarded as an associate of the Group because the Group has appointed one out of the seven directors of the board of Danyang New Huamei and therefore, the Group is not able to exercise significant influence over the financial and operating policies of Danyang New Huamei, and hence, the investment in Danyang New Huamei was accounted for as an available-for-sale equity investment.

Interests in New Proficient, FWDL, FIWDL and ECCL were subscribed for by the Group during the year ended 31 December 2010.

24. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**5,034**	6,201
Work in progress	**7,980**	5,086
Finished goods	**1,675**	1,056
	14,689	12,343

The carrying amount of inventories sold of HK$74,436,000 (2009: HK$46,699,000) was recognised as expense which has been included in cost of sales for the year ended 31 December 2010.

25. TRADE AND BILLS RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**18,602**	15,766
Less: allowance for doubtful debts	**(481)**	(971)
	18,121	14,795
Bills receivable	**1,307**	2,276
	19,428	17,071

25. TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2010	2009
	HK$'000	HK$'000
0 to 30 days	**10,491**	9,452
31 days to 60 days	**4,539**	3,647
61 days to 90 days	**1,376**	1,318
91 days to 180 days	**2,262**	1,992
181 days to 360 days	**616**	538
Over 360 days	**144**	124
Financial assets measured at amortised cost	**19,428**	17,071

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

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**15,030**	13,099
Less than 30 days past due	**1,376**	1,318
More than 30 days but less than 90 days past due	**2,262**	1,992
More than 90 days but less than 360 days past due	**760**	662
	19,428	17,071

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

25. TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**971**	977
Impairment loss recognised	**29**	–
Amounts written off as uncollectible	**(519)**	(6)
At 31 December	**481**	971

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Deposits paid to suppliers	**1,631**	180
Other receivables	**1,394**	772
	3,025	952
Consideration receivable on disposal of Zhenjiang Dock Project *(note 11 and note (a) below)*	**50,878**	87,389
	53,903	88,341

Note:

(a) The consideration receivable on disposal of Zhenjiang Dock Project, as referred to in note 11 to the financial statements, was guaranteed by certain independent third parties under the Dock Disposal Agreements. The balance will be settled upon granting the land use rights for the Zhenjiang Dock Project by the relevant PRC authorities. The Group received approximately HK$38,113,000 (2009: HK$10,307,000) of the total consideration from the buyer during the year ended 31 December 2010.

A written letter of undertaking dated 15 March 2011 has been provided by the buyer and its two subsidiaries to the Group, pursuant to which they have agreed to use the deposits of RMB48,800,000 paid for acquisition of the land use rights to settle the outstanding balance of the consideration in case of any default by the buyer by 31 December 2011.

The Group does not hold any collateral over the outstanding consideration receivable.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**76,907**	42,823	**20,447**	12,183
Cash and cash equivalents in the consolidated statement of cash flows	**76,907**	42,823	**20,447**	12,183

Bank balances carry interest at market rates that range from 0.01% to 1.91% (2009: 0.01% to 1.71%) per annum for the year ended 31 December 2010.

28. INTEREST-BEARING BANK BORROWINGS

	Group	
	2010	2009
	HK$'000	HK$'000
Secured bank loans – repayable within one year or on demand	**10,575**	5,121

The carrying amount of the bank borrowings are denominated in Renminbi. The Group's bank loans bear interest at 5.84% (2009: 5.84% to 8.59%) per annum during the reporting period.

At 31 December 2010, the Group's bank loans were secured by the carrying amounts of land use rights and property, plant and equipment of a subsidiary (notes 18 and 19).

29. TRADE PAYABLES

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

	Group	
	2010	2009
	HK$'000	HK$'000
0 to 30 days	**5,713**	2,883
31 days to 60 days	**4,185**	2,888
61 days to 90 days	**2,845**	3,897
Over 91 days	**360**	946
Financial liabilities measured at amortised cost	**13,103**	10,614

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

30. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Salaries and bonuses payable	**8,147**	4,331	**–**	–
Payable for acquisition of property, plant and equipment	**1,466**	1,367	**–**	–
Other payables	**7,108**	8,048	**323**	502
	16,721	13,746	**323**	502

31. DEPOSITS RECEIVED

Deposits received represent deposits received from customers.

32. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Group	
	2010	2009
	HK$'000	HK$'000
Continuing operations *(note 10)*		
Provision for PRC income tax		
– prior year	**314**	–
– exchange adjustments	**17**	–
– current year	**2,966**	1,491
Income tax paid	**(2,555)**	(1,177)
	742	314
Discontinued operation *(note 11)*		
Provision for PRC income tax		
– prior year	**1,870**	–
– exchange adjustments	**50**	–
– current year	**–**	2,000
Income tax paid	**(747)**	(130)
	1,173	1,870
	1,915	2,184

The income tax payable for the discontinued operation is related to the gain on disposal of Zhenjiang Dock Project (notes 11 and 26(a)).

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

(b) Recognised deferred tax liabilities:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**5,147**	5,065
Credited to profit or loss	**(108)**	(281)
Charged to equity	**1,440**	363
At 31 December	**6,479**	5,147

The Group's provision for deferred tax liabilities represent the tax effect on temporary differences arising from the fair value adjustments on land use rights of certain PRC subsidiaries and available-for-sale equity investments.

(c) Deferred tax assets not recognised:

At the end of the reporting period, the Group has unused tax losses of HK$44,496,000 (2009: HK$42,969,000) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams of the relevant group entities. The unused tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised:

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

33. SHARE CAPITAL

		Number of shares		Share capital	
		2010	2009	**2010**	2009
	Notes	**’000**	’000	**HK$’000**	HK$’000
Ordinary shares of HK$0.01each					
Authorised					
At beginning and at end of year		**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid					
At beginning of year		**1,825,892**	1,825,892	**18,259**	18,259
Issue of shares upon redemption of promissory notes	(i)	**36,000**	–	**360**	–
Issue of shares upon top-up placing	(ii)	**150,000**	–	**1,500**	–
At end of year		**2,011,892**	1,825,892	**20,119**	18,259

(i) Issue of shares upon redemption of promissory notes

On 18 May 2010, the Company issued 36,000,000 ordinary shares with a par value of HK$0.01 each as partial consideration for the redemption of the promissory notes (note 35) at the fair value of HK$4,380,000, out of which HK$360,000 was recorded in share capital and HK$3,933,000 (after issue expenses of HK$87,000) was recorded in share premium.

(ii) Issue of shares upon top-up placing

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

(iii) As at 31 December 2010, the holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

34. RESERVES

Group

	Attributable to owners of the Company					
	Share premium HK$'000 *(note (i))*	Translation reserve HK$'000 *(note (ii))*	Investment revaluation reserve HK$'000 *(note (iii))*	General reserve HK$'000 *(note (iv))*	Retained profits HK$'000	Total HK$'000
At 1 January 2009	206,488	19,092	–	31,929	(335)	257,174
Profit for the year	–	–	–	–	18,355	18,355
Other comprehensive income						
Exchange differences						
– on translation of financial statements of overseas subsidiaries	–	510	–	–	–	510
– release on disposal of subsidiaries *(note 11)*	–	(10,257)	–	–	–	(10,257)
Fair value changes on available-for-sale equity investments, net of deferred tax	–	–	4,637	–	–	4,637
Share of other comprehensive income of associates	–	275	–	–	–	275
Total comprehensive income for the year	–	(9,472)	4,637	–	18,355	13,520
At 31 December 2009 and 1 January 2010	206,488	9,620	4,637	31,929	18,020	270,694
Profit for the year	–	–	–	–	12,005	12,005
Other comprehensive income						
Exchange differences						
– on translation of financial statements of overseas subsidiaries	–	3,119	–	–	–	3,119
Fair value changes on available-for-sale equity investments, net of deferred tax	–	–	12,960	–	–	12,960
Share of other comprehensive income of associates	–	2,301	–	–	–	2,301
Total comprehensive income for the year	–	5,420	12,960	–	12,005	30,385
Shares issued upon redemption of promissory notes *(note 33(i))*	3,933	–	–	–	–	3,933
Shares issued upon top-up placing, net of issuance costs of HK$1,112,000 *(note 33(ii))*	29,188	–	–	–	–	29,188
At 31 December 2010	**239,609**	**15,040**	**17,597**	**31,929**	**30,025**	**334,200**

34. RESERVES (continued)

Company

	Share premium HK$'000 *(note (i))*	General reserve HK$'000 *(note (iv))*	Accumulated losses HK$'000	Total HK$'000 *(note (v))*
At 1 January 2009	206,488	58,078	(34,245)	230,321
Loss for the year	–	–	(3,567)	(3,567)
Total comprehensive loss for the year	–	–	(3,567)	(3,567)
At 31 December 2009 and 1 January 2010	206,488	58,078	(37,812)	226,754
Loss for the year	–	–	(2,618)	(2,618)
Total comprehensive loss for the year	–	–	(2,618)	(2,618)
Shares issued upon redemption of promissory notes *(note 33(i))*	3,933	–	–	3,933
Shares issued upon top-up placing *(note 33(ii))*	29,188	–	–	29,188
At 31 December 2010	**239,609**	**58,078**	**(40,430)**	**257,257**

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

(i) Share premium

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

(ii) Translation reserve

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

(iii) Investment revaluation reserve

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

34. RESERVES (continued)

(iv) General reserve

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

(v) Distributability of reserves

At 31 December 2010, the Company has reserves available for distribution to its owners in the amount of HK$257,257,000 (2009: HK$226,754,000).

35. PROMISSORY NOTES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due within five years classified as non-current liabilities				
Promissory notes – unsecured	**–**	22,185	**–**	22,185

On 8 August 2008, the Company issued four promissory notes with nominal value of HK$6,730,000 each for an aggregate nominal value of HK$26,920,000 to settle the consideration for the acquisition of 38% equity interest in New Sinotech Group. The promissory notes were unsecured and non-interest bearing and repayable on 9 February 2011, 8 August 2011, 9 February 2012 and 8 August 2012, respectively.

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

36. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2010, the Company had major non-cash transaction as follows:

On 18 May 2010, 36,000,000 new ordinary shares of HK$0.01 each of the Company were issued as partial consideration for the early redemption of the promissory notes as referred to note 35.

37. OPERATING LEASES COMMITMENTS

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating leases in respect of rented premises and landfill which fall due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year	**332**	187
After 1 year but within 5 years	**461**	366
After 5 years	**–**	80
	793	633

38. CAPITAL COMMITMENTS

At 31 December 2010, the Group had the following capital commitments:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted but not provided for:				
Acquisition of property, plant and equipment	**22,056**	23	**–**	–
Authorised but not contracted for:				
Acquisition of property, plant and equipment	**–**	7,760	**–**	–
Investment in available-for-sale equity investments	**11,687**	–	**11,687**	–
Investment in associates *(note (a) below)*	**23,651**	35,386	**–**	–
Acquisition of additional 60% equity interest in New Sinotech *(note 41)*	**53,000**	–	**53,000**	–

Note:

(a) Regarding the further contribution to the unpaid registered capital of Zhenjiang Sinotech by the Group, NUEL has undertaken to the Company on 8 August 2008 that NUEL will grant shareholder's loan(s), which will be unsecured, to the Company to enable the Group to fulfil its obligation to make payment of the unpaid registered capital of Zhenjiang Sinotech, if necessary.

39. PLEDGE OF ASSETS

At 31 December 2010, the Group pledged certain property, plant and equipment and the land use rights with carrying amounts of HK$9,089,000 (2009: HK$9,228,000) and HK$2,355,000 (2009: HK$2,335,000) respectively to a bank to secure a bank loan of HK$10,575,000 (2009: HK$5,121,000) granted to the Group.

40. SHARE OPTION SCHEME

The Company has a share option scheme which was adopted by the Company's shareholders in general meeting on 10 December 2003 ("Share Option Scheme"), whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The Share Option Scheme shall be valid and effective for a period of 10 years ending on 9 December 2013, after which no further options will be granted.

The total number of shares available for issue under the Share Option Scheme as at 31 December 2010 was 119,168,000 shares (2009: 119,168,000 shares) of the Company which represented the current scheme mandate limit given to the directors to issue 10 per cent. of the Company's shares as refreshed by the Company's shareholders on 27 April 2007.

During the years ended 31 December 2010 and 2009, no options have been granted or outstanding under the Company's Share Option Scheme.

41. EVENTS AFTER THE REPORTING PERIOD

On 13 December 2010, the Company entered into a conditional agreement with NUEL, the ultimate holding company of the Company, and Mr. Chan Son Neng ("Mr. S.N. CHAN") who held 2.89% of the then issued capital of the Company, pursuant to which, the Company has agreed to acquire 53% and 7% equity interests in New Sinotech from NUEL and Mr. S.N. CHAN, respectively, at an aggregate consideration of HK$53,000,000. The transaction was approved by the independent shareholders of the Company on 16 February 2011. On 17 February 2011, the Group completed the acquisition of additional 60% equity interest in New Sinotech. Details of the acquisition are set out in the Company's circular dated 27 January 2011. New Sinotech, through its wholly-owned subsidiaries, is engaged in provision of sewage treatment and recycling services in Mainland China.

41. EVENTS AFTER THE REPORTING PERIOD (continued)

Assets and liabilities of New Sinotech Group, provisionally determined, at the completion date of acquisition are as follows:

	Fair value
	HK$'000
Property, plant and equipment	150,870
Land use rights	83,660
Cash and cash equivalents	39,366
Accounts and other receivables	3,764
Trade and other payables	(17,748)
Interest bearing bank borrowings	(84,608)
Amounts due to related company	(310)
Amounts due to shareholders	(62,193)
Deferred tax liability	(18,771)
	94,030
Less: non-controlling interest (2%)	(1,881)
Net assets acquired	92,149

42. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2010 and 2009, the directors are of the view that the following companies are related parties to the Group:

Name of the related party	**Relationship**
New Universe Holdings Limited ("NUHL")	Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors
China (HK) Chemical & Plastics Co. Limited ("China (HK) Chemical")	97% owned subsidiary of NUHL; Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors
Sun Ngai International Investment Limited ("Sun Ngai")	100% owned subsidiary of NUHL; Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors
Beijing New Universe Mirai Environmental Engineering Company Limited ("Beijing New Universe")	Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors

42. RELATED PARTY TRANSACTIONS (continued)

(i) Transactions with related parties

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Recurring transactions				
Purchases of raw materials				
– China (HK) Chemical	**23,484**	17,024	**–**	–
Rental expenses				
– Sun Ngai	**274**	192	**–**	–
Non-recurring transaction				
Loan interest payable				
– China (HK) Chemical	**44**	65	**–**	15

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

(ii) Amounts due to related parties

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans from				
– China (HK) Chemical	**–**	3,042	**–**	–
Trade related				
– China (HK) Chemical	**4,034**	7,169	**–**	–
Non-trade related				
– Beijing New Universe	**–**	19	**–**	–

The amounts due to related parties are unsecured, interest-free and repayable on demand, except for loans from China (HK) Chemical, which bore interest at 3% per annum and was repaid on 23 July 2010.

42. RELATED PARTY TRANSACTIONS (continued)

(iii) Key management personnel remuneration

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

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries and other benefits	**6,266**	3,850
Discretionary bonuses	**3,662**	1,750
Retirement scheme contributions	**61**	36
	9,989	5,636

(iv) Acquisition of subsidiaries

Details of the acquisition of additional 60% equity interests in New Sinotech were disclosed in notes 38 and 41 to the financial statements.

43. CAPITAL RISK MANAGEMENT

The Group's capital management objectives are:

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

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

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

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

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

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

43. CAPITAL RISK MANAGEMENT (continued)

The gearing ratios as at 31 December 2010 and 2009 were as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current liabilities		
Interest-bearing bank borrowings	**10,575**	5,121
Trade payables	**13,103**	10,614
Accrued liabilities and other payables	**16,721**	13,746
Deposits received	**8,606**	6,135
Amount due to a related company	**–**	19
	49,005	35,635
Non-current liabilities		
Promissory notes	**–**	22,185
Loan from a related company	**–**	3,042
	–	25,227
Total debts	**49,005**	60,862
Less: Cash and cash equivalents	**76,907**	42,823
(Net cash)/net debts	**(27,902)**	18,039
Total equity	**371,594**	299,371
Gearing ratio	**N/A**	6.0%

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

44. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include loans and receivables, available-for-sale equity investments, and liabilities measured at amortised cost. The carrying amount of each category of the Group's financial assets and liabilities recognised at 31 December 2010 and 2009 are as follows.

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

		2010 HK$'000	2009 HK$'000
(i)	Financial assets		
	Loans and receivables at amortised cost		
	Trade and bills receivables	**19,428**	17,071
	Other receivables	**1,394**	772
	Consideration receivable on disposal of discontinued operation	**50,878**	87,389
	Cash and cash equivalents	**76,907**	42,823
	Available-for-sale financial assets		
	Available-for-sale equity investments	**68,670**	53,900
		217,277	201,955
(ii)	Financial liabilities		
	At amortised cost		
	Interest-bearing bank borrowings	**10,575**	5,121
	Trade payables	**13,103**	10,614
	Accrued liabilities and other payables	**16,721**	13,746
	Deposits received	**8,606**	6,135
	Amount due to a related company	**–**	19
	Loan from a related company	**–**	3,042
	Promissory notes	**–**	22,185
		49,005	60,862

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

44. FINANCIAL RISK MANAGEMENT (continued)

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

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

Currency risk

The Group adopted Hong Kong dollars ("HK$") as the currency for presentation purposes. The functional currencies of the Company and its PRC subsidiaries are HK$ and RMB respectively.

Some of the trading transactions of the Group were denominated in foreign currencies, which are United States dollar ("US$") and Euros ("EUR"). The Group's exposure to currency risk arises from financial instruments that are monetary items or from financial instruments denominated not in the functional currencies of the respective entities within the Group, which are HK$ and RMB. For the year ended 31 December 2010, approximately 1.5% (2009: 16.0%) and 13.2% (2009: 9.9%) of the Group's sales were denominated in US$ and EUR respectively.

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

As at 31 December 2010

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

44. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

As at 31 December 2009

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

Sensitivity analysis of currency risk

The management considered that the currency risk to be low as the exposure of exchange rates of US$ and EUR relative to HK$ or RMB were not significant for both 2010 and 2009. Therefore, no hedging or similar measures have been implemented by the Group. At 31 December 2010 and 2009, the impact of the Group's and the Company's exposure to currency risk was minimal. Accordingly, no sensitivity analysis was presented.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (note 28 for details of these borrowings) and bank balances (note 27 for details of these deposits) and fair value interest rate risk in relation to fixed-rate borrowings from related parties (note 42(ii)). It is the Group's policy to keep its borrowing at floating rate of interests so as to minimise fair value interest rate risk in relation to fixed-rate bank borrowing.

The Group has no significant interest-bearing assets apart from bank balances with their interest rate profile disclosed in note 27.

The interest rate profiles of the bank borrowings and loans from related parties are disclosed in note 28 and note 42(ii) respectively.

44. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis of interest rate risk

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

The following table details the Group's sensitivity to a 100 basis points ("bp", whereas 1 bp is equivalent 0.01%) increase and decrease in interest rate as the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates, assuming that the financial instruments outstanding at the end of the reporting period had been outstanding for the whole year. A positive number below indicates an increase in post-tax profit and total equity where interest rates generally decreased by 100 bp. For an increase in 100 bp, there would be an equal and opposite impact on the profit and total equity and the balances below would be negative.

	Group			
	+ 100 bp impact		**– 100 bp impact**	
	2010	2009	**2010**	2009
	HK'000	HK'000	**HK'000**	HK'000
(Decrease)/increase in profit after tax	**(106)**	(51)	**106**	51
(Decrease)/increase in total equity	**(106)**	(51)	**106**	51

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in amount of borrowings. The analysis has been presented on the same basis for 2009.

Other price risk

The Group is exposed to equity price risk through its equity investments classified as available for-sale equity investments as set out in note 23(a) to the financial statements.

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

44. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis of other price risk

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. The following table illustrates the sensitivity if the prices of the respective equity investments had been 5% (2009: 5%) higher/lower, as a result of the changes in the multiple of enterprise value to earnings before interest and tax of comparable listed companies in the same industry, at the reporting date. A positive number below indicates an increase in post-tax profit and total equity where price of the equity investments increased by 5%. For a decrease in 5%, there would be an opposite impact on the profit and total equity and the balances below would be negative.

	Group			
	+ 5% impact		– 5% impact	
	2010	2009	**2010**	2009
	HK'000	HK'000	**HK'000**	HK'000
Increase/(decrease) in profit after tax	**–**	–	**–**	–
Increase/(decrease) in total equity	**3,074**	2,426	**(3,074)**	(2,426)

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

Credit risk

As at 31 December 2010, the Group's exposure to credit risk which will cause a financial loss to the Group if the counterparties fail to discharge an obligation from the carrying amount the respective financial assets are summarised below by key geographical locations:

	Group					
	Mainland China		Hong Kong		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables	**17,555**	14,931	**1,873**	2,140	**19,428**	17,071
Other receivables	**1,059**	396	**335**	376	**1,394**	772
Consideration receivable on disposal of discontinued operation	**50,878**	87,389	**–**	–	**50,878**	87,389
Cash and cash equivalents	**52,113**	28,784	**24,794**	14,039	**76,907**	42,823
	121,605	131,500	**27,002**	16,555	**148,607**	148,055

44. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

The Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Group's financial assets are secured by collateral or other credit enhancements. The Zhenjiang Xinminzhou Harbour Estate District Administrative Committee and the State-owned Gongqingtuan Farm of Jiangsu Province in Jiangsu Province ("China Parties"), under the Dock Disposal Agreements as referred to note 11, issued a guarantee letter to the Group to ensure payment of the third instalment of RMB48,800,000 (approximately HK$55,534,000) before offset the deposit of RMB3,500,000 by the purchaser. During the year ended 31 December 2010, the purchaser settled in aggregate RMB31,491,735 (approximately HK$35,838,000) of the consideration balance. In addition, a related party of the purchaser has agreed to assume the obligations for due settlement of the consideration under the Dock Disposal Agreements, jointly with the purchaser.

Out of the HK$50,878,000 (2009: HK$87,389,000) consideration receivable on disposal of discontinued operation as at 31 December 2010, the entire remaining balance of HK$50,878,000 is under guarantee by the China Parties to Dock Disposal Agreements. On 15 March 2011, the purchaser together with its two subsidiaries has provided a letter of undertaking to the Group that they have agreed to use the deposits of RMB48,800,000 paid for acquisition of the land use rights for the settlement of the outstanding balance of the consideration in case of any default by the purchaser by 31 December 2011. The Company manages the credit risk an on-ongoing basis. The chairman of directors, chief executive officer of the Company, and delegated senior staff of the Group are to follow up and negotiate with the purchaser and the China Parties for settlement of the consideration balance.

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

The Group has concentration of credit risk by customers as 33.6% (2009: 19.8%) of the total receivables classified under "Trade and bills receivables" were due from the Group's five largest customers and the largest customer respectively as at 31 December 2010.

44. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

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

As at 31 December 2010, the Group held 38% equity interest in New Sinotech Group. After the completion of Acquisition took place on 17 February 2011, New Sinotech Group became 98% owned subsidiaries of the Group. Regarding the further contribution to the unpaid registered capital of Zhenjiang Sinotech by the Group, NUEL has issued an irrevocable undertaking to the Company on 8 August 2008 that NUEL will grant shareholder's loan(s), which will be unsecured, to the Company to enable the Group to fulfil its obligation to make payment of the unpaid registered capital of Zhenjiang Sinotech to ensure Fair Time has sufficient working capital to do so.

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

	Group As at 31 December 2010						
	Carrying amount HK$'000	Total undiscounted cash flows HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000
Financial liabilities							
Bank borrowings	10,575	10,575	–	–	10,575	–	–
Trade payables	13,103	13,103	8,653	4,450	–	–	–
Accrued liabilities and other payables	16,721	16,721	16,721	–	–	–	–
Deposits received	8,606	8,606	8,606	–	–	–	–
	49,005	49,005	33,980	4,450	10,575	–	–

44. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

Fair value

Financial instruments carried at amortised cost

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

The Group uses the following hierarchies for determining and disclosing the fair value of financial instruments:

- Level 1 fair values measured using quoted prices (unadjusted) in active markets for identified financial instruments.
- Level 2 fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 fair values measured using valuation techniques in which any significant input is not based on observable market data.

44. FINANCIAL RISK MANAGEMENT (continued)

Fair value (continued)

Financial instruments carried at fair value

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group

	2010				2009			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale equity investments	**–**	**–**	**68,300**	**68,300**	–	–	53,900	53,900

There was dividend income in an aggregate of HK$2,269,000 (2009: HK$1,822,000) and fair value gain of HK$12,960,000 (2009: HK$4,637,000), net of deferred tax, reported in consolidated income statement and consolidated statement of comprehensive income respectively, which related to the Level 3 financial instruments for the year ended 31 December 2010.

45. ENVIRONMENTAL CONTINGENCIES

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

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

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 21 March 2011.

GROUP FINANCIAL SUMMARY

The summary financial information of the Group for the prior financial years were extracted from the published audited financial statements and have been reclassified and adjusted to reflect the change in accounting policies effective from 1 January 2010 as appropriate.

RESULTS OF THE GROUP

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**134,940**	86,793	75,194	52,028	68,099
Cost of sales	**(90,995)**	(59,643)	(46,594)	(42,848)	(56,296)
Gross profit	**43,945**	27,150	28,600	9,180	11,803
Other revenue	**5,272**	3,370	4,487	3,096	1,139
Other net income	**1,663**	489	11	148	725
Excess of fair value of net assets over cost of acquisition of interests in subsidiaries	**–**	–	–	6,057	–
Excess of fair value of net assets over cost of acquisition of interests in associates	**–**	–	4,298	–	–
Gain on disposal of subsidiaries	**–**	–	–	4,042	–
Impairment of goodwill	**–**	(688)	–	–	–
Impairment of available-for-sale equity investments	**–**	–	(4,012)	–	–
Loss on early redemption of promissory notes	**(1,316)**	–	–	–	–
Distribution and selling expenses	**(5,711)**	(5,098)	(5,737)	(3,551)	(5,306)
Administrative expenses	**(21,597)**	(14,323)	(11,872)	(11,832)	(13,271)
Other expenses	**(3,320)**	(3,123)	(5,226)	(4,793)	(5,884)
Finance costs	**(1,411)**	(2,798)	(1,700)	(785)	(1,046)
Share of profit of associates, net	**726**	1,303	922	90	–
Profit/(loss) before tax	**18,251**	6,282	9,771	1,652	(11,840)
Income tax	**(2,858)**	(1,210)	–	–	–
Profit/(loss) for the year from continuing operations	**15,393**	5,072	9,771	1,652	(11,840)
Profit for the year from discontinued operation	**–**	15,382	679	536	18
Profit/(loss) for the year	**15,393**	20,454	10,450	2,188	(11,822)
Other comprehensive income for the year	**18,814**	(4,762)	12,142	2,239	(523)
Total comprehensive income for the year	**34,207**	15,692	22,592	4,427	(12,345)
Profit/(loss) for the year attributable to:					
Owners of the Company	**12,005**	18,355	8,381	1,873	(11,210)
Non-controlling interests	**3,388**	2,099	2,069	315	(612)
	15,395	20,454	10,450	2,188	(11,822)
Total comprehensive income attributable to:					
Owners of the Company	**30,385**	13,520	19,763	4,116	(11,719)
Non-controlling interests	**3,822**	2,172	2,829	311	(626)
	34,207	15,692	22,592	4,427	(12,345)

ASSETS AND LIABILITIES OF THE GROUP

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**79,520**	60,348	63,083	51,296	42,450
Prepaid lease payments	**21,453**	21,819	22,295	22,349	2,076
Deposits paid for docks development	**–**	–	–	49,796	19,324
Docks development costs	**–**	–	–	5,550	3,617
Goodwill	**33,000**	33,000	33,688	33,688	–
Interests in associates	**60,911**	37,411	36,962	4,778	–
Available-for-sale equity investments	**68,670**	53,900	48,900	57,022	–
	263,554	206,478	204,928	224,479	67,467
Current assets					
Inventories	**14,689**	12,343	10,052	10,706	17,925
Trade and bills receivables	**19,428**	17,071	13,811	9,168	9,439
Prepayments, deposits and other receivables	**3,025**	952	3,603	10,624	3,076
Consideration receivable on disposal of discontinued operation	**50,878**	87,389	–	–	–
Prepaid lease payments	**512**	508	508	498	46
Cash and cash equivalents	**76,907**	42,823	23,128	44,421	29,155
	165,439	161,086	51,102	75,417	59,641
Assets of disposal group classified as held for sale	**–**	–	90,103	–	–
	165,439	161,086	141,205	75,417	59,641
Total assets	**428,993**	367,564	346,133	299,896	127,108

ASSETS AND LIABILITIES OF THE GROUP (continued)

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current liabilities					
Interest-bearing bank borrowings	**10,575**	5,121	10,170	9,184	16,210
Trade payables	**13,103**	10,614	4,437	4,666	5,796
Accrued liabilities and other payables	**16,721**	13,746	12,209	8,091	4,493
Deposits received	**8,606**	6,135	8,177	8,959	13,754
Obligation under finance leases	**–**	–	4	5	592
Income tax payable	**1,915**	2,184	–	–	–
Amounts due to related companies	**–**	19	19	419	2,000
Shareholder's loans	**–**	–	–	2,416	2,262
	50,920	37,819	35,016	33,740	45,107
Liabilities associated with assets of disposal group classified as held for sale	**–**	–	1	–	–
	50,920	37,819	35,017	33,740	45,107
Non-current liabilities					
Promissory notes	**–**	22,185	19,956	–	–
Deferred tax liabilities	**6,479**	5,147	5,065	5,065	–
Obligation under finance leases	**–**	–	–	4	9
Loan from a related company	**–**	3,042	–	–	–
Shareholder's loans	**–**	–	2,416	–	57,505
	6,479	30,374	27,437	5,069	57,514
Total liabilities	**57,399**	68,193	62,454	38,809	102,621
Net assets	**371,594**	299,371	283,679	261,087	24,487
Issued share capital	**20,119**	18,259	18,259	18,259	1,490
Reserves	**334,200**	270,694	257,174	237,411	22,697
Equity attributable to owners of the Company	**354,319**	288,953	275,433	255,670	24,187
Non-controlling interests	**17,275**	10,418	8,246	5,417	300
Total equity	**371,594**	299,371	283,679	261,087	24,487