



NEW UNIVERSE

New Universe International Group Limited

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

Third Quarterly Report 2011

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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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

SONG Yuqing (*Vice-Chairman*)
SUEN Ki

Independent Non-Executive Directors

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

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

AUTHORIZED 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 ADVISERS

As to Hong Kong Laws

Troutman Sanders

As to PRC Laws

Beijing Sinobridge PRC Lawyers

AUDITOR

CCIF CPA Limited

SHARE REGISTRAR AND TRANSFER OFFICES

Principal

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

Hong Kong Branch

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

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

8068.HK

WEBSITE

www.nuigl.com

FINANCIAL HIGHLIGHTS

- Total turnover for the nine months ended 30 September 2011 increased by 43.4% to HK\$133,758,000 compared to HK\$93,255,000 for the corresponding period in 2010.
- Profit attributable to the Company's owners for the nine months ended 30 September 2011 increased by 152.4% to HK\$20,078,000 compared to HK\$7,955,000 for the corresponding period in 2010.
- Revenue from environmental waste treatment services for the nine months ended 30 September 2011 increased by 27.3% to HK\$50,727,000 compared to HK\$39,849,000 for the corresponding period in 2010.
- Revenue from eco-plating specialized zone for the period from 17 February 2011 (date of completion of the acquisition of controlling equity interest of the specialized zone) to 30 September 2011 was HK\$21,540,000.
- Revenue from manufacturing operations for the nine months ended 30 September 2011 increased by 15.1% to HK\$61,491,000 compared to HK\$53,406,000 for the corresponding period in 2010.
- Dividends from available-for-sale equity investments in plastic materials dyeing operations for the nine months ended 30 September 2011 increased by 14.6% to HK\$2,340,000 compared to HK\$2,042,000 for the corresponding period in 2010.
- Total earnings per share attributable to the Company's owners were HK cents 0.98 for the nine months ended 30 September 2011 compared to HK cents 0.42 for the corresponding period in 2010.
- Equity attributable to the Company's owners was HK\$408,420,000 as at 30 September 2011 versus HK\$354,319,000 as at 31 December 2010.
- Cash and cash equivalents amounted to HK\$95,310,000 as at 30 September 2011 compared to HK\$76,907,000 as at 31 December 2010.
- The Board resolved not to declare a dividend for the nine months ended 30 September 2011.

The board of Directors (the “Board”) of New Universe International Group Limited 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 2011, and the comparative unaudited figures for the corresponding period in 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover	5	48,966	37,657	133,758	93,255
Cost of sales		(33,274)	(26,372)	(89,920)	(63,099)
Gross profit		15,692	11,285	43,838	30,156
Other revenue	6	1,583	319	6,994	4,120
Other net income	7	1,170	711	2,643	734
Distribution and selling expenses		(2,216)	(1,992)	(5,944)	(4,351)
Administrative expenses		(7,262)	(4,744)	(19,692)	(12,864)
Other operating expenses		(2,176)	(1,274)	(5,301)	(2,972)
Loss on redemption of promissory notes		–	–	–	(1,316)
Net gain on deemed disposal of associates	8	–	–	4,419	–
Share of profits of associates, net		479	181	970	493
Finance costs	9	(902)	(121)	(2,216)	(1,291)
Profit before tax		6,368	4,365	25,711	12,709
Income tax	10	(441)	(772)	(1,969)	(2,154)
Profit for the period	11	5,927	3,593	23,742	10,555
Profit for the period attributable to:					
Owners of the Company		4,755	2,741	20,078	7,955
Non-controlling interests		1,172	852	3,664	2,600
		5,927	3,593	23,742	10,555
Earnings per share (expressed in HK cents per share)					
Basic and diluted	13	0.22	0.14	0.98	0.42

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period	5,927	3,593	23,742	10,555
Other comprehensive income:				
Exchange differences arising on translation of financial statements of foreign subsidiaries	6,703	1,085	13,962	1,864
Reclassification adjustments of translation reserve upon deemed disposal of associates	–	–	(2,743)	–
Fair value changes on available-for-sale equity investments, net of deferred tax	(4,050)	–	(11,160)	(540)
Share of other comprehensive income of associates				
– exchange differences arising on translation of financial statements of foreign associates	151	745	317	1,206
Other comprehensive income for the period	2,804	1,830	376	2,530
Total comprehensive income for the period	8,731	5,423	24,118	13,085
Total comprehensive income attributable to:				
Owners of the Company	7,178	4,441	19,613	10,260
Non-controlling interests	1,553	982	4,505	2,825
	8,731	5,423	24,118	13,085

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Issued share capital	Share premium	Translation reserve	Investment revaluation reserve	General reserve	Capital reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2010 (audited)	18,259	206,488	9,620	4,637	31,929	-	18,020	288,953	10,418	299,371
Changes in equity for nine months ended 30 September 2010:										
Profit for the period	-	-	-	-	-	-	7,955	7,955	2,600	10,555
Other comprehensive income for the period	-	-	2,845	(540)	-	-	-	2,305	225	2,530
Total comprehensive income for the period	-	-	2,845	(540)	-	-	7,955	10,260	2,825	13,085
Shares issued upon redemption of promissory notes	360	3,933	-	-	-	-	-	4,293	-	4,293
Shares issued upon top-up placing, net of share issuance costs	1,500	29,188	-	-	-	-	-	30,688	-	30,688
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	2,095	2,095
At 30 September 2010 (unaudited)	20,119	239,609	12,465	4,097	31,929	-	25,975	334,194	15,338	349,532
At 1 January 2011 (audited)	20,119	239,609	15,040	17,597	31,929	-	30,025	354,319	17,275	371,594
Changes in equity for nine months ended 30 September 2011:										
Profit for the period	-	-	-	-	-	-	20,078	20,078	3,664	23,742
Other comprehensive income for the period	-	-	10,695	(11,160)	-	-	-	(465)	841	376
Total comprehensive income for the period	-	-	10,695	(11,160)	-	-	20,078	19,613	4,505	24,118
Excess of fair value over cost of net assets of subsidiaries acquired	-	-	-	-	-	5,583	-	5,583	1,881	7,464
Rights Issue, net of share issuance costs	2,012	26,893	-	-	-	-	-	28,905	-	28,905
At 30 September 2011 (unaudited)	22,131	266,502	25,735	6,437	31,929	5,583	50,103	408,420	23,661	432,081

NOTES TO UNAUDITED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

1 General Information

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 of The Stock Exchange of Hong Kong Limited. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

The unaudited financial information is presented in Hong Kong dollars ("HK\$"), which is the functional currency of the Company, while the functional currency of the subsidiaries in The People's Republic of China ("PRC") is Renminbi ("RMB").

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

- (a) provision of environmental services on treatment and disposal of industrial and medical solid waste;
- (b) operation of eco-plating specialized zone;
- (c) manufacture and sale of molds;
- (d) manufacture and sale of plastic products;
- (e) trading of plastic materials; and
- (f) investment in plastic dyeing.

2 Basis of preparation

The unaudited financial information has been prepared in accordance with the applicable Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The unaudited financial information has been prepared on the historical cost basis except for certain available-for-sale equity investments of the Company, which are measured at fair values.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results and financial information are consistent with those used in the Company's annual financial statements for the year ended 31 December 2010, except for the adoption of certain new and revised HKFRS and HKAS as disclosed in note 3 below.

3 Impact of new and revised HKFRSs

In the current reporting period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA which are effective for accounting periods commencing on or after 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 in relation to amendments to HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13
HKAS 1 (Revised in 2011)	Presentation of Financial Statements
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 24 (Revised in 2009)	Related Party Disclosures
HKAS 27 (Revised in 2011)	Consolidated and Separate Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates
HKAS 31 (Revised in 2011)	Interests in Joint Ventures
HK(IFRIC)-Int 14 (Issued in 2009)	Prepayments of a Minimum Funding Requirement

The application of these new and revised HKFRSs had no material effect on the unaudited financial information of the Group for the current or prior accounting periods.

The Groups has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 12 (Revised in 2010)	Income Tax: Deferred Tax – Recovery of Underlying Assets ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²

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

² Effective for annual periods beginning on or after 1 January 2013

4 Review of unaudited results and financial information for nine months ended 30 September 2011

The unaudited consolidated results and financial information of the Company for the nine months ended 30 September 2011 have not been audited by the independent auditor of the Company, but have been reviewed by the audit committee of the Company that does not constitute an audit.

5 Turnover

	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Environmental services income	18,081	14,422	50,727	39,849
Services income from eco-plating specialized zone	9,811	–	21,540	–
Sale of mold products	4,933	5,975	21,401	11,109
Sale of plastic products	6,985	4,771	17,972	13,270
Sale of plastic materials	9,156	12,489	22,118	29,027
	48,966	37,657	133,758	93,255

6 Other revenue

	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Bank interest income	246	211	727	1,625
Dividends from available-for-sale equity investments	–	–	2,340	2,042
Scrap sales	1,337	108	3,927	453
	1,583	319	6,994	4,120

7 Other net income

	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Net foreign exchange gain	1,169	711	2,642	734
Net gain on disposal of property, plant and equipment	1	–	1	–
	1,170	711	2,643	734

8 Net gain on deemed disposal of equity interests in associates of the Group and acquisition of controlling equity interests in subsidiaries

The Company had 38% indirect equity interest in New Sinotech Investments Limited (“New Sinotech”), which in turn directly held 100% equity interest in Fair Time International Limited (“Fair Time”), and indirectly held 100% equity interest in Zhenjiang Sinotech Eco-Electroplating Development Limited (“Zhenjiang Sinotech”, 鎮江華科生態電鍍科技發展有限公司) (collectively referred to as the “New Sinotech Group”) as associates since 8 August 2008. On 13 December 2010, the Company entered into a sale and purchase agreement with NUEL and Mr. CHAN Son Neng, pursuant to which the Company has conditionally agreed to acquire from NUEL and Mr. CHAN Son Neng the equity interests of 53% and 7% respectively in New Sinotech, at an aggregate cash consideration of HK\$53,000,000 (therein referred to as the “Acquisition”) subject to, amongst others, the approval of the Acquisition by the Company’s independent shareholders. The Acquisition was approved by the independent shareholders of the Company under poll voting at the extraordinary meeting held on 16 February 2011.

Upon completion of the transfer of the aggregate 60% equity interest of New Sinotech to the Group on 17 February 2011 (the “Completion”), New Sinotech Group ceased to be associates of the Group. The Group’s share of net losses of New Sinotech Group for the amount of HK\$206,000 was accounted for using equity method before the Completion of the Acquisition for the period from 1 January 2011 to 17 February 2011. The Group recognized a net gain of HK\$4,419,000 on the deemed disposal of the previously held 38% equity interest in New Sinotech Group upon the Completion.

In addition, upon the Completion, the Group’s effective equity interest in New Sinotech Group increased from 38% to 98%. Consequently, members of New Sinotech Group becomes 98% owned subsidiaries of the Group, and the excess of fair value of net assets acquired over cost of acquisition of the 98% equity interest in New Sinotech Group of HK\$5,583,000 has been recognized as deemed contribution from NUEL and Mr. CHAN Son Neng as shareholders of the Company and fully credited as capital reserve in the equity of the Group.

The fair value and carrying amounts of assets and liabilities arising from the Acquisition on Completion when the equity interests held by the Group in New Sinotech Group became 98% were as follows:

	Carrying amount	Fair value adjustments	Fair value
	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	147,876	2,994	150,870
Land use rights	68,273	15,387	83,660
Trade and bills receivables	2,896	–	2,896
Prepayments, deposits and other receivables	869	–	869
Cash and cash equivalents	39,366	–	39,366
Accrued liabilities and other payables	(12,938)	–	(12,938)
Deposits received	(1,954)	–	(1,954)
Interest bearing bank borrowings	(84,608)	–	(84,608)
Amount due to NUEL	(33,177)	–	(33,177)
Amount due to Mr. CHAN Son Neng	(5,504)	–	(5,504)
Amount due to the Group	(23,461)	–	(23,461)
Amount due to a related company	(310)	–	(310)
Deferred government grants	(2,907)	–	(2,907)
Deferred tax liabilities	(14,176)	(4,595)	(18,771)
Net assets	80,245	13,786	94,031
Non-controlling interests (2%)	(1,605)	(276)	(1,881)
Net assets acquired upon Completion (98%)	78,640	13,510	92,150
38% identified net assets previously held	30,493	5,239	35,732
60% identified net assets acquired for the Acquisition	48,147	8,271	56,418
	78,640	13,510	92,150

	HK\$'000
Cash consideration for the Acquisition of 60% equity interests in New Sinotech Group	53,000
Fair value of previously held 38% equity interest in New Sinotech Group	33,567
Fair value of 2% non-controlling interest	1,881
	<hr/> 88,448
Less: Fair value of net assets upon Completion	94,031
	<hr/>
Excess of fair value over costs of net assets acquired being classified as shareholders' contribution	5,583
	<hr/> HK\$'000
Fair value of previously 38% equity interest in New Sinotech Group	33,567
Carrying amount of previously 38% equity interest in New Sinotech Group	(30,493)
Direct transaction costs	(1,398)
Release of translation reserve	2,743
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Gain on deemed disposal of 38% equity interest in New Sinotech Group upon Completion	4,419
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9 Finance costs

	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Interest on				
Bank loans wholly repayable within five years	729	117	1,784	316
Consideration payable to NUEL wholly repayable within 5 years	173	–	426	–
Loans from related parties wholly repayable within 5 years	–	4	6	44
Imputed interest on promissory notes	–	–	–	931
	<hr/> 902	121	2,216	1,291
	<hr/>			

10 Income tax

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Current tax:				
Hong Kong Profits Tax	-	-	-	-
PRC Income Tax	845	799	2,720	2,235
	845	799	2,720	2,235
Under/(over) provision in prior periods				
Hong Kong Profits Tax	-	-	-	-
PRC Income Tax	(303)	-	(595)	-
	(303)	-	(595)	-
Deferred tax	(101)	(27)	(156)	(81)
	441	772	1,969	2,154

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

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

The subsidiaries of the Company in the PRC are subject to PRC corporate income tax rate of 25% (2010: 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.

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, and thereafter subject to the income tax rate of 25%. Zhenjiang New Universe would be subject to EIT of 12.5% for the years from 2010 to 2012, and thereafter subject to the income tax rate of 25%. Zhenjiang Sinotech, Suzhou New Universe Smartech Tooling and Plastics Limited (“Suzhou New Universe”, 蘇州新宇模具塑膠有限公司), Zhenjiang New Universe Recyclables Company Limited (鎮江新宇資源再生利用有限公司), Zhenjiang New Universe Rubber Company Limited (鎮江新宇橡塑有限公司) and Xiangshui New Universe Environmental Technology Limited (响水新宇環保科技有限公司) had no assessable profit subject to PRC corporate income tax for the nine months ended 30 September 2010 and 2011.

- (b) Reconciliation between income tax and accounting profit at the applicable rates is as follows:

	Nine months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
Profit before tax	25,711	12,709
Notional tax on profit before tax, calculated at the rates applicable in the tax jurisdiction concerned	6,438	2,999
Tax effect of expenses not deductible for tax purpose	34	701
Tax effect of income not taxable for tax purpose	(1,673)	(240)
Tax effect of tax losses not recognized	177	224
Tax effect of tax losses utilized	(479)	–
Effect of tax exemptions granted to PRC subsidiaries	(2,528)	(1,530)
Income tax	1,969	2,154

11 Profit for the period

Profit for the period is stated after charging the following:

	Three months ended 30 September		Nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Continuing operations				
Cost of sales				
– Cost of goods sold	19,771	20,857	55,466	49,042
– Cost of services rendered	13,503	5,515	34,454	14,057
	33,274	26,372	89,920	63,099
Depreciation of property, plant and equipment	4,025	1,946	10,325	5,607
Amortization of land lease prepayments	725	128	1,651	383

12 Dividend

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2011 (2010: Nil).

13 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\$20,078,000 for the nine months ended 30 September 2011 (2010: HK\$7,955,000) and the weighted average number of 2,056,846,037 (2010: 1,901,518,055) ordinary shares of the Company in issue during the period.

Number of shares:

	Three months ended 30 September		Nine months ended 30 September	
	2011	2010	2011	2010
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	2,145,288,847	2,011,891,681	2,056,846,037	1,901,518,055

Earnings for the period:

	Three months ended 30 September		Nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	4,755	2,741	20,078	7,955

There were no dilutive ordinary shares in existence during the periods under review; therefore, diluted earnings per share is the same as basic earnings per share.

14 Movement of reserves

Details of movements of reserves for the reporting period are as follows:

	Share premium HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2010 (audited)	206,488	9,620	4,637	31,929	-	18,020	270,694
Changes in equity for nine months ended 30 September 2010:							
Profit for the period	-	-	-	-	-	7,955	7,955
Other comprehensive income for the period	-	2,845	(540)	-	-	-	2,305
Total comprehensive income for the period	-	2,845	(540)	-	-	7,955	10,260
Shares issued upon redemption of promissory notes	3,933	-	-	-	-	-	3,933
Shares issued upon top-up placing, net of share issuance costs	29,188	-	-	-	-	-	29,188
At 30 September 2010 (unaudited)	239,609	12,465	4,097	31,929	-	25,975	314,075
At 1 January 2011 (audited)	239,609	15,040	17,597	31,929	-	30,025	334,200
Changes in equity for nine months ended 30 September 2011:							
Profit for the period	-	-	-	-	-	20,078	20,078
Other comprehensive income for the period	-	10,695	(11,160)	-	-	-	(465)
Total comprehensive income for the period	-	10,695	(11,160)	-	-	20,078	19,613
Excess of fair value over cost of net assets of subsidiaries acquired	-	-	-	-	5,583	-	5,583
Rights Issue, net of share issuance costs	26,893	-	-	-	-	-	26,893
At 30 September 2011 (unaudited)	266,502	25,735	6,437	31,929	5,583	50,103	386,289

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Environmental Solid Waste Treatment

Zhenjiang New Universe, Yancheng New Universe and Taizhou New Universe have handled in aggregate 14,200 metric tons of hazardous industrial waste, 3,740 metric tons of general industrial waste, and 2,050 metric tons of regulated medical waste for the nine months ended 30 September 2011 compared to 13,590 metric tons, 4,890 metric tons, and 1,670 metric tons respectively in the corresponding period of 2010.

Eco-plating Specialized Zone

Upon the Completion of the Acquisition of additional 60% equity interest in New Sinotech took place on 17 February 2011, New Sinotech Group became 98% indirectly owned subsidiaries of the Company. The principal activities of New Sinotech Group are to develop, manage and operate an eco-plating specialized zone with total land area of approximately 182,520 square metres owned by New Sinotech's indirectly wholly owned subsidiary, Zhenjiang Sinotech that is capable to accommodate industrial buildings with a total rentable gross floor area of more than 125,000 square metres (the "Eco-plating Specialized Zone") upon full development.

As at 30 September 2011, industrial buildings with a total gross floor area of more than 68,404 square metres were completed, 22,480 square metres were under construction, and approximately 86% of the completed buildings were leased out and occupied by manufacturers carrying out plating operations under a centralized discharge control system in the Eco-plating Specialized Zone. For the nine months ended 30 September 2011, the Eco-plating Specialized Zone has handled approximately 210,000 metric tons of plating sewage being discharged.

Manufacturing operations

Suzhou New Universe is the production and outlet base of the Group's injection molds and plastic products in Mainland China. For the nine months ended 30 September 2011, the average gross profit margin of Suzhou New Universe was 9.8% (nine months ended 30 September 2010: 8.2%).

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 engaged in plastic materials dyeing in the Mainland China, which are considered to be the Group’s strategic investments to enhance customer networks for both of its manufacturing and environmental operations in Mainland China. For the nine months ended 30 September 2011, the net profit margins of Suzhou New Huamei, Danyang New Huamei and Qingdao Huamei were 3.0%, 1.5% and 2.2% respectively (nine months ended 30 September 2010: 3.2%, 1.4% and 4.0% respectively).

Update on Disposal of Zhenjiang Dock Project

The Group with the assistance of its PRC lawyers 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 since the completion took place in 2009 (therein referred to as the “Disposal of Zhenjiang Dock Project”). As at 30 September 2011, out of a total consideration of RMB85,849,100, RMB52,549,100 was received by the Group and RMB33,300,000 (approximately HK\$40,826,000) remained outstanding (31 December 2010: RMB42,549,100 and RMB43,300,000 respectively). Settlement of the balance of consideration on or before 31 March 2012 is jointly guaranteed by two China parties comprising Zhenjiang Xinminzhou Harbour Estate District Administrative Committee (鎮江新民州港口產業園區管委會) and Stated Owned Gongqingtuan Farm of Jiangsu Province (江蘇省國營共青團農場). 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 to the local government for acquisition of certain land use rights for the settlement of the outstanding balance of the consideration if the purchaser has decided not to proceed with the land use rights acquisition by 31 December 2011. To further protect the interest of the Group, NUEL, being the Company’s controlling shareholder, has entered into a deed of indemnity dated 23 June 2011 in favour of the Company pursuant to which NUEL irrevocably agreed to indemnify the Group for any loss that the Group may suffer from not being paid any consideration under the disposal in full.

Fund raising exercise

On 1 August 2011, the Group successfully raised funds of approximately HK\$30.2 million through a rights issue of 201,189,168 rights shares of the Company. The net proceeds, after deduction of related expenses, of approximately HK\$28.9 million from the rights issue would be applied as to approximately HK\$25 million for financing the capital commitment requirement for development of the Group’s environmental operations and the remaining balance for the general working capital of the Company.

FINANCIAL REVIEW

The change in unaudited consolidated results of the Group for the nine months ended 30 September 2011 as comparing to the unaudited figures for the corresponding period in 2010 is shown as follows:

(Expressed in HK\$'000 unless indicated otherwise)	Note	Three months ended			Nine months ended		
		30 September		Change	30 September		Change
		2011	2010	%	2011	2010	%
Turnover	(a)	48,966	37,657	+30.0	133,758	93,255	+43.4
Average gross profit margin (%)	(b)	32.0	30.0	+6.7	32.8	32.3	+1.5
Other revenue	(c)	1,583	319	+396.2	6,994	4,120	+69.8
Other net income	(d)	1,170	711	+64.6	2,643	734	+260.1
Distribution and selling expenses	(e)	2,216	1,992	+11.2	5,944	4,351	+36.6
Administrative expenses	(f)	7,262	4,744	+53.1	19,692	12,864	+53.1
Other operating expenses	(g)	2,176	1,274	+70.8	5,301	2,972	+78.4
Finance costs	(h)	902	121	+645.5	2,216	1,291	+71.6
Share of net profits of associates	(i)	479	181	+164.6	970	493	+96.8
Income tax	(j)	441	772	-42.9	1,969	2,154	-8.6
Net profit for the period	(k)	5,927	3,593	+65.0	23,742	10,555	+124.9
Profit attributable to owners of the Company	(k)	4,755	2,741	+73.5	20,078	7,955	+152.4

Note:

- (a) Net increase in total turnover for the 3 quarters to 30 September 2011 was mainly attributable to (i) stable growth in revenue from environmental services, and (ii) consolidation of post-acquisition revenue and results of the New Sinotech Group since it became the Group's subsidiaries on 17 February 2011.
- (b) Increase in average gross profit margin of the Group for the 3 quarters to 30 September 2011 was mainly attributable to slight improvement of the average gross profit margin of the Group's manufacturing operations to 9.8% (3 quarters to 30 September 2010: 8.2%) for the current period.
- (c) Net increase in other revenue for the 3 quarters to 30 September 2011 was mainly attributable to increase in scrap sales in the second quarter of 2011.
- (d) Net increase in other net income for the 3 quarters to 30 September 2011 was mainly attributable to gain on exchanges from operations for the current period.

- (e) Net increase in distribution and selling expenses for the 3 quarters to 30 September 2011 was mainly attributable to (i) increase in incentive payments made to sale agents of the Group's operations, and (ii) consolidation of post-acquisition results and related expenses of the New Sinotech Group.
- (f) Net increase in administrative expenses for the 3 quarters to 30 September 2011 was mainly attributable to (i) increase in staff costs caused by increase in overall headcount of the Group as comparing with that of the corresponding period in 2010, and (ii) consolidation of post-acquisition results and related expenses of the New Sinotech Group.
- (g) Net increase in other operating expenses for the 3 quarters to 30 September 2011 was mainly attributable to increase in PRC property taxes and PRC with holding dividend tax paid during the period.
- (h) Net increase in finance costs for the 3 quarters to 30 September 2011 was mainly attributable to consolidation of post-acquisition interest on bank borrowings of the New Sinotech Group.
- (i) Net increase in profits shared from associates for the 3 quarters to 30 September 2011 was mainly attributable to the increase in net profit shared from Qingdao Huamei for the current period under review.
- (j) Net increase in income tax for the 3 quarters to 30 September 2011 was mainly attributable to increase in taxable profits arising from environmental operations for the current period.
- (k) Net increase in net profit of the Group together with profit attributable to the Group's owners for the 3 quarters to 30 September 2011 was mainly attributable to (i) increase in profits from core operations of the Group, and (ii) gain on deemed disposal of the previously held 38% equity interest in the New Sinotech Group recorded in the first quarter of 2011.

Liquidity and financial resources

The Group financed its operations with internally generated cash flows, banking facilities, loans and advances from NUEL, and funds raising exercises. The Group remained in a stable financial position with unaudited equity attributable to owners of the Company amounted to HK\$408,420,000 as at 30 September 2011 (31 December 2010: HK\$354,319,000) and unaudited consolidated total assets amounted to HK\$732,791,000 as at 30 September 2011 (31 December 2010: HK\$428,993,000).

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

	30 September 2011 HK\$'000	31 December 2010 HK\$'000
(a) Cash and bank balances	95,310	76,907
(b) Available unused banking facility as guaranteed by a related company	–	10,000
(c) Available unused bridging loan facility as guaranteed by the chairman of the Company, Mr. XI Yu	8,800	–

Use of proceed from Rights Issue

During the nine months ended 30 September 2011, the Company has completed the fund raising exercise through the Rights Issue that became unconditional on 27 July 2011. The dealings of the fully-paid Rights Shares commenced on 3 August 2011. Up to 30 September 2011, the net proceeds from the Rights Issue approximately amounted to HK\$28.9 million were applied as follows:

Date of announcement	Date of prospectus	Fund raising activity	Net proceeds raised (approximately)	Intended use of net proceeds raised	Actual use of net proceeds raised
9 June 2011	8 July 2011	Rights Issue	HK\$28.9 million	(i) Approximately HK\$25 million for financing the capital commitment requirement for development of the Group's environmental operations; and (ii) the remaining balance for the general working capital of the Company.	(i) Approximately HK\$25 million had been utilized for the capital commitment requirement for development of the Group's environmental operations; (ii) approximately HK\$1.4 million had been utilized as general working capital of the Company; and (iii) the remaining balance of approximately HK\$2.5 million as at 30 September 2011 is available for the general working capital of the Company.

Capital structure

On 9 June 2011, the Company announced and proposed to raise approximately HK\$30.2 million before expenses by way of a rights issue of 201,189,168 rights shares at a price of HK\$0.15 per rights share (“Rights Shares”) on the basis of one rights share for every ten of the then existing shares held on the record date of 28 June 2011 (“Rights Issue”). On 9 June 2011, the Company had entered into an Underwriting Agreement with NUEL to underwrite 76,224,257 rights share (the “Underwriter”), and NUEL and Mr. XI Yu have also irrevocably undertaken under an Undertaking Letter to take up in full of the entitlement under the Rights Issue relating to the shares beneficially owned by NUEL amounting to 124,964,911 Rights Shares. The Company completed the Rights Issue by issuing 201,189,168 rights shares on 1 August 2011. Net proceeds of approximately HK\$28.9 million (after related expenses of approximately HK\$1.3 million) from the Rights Issue was expected to be applied as to approximately HK\$25 million for financing the capital commitment requirement for development of the Group’s environmental operations and the remaining balance for the general working capital of the Company.

Details of movements in the share capital of the Company during the nine months ended 30 September 2011 are as follows:

	Number of shares ’000	Share capital HK\$’000
Ordinary shares of HK\$0.01each		
Authorized		
At 1 January 2011 and at 30 September 2011	100,000,000	1,000,000
Issued and fully paid		
At 1 January 2011	2,011,892	20,119
Rights Issue	201,189	2,012
At 30 September 2011	2,213,081	22,131

Save as disclosed therein, there was no significant change to the capital structure of the Group as at 30 September 2011 compared to that as at 31 December 2010.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Save as disclosed therein, there were no other significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the nine months ended 30 September 2011.

Charges on Group assets

As at 30 September 2011, the Group pledged the land use rights together with its property, plant and equipment owned by Suzhou New Universe with an aggregate carrying amount of HK\$11,325,000 (31 December 2010: HK\$11,444,000) to a bank in China to secure bank loans of HK\$11,034,000 or equivalent to RMB9,000,000 (31 December 2010: HK\$10,575,000 or equivalent to RMB9,000,000) granted to the Suzhou New Universe.

Gearing ratio

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

	30 September 2011 HK\$'000	31 December 2010 HK\$'000
Current liabilities	182,849	50,920
Non-current liabilities (excluding deferred taxes)	94,008	–
Total debts	276,857	50,920
Less: cash and cash equivalents	95,310	76,907
Net debts/(net cash)	181,547	(25,987)
Total equity	432,081	371,594
Gearing ratio	42%	N/A

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

Investments held and their performance

According to the valuation report dated 7 November 2011 issued by an independent professional valuer, BMI Appraisals Limited (“BMI”), after their review, the fair value attributable to the Group’s interests in the available-for-sale equity investments in Suzhou New Huamei and Danyang New Huamei as at 30 September 2011 was HK\$28,000,000 and HK\$27,900,000 respectively (31 December 2010: HK\$46,200,000 and HK\$22,100,000 respectively).

The Group holds 28.67% equity interest in Qingdao Huamei as an associate. According to the valuation report dated 7 November 2011 prepared by BMI, the fair value attributable to the Group’s interest in Qingdao Huamei as at 30 September 2011 was HK\$19,200,000 (31 December 2010: HK\$20,100,000), and no impairment to the carrying amount of the associate was considered necessary for the nine months then ended.

For the nine months ended 30 September 2011, there was no significant change to the carrying amounts of the available-for-sale equity investments that were being stated at cost.

Goodwill

According to the valuation report dated 7 November 2011 issued by an independent professional valuer, BMI, after their review on the cash flows projection of the environmental entities of the Group comprising Zhenjiang New Universe, Yancheng New Universe, and Taizhou New Universe, no impairment to the carrying amount of the goodwill was considered necessary for the nine months ended 30 September 2011.

Capital expenditure

For the nine months ended 30 September 2011, the Group incurred capital expenditure to increase property, plant and equipment (i) for the environmental operations amounted to HK\$24,136,000 (2010: HK\$13,086,000), (ii) for the manufacturing operations amounted to HK\$1,037,000 (2010: HK\$98,000), and (iii) for the Eco-plating Specialized Zone amounted to HK\$32,907,000 since the Completion of the Acquisition of additional 60% equity interest in New Sinotech Group took place on 17 February 2011.

Commitments

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

(a) Capital commitments

At 30 September 2011, the Group had the following capital commitments:

	30 September 2011 HK\$'000	31 December 2010 HK\$'000
Contracted but not provided for:		
– Acquisition of property, plant and equipment	84,895	22,056
Authorized but not contracted for:		
– Investment in available-for-sale equity investments	6,804	11,687
– Investment in an associate	5,995	23,651
– Acquisition of additional 60% equity interest in New Sinotech	–	53,000

(b) Operating lease 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:

	30 September 2011 HK\$'000	31 December 2010 HK\$'000
Within one year	262	332
After one and within five years	339	461
After five years	–	–
	601	793

Contingent liabilities

There were no significant contingent liabilities of the Group as at 30 September 2011 (31 December 2010: Nil).

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 risk of the Group were considered to be minimal. During the nine months ended 30 September 2011, no related hedging has been arranged by the Group.

Employee information

As at 30 September 2011, the Group had 459 (30 September 2010: 364) full-time employees of which 18 (30 September 2010: 18) were based in Hong Kong and 441 (30 September 2010: 346) in the Mainland China. Staff costs, including directors' remuneration and amount capitalized as inventories was HK\$25,823,000 for nine months ended 30 September 2011 (nine months ended 30 September 2010: HK\$18,352,000). Directors and employees of the Group 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.

Dividend

The Board resolved not to declare a dividend for the nine months ended 30 September 2011.

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

As at 30 September 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were recorded in the register required to be kept pursuant to section 352 of the SFO; or pursuant to Rules 5.46 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

The Company

Long positions in ordinary shares of the Company

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

Note:

- * Mr. Xi Yu is the shareholder of 16,732 shares of US\$1.00 each in NUEL, representing 83.66% of the issued share capital of NUEL, which in turn beneficially interested in 1,428,657,382 shares of the Company, representing approximately 64.55% of the issued share capital of the Company.

Associated corporation

Long positions in ordinary shares of NUEL

Name of director	Number of ordinary shares of US\$1.00 each			Number of shares held	% of total shares in issue
	Personal/beneficial	Interest of children or spouse	Interests of controlled corporation		
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 30 September 2011, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, underlying Shares or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, recorded in the register required to be kept pursuant to section 352 of the SFO; or pursuant to Rules 5.46 of the GEM Listing Rules, 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 executives of the Company, the persons (other than a Director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 September 2011 were as follows:

Long positions in ordinary shares of the Company

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

Save as disclosed above, the Directors were not aware of any other persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company of the SFO as recorded in the register required to be kept under section 336 as at 30 September 2011.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, during the period under review, there was no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate being granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

SHARE OPTION SCHEME

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

The total number of securities available for issue under the Share Option Scheme as at 30 September 2011 was 182,589,168 shares of the Company, which represented the current scheme mandate limit given to the Directors as refreshed by the Company's shareholders on 28 April 2008 and approved by the Stock Exchange on 23 May 2008.

As at 30 September 2011 and during the nine months then ended, no option has been granted or outstanding under the Company's Share Option Scheme.

CONNECTED TRANSACTIONS

- 1 Continuing Connected Transactions involving provision of goods to the Group by the connected person, China (HK) Chemical:

Pursuant to the requirements of the GEM Listing Rules, an ordinary resolution duly passed under poll voting by the independent shareholders of the Company at an extraordinary general meeting held on 18 September 2009, the Company was approved to procure its 97% indirectly owned subsidiary, Suzhou New Universe to purchase plastic materials from China (HK) Chemical & Plastics Co. Limited ("China (HK) Chemical") according to a framework supply agreement mutually signed on 26 February 2009 ("Supply Contract") at the annual caps in the amounts of US\$12,800,000 (approximately HK\$99,328,000), US\$14,080,000 (approximately HK\$109,261,000) and US\$15,488,000 (approximately HK\$120,187,000) for the three financial years 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 nine months ended 30 September 2011, Suzhou New Universe ordered plastic materials of 410 metric tons for an aggregate amount of HK\$8,293,000 from China (HK) Chemical; and China (HK) Chemical delivered 410 metric tons of plastic materials for an aggregate amount of HK\$8,293,000 to Suzhou New Universe (“Continuing Connected Transactions”).

The audit committee of the Company has reviewed the Continuing Connected Transactions and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on terms no less favourable than terms available from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

2 Connected transaction involving the Acquisition of 53% equity interest in New Sinotech from the connected person, NUEL:

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

on the resolution to approve the Acquisition and the transactions contemplated. The resolution to confirm and approve the Acquisition was duly passed by the independent shareholders of the Company under poll voting at the extraordinary general meeting held on 16 February 2011. The Completion of the Acquisition and the transfer of the 60% equity interests to the Group took place on 17 February 2011.

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

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

A tenancy agreement dated 26 July 2010 together with a renewed tenancy agreement dated 11 July 2011 entered into between Smartech Services Limited ("Smartech Services," an indirectly wholly owned subsidiary of the Company) as tenant and Sun Ngai International Investment Limited ("Sun Ngai," a subsidiary of New Universe Holdings Limited, the board of directors of which comprises Mr. XI Yu and Ms. CHEUNG Siu Ling who are also executive Directors of the Company) as landlord, pursuant to which Smartech Services rented an office unit located at Room 2109, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong from Sun Ngai at a monthly rental of HK\$20,000 for the term from 1 August 2010 to 31 July 2012.

- 4 Provision of financial assistance to the Group by the connected person, NUEL:
 - (a) As at 30 September 2011, balance of loans owed by the New Sinotech Group (being the Group's 98% owned subsidiaries) to NUEL was approximately HK\$33,177,000 which are unsecured and non-interest bearing, to which in accordance with a deed executed on 17 February 2011, NUEL agreed the loans advanced by NUEL to New Sinotech Group, following the Completion shall be (a) interest free, (b) unsecured, and (c) repayable upon being served a 90-day notice (subject to unconditional and irrevocable undertaking by NUEL to grant an extension for 3 months for repayment of the whole or any portion of the amount being due each time upon the written request of the New Sinotech Group).
 - (b) As at 30 September 2011, balance of consideration due for the acquisition of 53% equity interest in New Sinotech amounted to HK\$34,420,000 together with interest at 2% per annum thereon in an aggregate amount of approximately HK\$34,846,000 payable by the Company to NUEL was still outstanding, and upon the Completion, NUEL has unconditionally and irrevocably undertaken to the Company that upon the Company's written request for time extension for

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

- (c) After the Completion and in February 2011, NUEL made unsecured interest-free advances of approximately HK\$3,063,000 to New Sinotech for its general working capital purposes.
- (d) On 6 May 2011, NUEL granted an unsecured interest free loan of US\$4,000,000 (mutually agreed to be equivalent to HK\$31,080,000) to the Company for the Group's contribution to the registered capital of Zhenjiang Sinotech, which was repayable on or before 9 May 2012. On 20 September 2011, the Company repaid HK\$5,000,000 of the loan to NUEL.
- (e) On 23 June 2011, a deed of indemnity was entered into by NUEL in favour of the Company, pursuant to which NUEL irrevocably agreed to indemnify the Group for any loss that the Group may suffer from not being paid any consideration under the Disposal of Zhenjiang Dock Project in full ("Deed of Indemnity").
- (f) On 30 June 2011, NUEL has irrevocably undertaken to the Company in writing that NUEL shall not demand for repayment of any amounts due by the Group (inclusive of New Sinotech Group) to NUEL on or before 31 August 2012 to ensure the Group will not encounter any working capital deficiency issue.

The loans and advances owed by the Company and New Sinotech Group to NUEL, the balance of consideration outstanding for the Acquisition and interest thereon due by the Company to NUEL, and the Deed of Indemnity constitute financial assistance granted by NUEL as a connected person for the benefit of the Group on normal commercial terms (or better to the Company) with no security over the assets of the Group under the GEM Listing Rules, which will be exempted from reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

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

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

COMPETING BUSINESS OR INTEREST

As at 30 September 2011, the Directors were not aware of any business or interest of the Directors or any controlling shareholder (as defined under the GEM Listing Rules) of the Company and their respective associates that had competed 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.

PURCHASE, REDEMPTION OR SALE 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 2011.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules throughout the nine months ended 30 September 2011.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings") as the code of conduct regarding the directors' securities transactions in securities of the Company. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with and they were not aware of any non-compliance with the Required Standard of Dealings during the nine months ended 30 September 2011.

EXECUTIVE COMMITTEE

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

- 1 The Executive Committee is vested with the following powers and authorities:
 - (a) to manage generally the operation of the Group in its ordinary course of business;
 - (b) to recommend to the Board on investment opportunities and proposals;
 - (c) to manage the agenda and papers for Board meetings;
 - (d) to consider and approve any transaction (the "Authorized Transaction(s)") which is not subject to the compliance with any requirement under the Rules Governing the Listing of Securities on the Growth Enterprise Market and/or Main Board of The Stock Exchange of Hong Kong Limited, the Codes on Takeovers and Mergers and Share Repurchases or other rules and regulations governing listed companies in Hong Kong (the "Applicable Rules"); and
 - (e) to consider and approve all deeds and documents in relation to the Authorized Transactions so as to implement the Authorized Transactions.

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

- 3 The Executive Committee shall be provided with sufficient resources to discharge its duties.

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

The Executive Committee shall discharge the following duties:

- 1 to refer the transactions to the Board for decision making if the members of the Executive Committee have doubt on any compliance issue under the Applicable Rules in respect of the transactions under consideration;

- 2 to report on any commitment (within its authority) approved by the Executive Committee and entered into on behalf of the Group to the Board in the next scheduled meeting of the Board; and
- 3 to ensure that all the relevant management personnel of the Group and the company secretary of the Company will be provided with all deeds, documents or contracts entered into on behalf of the Group pursuant to the approval of the Executive Committee (within its authority) for record keeping.

AUDIT COMMITTEE

The Company has established the audit committee (“Audit Committee”) in May 2000 with written terms of reference in compliance with the GEM Listing Rules, which comprises three independent non-executive directors, Prof. CHAN Yan Cheong (Committee Chairman), Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred.

The Group’s unaudited consolidated results and financial information for the nine months ended 30 September 2011 have been reviewed by the Audit Committee which was of the opinion that such results and financial information complied with the applicable accounting standards and adequate disclosures had been made as required.

By order of the Board
New Universe International Group Limited
CHAN Chun Hing
Chief Executive Officer

Hong Kong, 7 November 2011

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

Mr. XI Yu	<i>(Executive Director and Chairman)</i>
Mr. CHAN Chun Hing	<i>(Executive Director and Chief Executive Officer)</i>
Mr. HON Wa Fai	<i>(Executive Director)</i>
Ms. CHEUNG Siu Ling	<i>(Executive Director)</i>
Mr. SONG Yuqing	<i>(Non-executive Director and Vice-Chairman)</i>
Mr. SUEN Ki	<i>(Non-executive Director)</i>
Prof. 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>
Mr. LEE Kwan Hung	<i>(Independent Non-executive Director)</i>