



**NEW UNIVERSE
INTERNATIONAL
GROUP LIMITED**

新宇國際實業（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code:8068

THIRD QUARTERLY REPORT 2007

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This report, for which the directors (the “Directors”) of NEW UNIVERSE INTERNATIONAL GROUP LIMITED, 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 NEW UNIVERSE INTERNATIONAL GROUP LIMITED. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- 1) the information contained in this report is accurate and complete in all material respects and not misleading;*
- 2) there are no other matters the omission of which would make any statement in this report misleading; and*
- 3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

FINANCIAL HIGHLIGHTS

- The Group's turnover was HK\$39,144,000 for 3Q 2007 (3Q 2006: HK\$53,282,000)
- The Group's gross profit and gross profit margin were HK\$5,428,000 and 13.9% for 3Q 2007 (3Q 2006: HK\$10,877,000 and 20.4%) respectively
- Loss attributable to the equity holders of the Company was HK\$7,306,000 for 3Q 2007 (3Q 2006: HK\$5,955,000)
- Basic loss per share for loss attributable to the equity holders of the Company was HK cents 0.65 for 3Q 2007 (3Q 2006 as restated: HK cents 3.30)
- Total equity was HK\$126,095,000 as at 30 September 2007 (31 December 2006: HK\$24,487,000)

2007 THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of New Universe International Group Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30 September 2007 (“3Q 2007”), together with the comparative unaudited figures for the corresponding period in 2006 (“3Q 2006”).

	Note	Three months ended 30 September		Nine months ended 30 September	
		2007 Unaudited HK\$'000	2006 Unaudited HK\$'000	2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
Turnover	2	16,620	19,954	39,144	53,282
Cost of sales		(14,419)	(15,596)	(33,716)	(42,405)
Gross profit		2,201	4,358	5,428	10,877
Other income	2	1,182	233	2,684	623
Selling and distribution expenses		(866)	(2,325)	(2,511)	(4,440)
Administrative expenses		(2,825)	(3,245)	(9,253)	(10,039)
Other operating expenses		(568)	(880)	(3,033)	(2,217)
Loss from operations		(876)	(1,859)	(6,685)	(5,196)
Finance costs		(188)	(281)	(621)	(759)
Loss before taxation		(1,064)	(2,140)	(7,306)	(5,955)
Income tax	3	-	-	-	-
Loss for the period		(1,064)	(2,140)	(7,306)	(5,955)
Attributable to:					
Equity holders of the Company		(1,064)	(2,140)	(7,306)	(5,955)
Minority interests		-	-	-	-
		(1,064)	(2,140)	(7,306)	(5,955)
Dividend	4	-	-	-	-
Loss per share					
for loss attributable to the equity holders of the Company (expressed in HK cents per share)					
			(Restated)		(Restated)
Basic	5	(0.09)	(1.19)	(0.65)	(3.30)
Diluted	5	N/A	N/A	N/A	N/A

Notes:

1 Basis of preparation and accounting policies

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) the manufacturing and sale of molds and plastic products; and (ii) property investment, development and operation of docks, warehouses and logistics facilities in Xinminzhou, Zhenjiang City, Jiangsu Province, the PRC.

In the opinion of the Directors, the ultimate holding company of the Company is New Universe Enterprises Limited ("NUEL"), which is incorporated in British Virgin Islands.

This unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These unaudited condensed consolidated financial statements should be read in conjunction with the 2006 annual financial statements of the Company.

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2006. In the current period, the Group has applied, for the first time, new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised. The Group has not early applied the new standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

2 Turnover and other income

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2007	2006	2007	2006
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Sale of molds	12,155	14,612	25,845	42,138
Sale of plastic products	4,465	5,342	13,299	11,144
	16,620	19,954	39,144	53,282
Other income				
Interest income	350	10	1,105	32
Sundry income	832	223	1,579	591
	1,182	233	2,684	623
Total	17,802	20,187	41,828	53,905

3 Income tax

The provision for Hong Kong profits tax for the period ended 30 September 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the period. No provision for Hong Kong profits tax has been made as the Group had accumulated tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong during the period.

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

The China enterprise income tax rate applicable to Dongguan Smartech Tooling & Plastics Limited, a wholly owned subsidiary established in Mainland China, is 15%. Pursuant to the income tax rules and regulations in the Mainland China, Suzhou New Universe Smartech Tooling & Plastics Limited, New Universe International (Zhenjiang) Port Company Limited, and New Universe International (Zhenjiang) Warehouses Company Limited are eligible for a 100% relief from China enterprise income tax for the first two years from their first profit-making year of operation and thereafter, they will be entitled to a 50% relief from China enterprise income tax for the following three years.

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

Deferred tax assets not recognised:

At 30 September 2007, the Group has unused tax losses of HK\$21,876,000 (31 December 2006: HK\$18,051,000) available for offsetting against future taxable profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Deferred tax liabilities not recognised:

At 30 September 2007, there is no significant unrecognised deferred tax liability (31 December 2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the subsidiaries as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

4 Dividend

The Board does not recommend the payment of dividend for the nine months ended 30 September 2007 (2006: Nil).

5 Loss per share

The calculation of basic loss (2006: loss) per share is based on the loss from ordinary activities attributable to equity holders for the nine months ended 30 September 2007 of HK\$7,306,000 (2006: loss of HK\$5,955,000) and for the three months ended 30 September 2007 of HK\$1,064,000 (2006: loss of HK\$2,140,000) and the weighted average of 1,128,716,000 (2006: 180,558,000 as restated due to a share consolidation of every ten shares of the Company into one share which was completed on 18 December 2006, and adjusted to reflect the rights issue of the Company became unconditional on 17 January 2007) ordinary shares in issue during the periods respectively.

Diluted loss per share for the nine months ended 30 September 2007 and 2006 have not been presented as the effect of any dilution is anti-dilutive.

6 Reserves

The unaudited condensed consolidated statement of changes in equity showing movement of reserves of the Group is as follows:

	Attributable to equity holders of the Company								
	Share		Exchange		Contributed surplus	Distributable reserve	Accumulated losses	Minority interest	Total equity
	Share capital	premium account	fluctuation reserve	surplus					
At 1 January 2006	74,480	27,847	1,866	31,929	-	(100,216)	35,906	926	36,832
Translation differences arising on consolidation of overseas subsidiaries	-	-	6	-	-	-	6	-	6
Net loss for the period	-	-	-	-	-	(5,955)	(5,955)	-	(5,955)
At 30 September 2006	74,480	27,847	1,872	31,929	-	(106,171)	29,957	926	30,883

	Attributable to equity holders of the Company								
	Share		Exchange		Contributed surplus	Distributable reserve	Accumulated losses	Minority interest	Total equity
	Share capital	premium account	fluctuation reserve	surplus					
At 1 January 2007	1,490	-	1,357	-	31,929	(10,589)	24,187	300	24,487
Rights issue	10,427	93,845	-	-	-	-	104,272	-	104,272
Share issue expenses	-	(1,204)	-	-	-	-	(1,204)	-	(1,204)
Translation differences arising on consolidation of overseas subsidiaries	-	-	5,846	-	-	-	5,846	-	5,846
Net loss for the period	-	-	-	-	-	(7,306)	(7,306)	-	(7,306)
At 30 September 2007	11,917	92,641	7,203	-	31,929	(17,895)	125,795	300	126,095

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

During the period ended 30 September 2007, both turnover and gross profit of the Group declined as compared to the corresponding period in 2006. Turnover and gross profit decreased by 26.5% and 50.1% to HK\$39,144,000 and HK\$5,428,000 respectively for the nine months ended 30 September 2007.

The Group has been exploring the feasibility of consolidating its resources for future diversification and business transformation.

Performance of Smartech

In the recent years, the Board has been reviewing the operations of both Dongguan Smartech Tooling and Plastics Limited (“Dongguan Smartech”) and Smartech Manufacturing Limited (“SML”) (collectively referred to as “Smartech”). During the period ended 30 September 2007, turnover of Smartech has been decreasing as compared to that for the corresponding period in 2006, and overall performance of Smartech slowed down. Smartech’s turnover represented 48.9% of the Group’s turnover in current period as compared to 71.5% in the corresponding period in 2006. Molds sales of Smartech represented 56.3% of its total turnover in current period, of which 98.6% was sales to Hong Kong and overseas customers, and 1.4% was sales in Mainland China. Plastics sales of Smartech represented 43.7% of its turnover in current period, of which 60.6% was sales to Hong Kong and overseas customers and 39.4% was sales in Mainland China.

Dongguan Smartech has recorded losses for the past few years, whose performance was mainly affected by the increasing production costs in Guangdong Province, the PRC. In August 2007, the Board proposed to dispose of the Group’s entire equity interest in Dongguan Smartech to a wholly owned subsidiary of NUEL at an adjustable consideration of approximately HK\$24,162,000 (hereinafter referred to as the “Disposal”), which under the GEM Listing Rules constituted a major transaction of the Company, and also a connected transaction of the Company subject to approval of the independent shareholders. The Disposal is expected to be an opportunity of the Group to discontinue its loss-making operations.

Performance of Suzhou New Universe

During the period ended 30 September 2007, turnover of Suzhou New Universe Smartech Tooling and Plastics Limited (“Suzhou New Universe”) increased as compared to that for the corresponding period in 2006. Profit margin of Suzhou New Universe was approximately 3.3% in current period. Suzhou New Universe’s turnover represented 51.1% of the Group’s turnover in current period as compared to 28.5% in the corresponding period in 2006. Molds sales of Suzhou New Universe represented 75.4% of its total turnover in current period, of which 29.0% was sales to overseas customers and 71.0% was sales in Mainland China. Plastics sales of Suzhou New Universe represented 24.6% of its total turnover in current period, of which 70.1% was sales to overseas customers and 29.9% was sales in Mainland China. With effort on betterment of the process management and quality control of the factory’s production, Suzhou New Universe has obtained the ISO/TS16949 certification during the period.

Development of Zhenjiang Docks Project

After the Company’s shareholders approved the co-operative agreement dated 18 July 2006 (“Co-operative Agreement”) entered into between the Company and the China parties (“China Parties”, comprising The District Government of Jingkou, Zhenjiang and State Owned Gongqingtuan Farm of Jiangsu Province) in relation to the investment for the construction of dock infrastructure and development of warehouses and depot facilities at a site area in Xinminzhou, Jingkou District, Zhenjiang City, Jiangsu Province, Mainland China (“Zhenjiang Docks Project”), the Group established two wholly foreign owned enterprises with total registered capital of US\$25,000,000 (approximately HK\$194,000,000) in Zhenjiang, the Mainland China (“Zhenjiang WFOEs”), namely, New Universe International (Zhenjiang) Port Company Limited (新宇國際(鎮江)港務有限公司) (“Zhenjiang Port Co.”) and New Universe International (Zhenjiang) Warehouses Company Limited (新宇國際(鎮江)倉儲有限公司) (“Zhenjiang Warehouses Co.”).

The senior management team of both Zhenjiang Port Co. and Zhenjiang Warehouses Co. has been appointed to manage the initial phase of the Zhenjiang Docks Project. Up to the date of this report, the Zhenjiang WFOEs are still awaiting the final approval of granting the necessary land use rights for the Zhenjiang Docks Project, and deposit amounted to RMB20,000,000 (or equivalent to approximately HK\$20,408,000) has been paid to the local authority. The Board expects the schedule for kicking off the development of Zhenjiang Docks Project will be deferred, though all parties to the Co-operative Agreement intend to go ahead for the Zhenjiang Docks Project. Barring any unforeseeable circumstances and with the continuous effort of all parties to the Co-operative Agreement, the Company does not expect any difficulties in obtaining the required approvals for Zhenjiang Docks Project from the relevant authorities in the Mainland China. It is expected that part of the land use rights for the Zhenjiang Docks Project will be granted in the coming quarter.

Investments and finance

Subsequent to the completion of the capital re-organisation of the Company on 18 December 2006, the Company proceeded with a rights issue of 1,042,720,000 rights shares at a subscription price of HK\$0.10 per rights share on the basis of seven rights shares for every share held by the Company's shareholders on 28 December 2006 ("Rights Issue"). The Rights Issue was completed on 17 January 2007. The net proceeds of the Rights Issue (after deduction of expenses amounted to approximately HK\$1,204,000) was approximately HK\$103,068,000, of which approximately HK\$56,944,000 was received in cash and approximately HK\$46,124,000 was used to repay the unsecured interest free loans granted by the Company's controlling shareholder, NUEL (of which HK\$41,904,000 had been used for initial capital contribution to the Zhenjiang WFOEs before the completion of the Rights Issue), directly by setting off on a dollar-to-dollar basis against the pro-rata entitlements of NUEL to the Rights Issue.

As at 30 September 2007, the Company has contributed capital in cash of US\$8,500,000 (approximately HK\$65,960,000) to Zhenjiang Port Co. and US\$1,500,000 (approximately HK\$11,640,000) to Zhenjiang Warehouses Co. respectively. A related company of the Group, China (HK) Chemical and Plastics Co. Limited ("China (HK) Chemical"), has undertaken to support the Group for the development of the Zhenjiang Docks Project, though the Group, besides its feasible internal resources, would also seek bank financing or other means of finance for the purposes of the Zhenjiang Docks Project.

In August 2007, the Board entered into conditional agreements and proposed (i) to acquire from a wholly owned subsidiary of NUEL and other related parties an aggregate of 82% equity interests in three environmental corporations situated in the Jiangsu Province, the PRC, at a total consideration of HK\$78,638,000, which has been settled by issue of 366,515,787 new shares of the Company and payment of HK\$9,000,000 in cash (hereinafter referred to as the "Environmental Acquisitions"); and (ii) to acquire from NUEL the investment interests in three plastic materials dyeing corporations situated respectively at Qingdao, Danyang and Suzhou in the PRC at a total consideration of HK\$56,862,220, which has been settled by issue of 267,695,894 new shares of the Company and payment of HK\$6,000,000 in cash (hereinafter referred to as the "Dyeing Acquisition"). Under the GEM Listing Rules, each and the aggregate of the Environmental Acquisitions and the Dyeing Acquisition constituted major transaction of the Company, and they were also connected transactions of the Company subject to approval of the independent shareholders. At the extraordinary general meeting held on 8 October 2007, the Environmental Acquisitions and the Dyeing Acquisition, amongst other transactions, were approved by the independent shareholders of the Company. On 12 October 2007, the consideration for the Environmental Acquisitions and the Dyeing Acquisition were fully settled by payment of HK\$15,000,000 to NUEL, and the issue and allotment of an aggregate 634,211,681 new shares of the Company to the vendors and NUEL.

Prospects

The Group sees the importance of investment in and betterment of the productivity and technical know-how of both Smartech and Suzhou New Universe to the continuous improvement of the overall performance of the Group. On the other hand, the Group also sees the importance of exploring the feasibility of future diversification and business transformation.

Subsequent to the capital re-organisation being effective by the end of 2006, the Company raised funds in January 2007 by a Rights Issue to invest on the development of the Zhenjiang Docks Project.

Entering the third quarter of 2007, the Board has proposed to implement the Environmental Acquisitions, the Dyeing Acquisition, and the Disposal. On 8 October 2007, the Environmental Acquisitions, the Dyeing Acquisition, and the Disposal were approved by the independent shareholders of the Company at the extraordinary general meeting. Following completion of the Environmental Acquisitions, the Dyeing Acquisition and the Disposal, the Board intends to categorise the business portfolio of the Group into: (i) the operations of environmental disposal and recycling for industrial and medical wastes; (ii) the manufacture and sale of molds and plastic products; and (iii) the property investment, development and operations of docks, warehouses and logistics facilities. The Board considers the Environmental Acquisitions, the Dyeing Acquisition and the Disposal as strategic moves which would enable the Group to reduce the loss of its mold and plastic products manufacturing operation and to generate additional income sources with better business potential in the environmental business. The Board expects that the business performance of the Group will be improved upon completion of the Environmental Acquisitions, the Dyeing Acquisition and the Disposal.

The Board will also continue to seek investment opportunities in the environmental industry with a view to further improve the business performance of the Group. On 15 October 2007, the Company has entered into a letter of intent with an independent third party in relation to a proposed acquisition of not less than the controlling equity interest in an environmental electroplating recycling project, the operation of which will include but not limited to the environmental treatment of electroplating waste water and residue and recycling of metallic substance and resources.

The Board remains confident of the continuous growth of the Group, and that its performance will be improved in the coming future.

FINANCIAL REVIEW

Turnover and gross profit

The Group's turnover was HK\$39,144,000 for the nine months ended 30 September 2007, reflecting a decrease of 26.5% from HK\$53,282,000 for the corresponding period in 2006. Smartech and Suzhou New Universe have contributed 48.9% and 51.1% respectively of the Group's turnover for the nine months ended 30 September 2007 as compared to 71.5% and 28.5% respectively for the corresponding period in 2006. Gross profit of the Group for the nine months ended 30 September 2007 decreased by 50.1% to HK\$5,428,000 as compared to HK\$10,877,000 for the corresponding period in 2006. Gross profit margin was 13.9% for the nine months ended 30 September 2007 as compared to 20.4% for the corresponding period in 2006. The overall performance of the Group slowed down for the nine months ended 30 September 2007.

Other income

The Group's other income increased to HK\$2,684,000 for the nine months ended 30 September 2007 as compared to HK\$623,000 for the corresponding period in 2006. The current increase was mainly attributable to increases in interest income and scrap sales during the period.

Selling and distribution costs

The Group's selling and distribution costs decreased by 43.4% to HK\$2,511,000 in current period representing 6.4% to the Group's turnover for the nine months ended 30 September 2007; as compared to HK\$4,440,000 in last corresponding period that representing 8.3% to the turnover for the corresponding period in 2006. The current decrease in selling and distribution costs was mainly attributable to decreases in commission paid to agencies and expenses for after sales services during the period.

Administrative expenses

The administrative expenses decreased by 7.8% to HK\$9,253,000 in current period, representing 23.6% to the Group's turnover for the nine months ended 30 September 2007; as compared to HK\$10,039,000 in last corresponding period that representing 18.8% to the turnover for the corresponding period in 2006. The current decrease in administrative expenses was mainly attributable to decreases in staff costs in the Mainland China during the period.

Other operating expenses

The other operating expenses increased by 36.8% to HK\$3,033,000 in current period, representing 7.7% to the Group's turnover for the nine months ended 30 September 2007; as compared to HK\$2,217,000 in last corresponding period that representing 4.2% to the turnover for the corresponding period in 2006. The current increase in other operating expenses was mainly attributable to increases in losses on exchange during the period.

Finance costs

The total finance costs of the Group was HK\$621,000 for the nine months ended 30 September 2007 as compared to HK\$759,000 for the corresponding period in 2006. The current decrease in finance costs was mainly attributable to the decrease in interest bearing bank borrowings in current period.

Loss from ordinary activities attributable to equity holders of the Company

The Group made a loss from ordinary activities attributable to equity holders of HK\$7,306,000 for the nine months ended 30 September 2007, whereas the loss for the last corresponding period was HK\$5,955,000.

Liquidity and financial resources

The Group operates with conservative treasury policies to avoid risky investments and to minimize interest-bearing borrowings. In the current period, the Group financed its operation activities with internally generated cash flows, banking facilities, loans from NUEL, and the Rights Issue.

As at 30 September 2007, the Group had total cash and bank balances of HK\$57,985,000 (31 December 2006: HK\$29,155,000) and had available unused general banking facilities amounted to HK\$11,957,000 (31 December 2006: HK\$6,350,000).

As at 30 September 2007, the Group had total outstanding borrowings of approximately HK\$21,048,000 (31 December 2006: HK\$78,578,000) as follows:

- (i) secured interest bearing bank borrowings of approximately HK\$9,184,000 (31 December 2006: HK\$8,695,000);
- (ii) unsecured interest bearing bank borrowings of approximately HK\$2,124,000 (31 December 2006: HK\$7,515,000);
- (iii) finance lease payables of approximately HK\$10,000 (31 December 2006: HK\$601,000); and
- (iv) unsecured non-interest bearing borrowings from the Company's controlling shareholder, NUEL, with a fair value of approximately HK\$9,730,000 (31 December 2006: HK\$59,767,000).

As at 30 September 2007, there was no outstanding to the related company, China (HK) Chemical (31 December 2006: HK\$2,000,000).

Out of the total outstanding borrowings as at 30 September 2007, approximately HK\$21,043,000 (31 December 2006: HK\$21,064,000) was repayable within one year.

Gearing ratio

As at 30 September 2007, the Group's gearing ratio was 26.6% (31 December 2006: 80.7%), representing total liabilities of HK\$45,599,000 (31 December 2006: HK\$102,621,000) divided by total assets of HK\$171,694,000 (31 December 2006: HK\$127,108,000).

Capital structure

On 17 January 2007, the Company completed a Rights Issue of 1,042,720,000 rights shares at a subscription price of HK\$0.10 each on the basis of seven rights shares for every share then held on 28 December 2006. The net proceeds of the Rights Issue (after deduction of expenses) were approximately HK\$103,068,000, and the amount of cash received by the Company from the Rights Issue was approximately HK\$56,880,000, as the amount of HK\$46,124,000 payable by the Company's controlling shareholder, NUEL, was being capitalised and set-off on a dollar-to-dollar basis against unsecured interest free shareholder's loans previously granted to the Company.

Material acquisitions and disposals of subsidiaries

With details referred to in the announcement and the circular dated 31 August 2007 and 21 September 2007 respectively of the Company, the Company has entered into the following transactions proposed to acquire and dispose of interests in subsidiaries of the Company:

- (a) on 23 August 2007, the Company as purchaser, New Universe Environmental Protection Group Limited ("NUEPGL") as the vendor and Mr. XI Yu as the guarantor entered into a sale and purchase agreement relating to the sale and purchase of 4,000,000 issued shares of US\$1.00 each representing the entire issued share capital of New Universe Environmental Protection Investment Limited ("NUEPIL") for a consideration of HK\$59,458,000 (the "Environmental S&P Agreement A");
- (b) on 23 August 2007, the Company as purchaser and Mr. Sun Jia Qing 孫家慶 as the vendor entered into a sale and purchase agreement relating to the sale and purchase of 700,000 shares of HK\$1.00 each in the issued share capital of New Universe Environmental Technologies (Jiang Su) Limited ("NUET (Jiang Su)") for a consideration of HK\$6,713,000 (the "Environmental S&P Agreement B");
- (c) on 23 August 2007, the Company as purchaser and Mr. Yin Yong Xiang 殷永祥 as the vendor entered into a sale and purchase agreement relating to the sale and purchase of 700,000 shares of HK\$1.00 each in the issue share capital of NUET (Jiang Su) for a consideration of HK\$6,713,000 (the "Environmental S&P Agreement C");

- (d) on 23 August 2007, the Company as purchaser and Mr. Liu Lai Gen 劉來根 as the vendor entered into a sale and purchase agreement relating to the sale and purchase of 600,000 shares of HK\$1.00 each in the issued share capital of NUET (Jiang Su) for a consideration of HK\$5,754,000 (the “Environmental S&P Agreement D”);

(the transactions contemplated under the Environmental S&P Agreement A, the Environmental S&P Agreement B, the Environmental S&P Agreement C, and the Environmental S&P Agreement D are herein collectively referred to as the “Environmental Acquisitions”)

- (e) on 23 August 2007, the Company as purchaser, NUEL as the vendor and Mr. XI Yu as the guarantor entered into a sale and purchase agreement relating to the sale and purchase of 1,800,000 shares of US\$1.00 each representing the entire issued share capital of New Universe (China) Investment Limited (“NUCIL”) for a consideration of HK\$56,862,220, and the loan due from NUCIL to NUEL in the amount of HK\$51,216,430 for a consideration of HK\$1.00 (the “Dyeing S&P Agreement”);

(the transactions contemplated under the Dyeing S&P Agreement is herein referred to as the “Dyeing Acquisition”; and the Environmental Acquisitions and Dyeing Acquisition are hereinafter collectively referred to as the “Acquisitions”)

- (f) on 23 August 2007, SML, a wholly owned subsidiary of the Company as the vendor and Sky Sight International Limited (“SSIL”) as the purchaser entered into an equity interest transfer agreement (the “Disposal Agreement”) relating to the disposal of the entire equity interest of Dongguan Smartech for a consideration of HK\$24,161,603 (subject to adjustment)

(the transactions contemplated under Disposal Agreement is herein referred to as the “Disposal”);

Each of the Company’s directors, Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are deemed interested in the Acquisitions and the Disposal. Under the GEM Listing Rules, each of the Acquisitions, the Environmental Acquisitions, and the Disposal constitutes major transaction of the Company, and they are connected transactions of the Company subject to the approval of the independent shareholders of the Company. At the extraordinary general meeting held on 8 October 2007, the Environmental Acquisitions, the Dyeing Acquisition, and the Disposal were approved by the independent shareholders of the Company. On 12 October 2007, the consideration shares and cash consideration as contemplated under the Environmental Acquisitions, the Dyeing Acquisition, and the Disposal have been fully settled by all parties to the agreements respectively.

Save as disclosed, there were no other significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the nine months ended 30 September 2007.

Employee information

As at 30 September 2007, the Group had 431 (30 September 2006: 633) full-time employees. Staff costs, excluding directors' remuneration but including amount capitalised as inventory was HK\$7,163,000 for the nine months ended 30 September 2007 (30 September 2006: HK\$8,381,000). Employees 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.

Charges on Group assets

As at 30 September 2007, the Group pledged the land use rights with a carrying value of HK\$2,204,000 (31 December 2006: HK\$2,122,000), together with property, plant and equipment with carrying value of HK\$8,214,000 (31 December 2006: HK\$8,092,000) to a bank in Mainland China to secure bank loans of HK\$9,184,000 (equivalent to RMB9,000,000) (31 December 2006: HK\$8,696,000) granted to the Group. As at 30 September 2007, the Group's property, plant and equipment with carrying value of HK\$15,000 (31 December 2006: HK\$2,553,000) were held under finance leases amounted to HK\$10,000 (31 December 2006: HK\$601,000).

Exposure to exchange rate fluctuations

During the period ended 30 September 2007, the Group experienced only immaterial exchange rates fluctuations as most of the Group's monetary assets and liabilities were denominated and most of the business were conducted in Hong Kong Dollars, US Dollars and Renminbi, and all of which were relatively stable during the period under review. The Group considered that as the exchange rate risks of the Group is moderately low, and the Group did not employ any financial instruments for hedging purposes.

Contingent liabilities

There were no significant contingent liabilities of the Group as at 30 September 2007 (31 December 2006: Nil).

Commitments

As at 30 September 2007, except for commitments of operating leases payable within 5 years for its office premises in Hong Kong and an industrial plant in Mainland China of total HK\$7,794,000 (31 December 2006: HK\$10,127,000), there were also capital commitments of the Group authorised but not contracted for amounted to HK\$73,648,000 (31 December 2006: HK\$60,385,000) and capital commitments contracted for but not provided for amounted to HK\$166,348,000 (31 December 2006: HK\$173,473,000) mainly in respect of the development of Zhenjiang Docks Project.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2007 (2006: Nil).

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

As at 30 September 2007, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance ("SFO")) as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors under the GEM Listing Rules, were as follows:

1 Long positions in issued shares of the Company

Name of director	Number of ordinary shares of HK\$0.01 each				% of total shares in issue
	Beneficial owner	Family interests	Interest of controlled corporation	Total number of shares held	
XI Yu	-	-	816,384,800	816,384,800	68.51

Note: XI Yu is the beneficial shareholder of 16,732 shares of US\$1.00 each in NUEL, representing 83.66% of the issued share capital of NUEL, which in turn holds 816,384,800 shares of the Company representing approximately 68.51% of the issued share capital of the Company.

2 Long positions in shares of an associated company

Name of director	Number of ordinary shares of US\$1.00 each				% of total shares in issue
	Beneficial owner	Family interests	Interest of controlled corporation	Total number of shares held	
XI Yu	16,732	-	-	16,732	83.66
CHEUNG Siu Ling	1,214	1,214	-	2,428	12.14
SUEN Ki	840	-	-	840	4.20

Note: NUEL is an associated corporation (within the meaning of the SFO) of the Company.

Save as disclosed above, as at 30 September 2007, none of the directors and chief executive of the Company nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to required standards of dealings by directors under the GEM Listing Rules.

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

As at 30 September 2007, persons or corporations who have interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares of the Company

	Number of ordinary shares of HK\$0.01 each				% of total shares in issue
	Beneficial owner	Family interests	Interest of controlled corporation	Total number of shares held	
Substantial shareholder					
NUEL	816,384,800	–	–	816,384,800	68.51
Xi Yu *	–	–	816,384,800	816,384,800	68.51

Note: The interest disclosed by Xi Yu is the same as the 816,384,800 shares disclosed as held by NUEL.

Save as disclosed above, as at 30 September 2007, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

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

The maximum number of securities available for issue under the Share Option Scheme as at 30 September 2007 was 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. At 30 September 2007, no options have been granted under the Company's Share Option Scheme.

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

Neither of the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the nine months ended 30 September 2007.

DIRECTOR'S INTERESTS IN CONTRACTS

The following contracts or arrangements subsisted during the nine months ended 30 September 2007 of which certain Directors of the Company had interests that were deemed significant to the business of the Group:

- (a) On 21 August 2006, NUEL granted an unsecured interest-free loan of EUR205,000 (equivalent to HK\$1,927,000) to the Company, which was repayable on demand or before 22 August 2007, but was extended to 31 March 2008. The financial assistance provided by NUEL was an exempted connected transaction of the Company under the GEM Listing Rules. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors of the Company and NUEL.
- (b) On 29 December 2006, NUEL granted an unsecured interest-free loan of HK\$5,300,000 to the Company, which was repayable on demand or before 31 December 2007, but was extended to 31 March 2008. The financial assistance provided by NUEL was an exempted connected transaction of the Company under the GEM Listing Rules. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors of the Company and NUEL.

- (c) On 20 June 2007, NUEL granted an unsecured interest-free loan of US\$348,000 (equivalent to HK\$2,714,400) to the Company, which was repayable on demand or before 21 June 2008. The loan was used to finance the additional capital contribution to Suzhou New Universe. The financial assistance provided by NUEL was an exempted connected transaction of the Company under the GEM Listing Rules. Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are common directors of the Company and NUEL. Mr. XI Yu and Ms. CHEUNG Siu Ling are also directors of Suzhou New Universe.
- (d) On 23 August 2007, the Company has entered into:
- (i) the Environmental S&P Agreement A;
 - (ii) the Environmental S&P Agreement B;
 - (iii) the Environmental S&P Agreement C;
 - (iv) the Environmental S&P Agreement D;
 - (v) the Dyeing S&P Agreement; and
 - (vi) the Disposal Agreement.

The Environmental Acquisitions comprise collectively the transactions contemplated under the Environmental S&P Agreement A, the Environmental S&P Agreement B, the Environmental S&P Agreement C, and the Environmental S&P Agreement D. The Dyeing Acquisition comprises the transactions contemplated under the Dyeing S&P Agreement. The aggregate of the Environmental Acquisitions and Dyeing Acquisition are referred to as the Acquisitions. The Disposal comprises the transactions contemplated under the Disposal Agreement. Each of the Company's directors, Mr. XI Yu, Ms. CHEUNG Siu Ling and Mr. SUEN Ki are deemed interested in the Acquisitions and the Disposal. Each of the Acquisitions, Environmental Acquisitions, the Dyeing Acquisition, and the Disposal constitute major and connected transaction of the Company under the GEM Listing Rules.

- (e) On 30 August 2007, a rental agreement was entered into between Smartech Services Limited ("Smartech Services", an indirectly wholly owned subsidiary of the Company) and Sun Ngai International Investment Limited ("Sun Ngai") at normal commercial terms in the ordinary and usual course of business of the Company, pursuant to which Smartech Services shall pay Sun Ngai monthly rental of HK\$10,000 to rent an office unit for one year commencing 1 August 2007. Mr. XI Yu and Ms. CHEUNG Siu Ling are common directors of the Company, Smartech Services and Sun Ngai. The rental agreement was an exempted connected transaction of the Company under the GEM Listing Rules.

- (f) During the nine months ended 30 September 2007, SML, an indirectly wholly owned subsidiary of the Company, has purchased raw materials amounting to HK\$1,000 (corresponding period in 2006: HK\$1,409,000) from 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 also directors of SML.

Save as disclosed, as at 30 September 2007, none of the Directors of the Company is materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Save as disclosed herein, as at 30 September 2007, the Directors were not aware of any business or interest of the Directors or any management shareholder (as defined under the GEM Listing Rules) of the Company and their respective associates that had completed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the nine months ended 30 September 2007, except for the Company could not comply with the code provision A.2.1 of the Code on Corporate Governance Practices that the Company's chairman, Mr. XI Yu has to share the responsibilities of the vacant office of the chief executive officer of the Company subsequent to the resignation of the ex-managing director of the Group in February 2007, of which, the Directors considered the Group's operations will not be significantly affected by such non-compliance.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules in relation the current financial period. Having made specific enquiry of all Directors of the Company, the Directors have complied with, and there has no non-compliance with, the required standard of dealings and the code of conduct regarding directors' securities transactions.

AUDIT COMMITTEE

The Company's audit committee has been established since May 2000 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, which is chaired by an independent non-executive director, currently comprising three independent non-executive directors of the Company, Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred.

The Company's audit committee has reviewed and commented on the unaudited consolidated results of the Group for the nine months ended 30 September 2007.

By order of the Board
New Universe International Group Limited
XI Yu
Chairman

Hong Kong, 9 November 2007

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

Mr. XI Yu	<i>(Executive Director)</i>
Ms. CHEUNG Siu Ling	<i>(Executive Director)</i>
Mr. HON Wa Fai	<i>(Executive Director)</i>
Mr. SUEN Ki	<i>(Non-executive Director)</i>
Dr. CHAN Yan Cheong	<i>(Independent Non-executive Director)</i>
Mr. YUEN Kim Hung, Michael	<i>(Independent Non-executive Director)</i>
Mr. HO Yau Hong, Alfred	<i>(Independent Non-executive Director)</i>